

April 7, 2011

## ***TOWARDS A NEW ERA FOR ECONOMICAL:***

### **DEMUTUALIZATION PROGRESS REPORT V**

In our last Progress Report, we promised to advise you as soon as possible of the decisions of the Ontario Superior Court of Justice on our application seeking legal clarity of the unprecedented proposals submitted by dissident mutual policyholders led by VC & Co. Advisory Limited. The Court was also asked to rule on a cross-application by the dissidents.

Those decisions were received yesterday and we are pleased to report that they not only provide the needed clarification that will allow us to proceed towards our May 26<sup>th</sup> Annual Meeting on schedule, but also uphold our efforts to protect the privacy of our mutual policyholders and the integrity of our established procedures for voting at the meeting.

The significance of the decisions led Economical to issue a news release which we include here:

#### **Economical Mutual Insurance Company Welcomes Court Decisions On Annual Meeting of Mutual Policyholders**

##### **Ontario Superior Court of Justice Provides Clarity and Protects Mutual Policyholder Privacy**

WATERLOO, ON, April 6, 2011 – The Economical Mutual Insurance Company, one of Canada's largest property and casualty insurance companies, today announced that the Ontario Superior Court of Justice has provided its decisions on the Company's application for rulings seeking clarity on procedures related the Company's Annual Meeting on May 26, 2011.

The Court ruled that two of three proposals from dissident mutual policyholders led by VC & Co. Advisory Limited can be considered at the Company's Annual Meeting. The first of these dissident proposals calls for a vote in which mutual policyholders will be asked to remove the current Board of Directors. The other proposal is for a vote to replace the current Board with so-far unnamed individuals nominated by the dissidents. The Board opposes the dissident proposals as not being in the best interests of the Company.

The Court ruled that the dissident proposal to amend the Company's by-law providing for the staggered election of directors would violate the Insurance Companies Act and cannot be considered. The by-law calls for the annual election of a portion of the Board whose three-year terms as directors have been completed.

The Court also rejected, in whole, a cross-application from the dissidents which sought changes to the procedures used for the Annual Meeting, including requiring the Company to provide personal information about all mutual policyholders to the dissident group, which the Court found would violate the privacy rights of those individuals.

“We sought a Court ruling to ensure all parties were clear on the legality of the dissident proposals, which were unprecedented in our industry. We welcome the clarity the Court has provided and its timely decisions which will allow us to proceed with our scheduled Annual Meeting date of May 26<sup>th</sup>,” said Gerald Hooper, Chairman of the Board of Economical. “The Company is particularly pleased that it has been able to protect the privacy of our mutual policyholders. We have no intention of appealing the Court’s decisions.”

With the Court's determination completed, the Company expects to mail a Proxy Circular and related materials to all mutual policyholders shortly. The Circular will describe the Company’s progress in its planned demutualization and will set out the reasons why the Board believes mutual policyholders should reject the remaining dissident proposals and support the current Board.

As always, we will keep you informed with regular Progress Reports, and encourage you to contact us if you have any questions.

Sincerely,

Gerald Hooper, FCA  
Chairman of the Board  
Phone  
Email

Karen Gavan, FCA, ICD.D  
Chair of the Special Committee  
Phone  
Email

*Contact us:* We invite you to provide us with your e-mail address if you have not already done so. You can email us at [getthefacts@teig.com](mailto:getthefacts@teig.com). Email communications will be sent to you from Get The Facts. This will allow us to communicate with you more quickly and effectively. We look forward to hearing from you.