

## **ECONOMICAL MUTUAL BOARD OF DIRECTORS ENDORSED BY OVERWHELMING MAJORITY OF MUTUAL POLICYHOLDERS**

### **Dissident proposal rejected by 77% of votes cast at Annual and Special Meeting**

WATERLOO, ON, May 26, 2011 – The mutual policyholders of Economical Mutual Insurance Company voted decisively to reject a dissident proposal that would have replaced the entire Board and to elect the Company's three nominees to the Board of Directors at Economical's Annual and Special Meeting today.

Mutual policyholders voted overwhelmingly to defeat a proposal from 105 dissidents led by VC & Co. Advisory Limited that called for the replacement of the Board by dissident nominees. With a very high total vote of 841 proxies and ballots cast at the meeting, the Board won the support of 649 or 77% of the votes, compared with 192 or 23% for the dissidents.

In a separate vote, mutual policyholders voted to elect the Company's three nominees, John Bowey, Karen Gavan and David MacIntosh, for the available positions in the Company's normal staggered election of directors. The three dissident nominees for the same positions were each defeated.

"We are gratified but not surprised by the strong support shown by our mutual policyholders," said Gerald Hooper, Chairman of the Board of Directors of Economical. "We were confident that, as the owners of the Company, our mutual policyholders would recognize that they are best served by an experienced and unified Board with a clear commitment to completing the demutualization of Economical and unlocking the value of the Company for them."

"The Board thanks the mutual policyholders for their continued confidence, but we also thank our employees, brokers and all other stakeholders for their dedication and support during the period leading up to this vote," Mr. Hooper said. "Throughout this contest, the Board has sought to protect the best interests of all mutual policyholders and we intend to continue to do that as we work towards finishing the demutualization we began. In the end, everyone – even the dissident mutual policyholders – will agree that the outcome of today's meeting is the best result for Economical."

Karen Gavan, Chair of the Board's Special Committee with oversight of the demutualization process said: "The dissident campaign diverted attention from our continuing work towards demutualization, but it did not delay it. Economical is exactly where it should be, and the only open question is the timing of new federal regulations

that will allow the demutualization to be completed. We do not control that, but are assisting the Department of Finance as much as we can to expedite the drafting of regulations. We will continue to keep all the Company's stakeholders fully informed on our progress."

The votes at the Company's Annual and Special Meeting were conducted both by proxies submitted in advance and by confidential ballots by those present in person at the meeting. Mutual policyholders were presented with a report on the Company's financial and operating performance by President and CEO Katherine Mabe, as well as a progress report on the demutualization plan by Karen Gavan. Michael Woollcombe of VC & Co. was given the opportunity to speak on behalf of the dissident proposal and nominees.

### **About The Economical Insurance Group**

*Founded in 1871, The Economical Insurance Group is one of Canada's leading property and casualty insurers with \$4.5 billion in assets and policyholders' equity of approximately \$1.3 billion. Canadian owned and operated, Economical provides a wide range of insurance products throughout North America. The Group's Member Companies include Economical Mutual Insurance Company® (including Western General® Farm Division), Waterloo Insurance Company®, Perth Insurance Company®, The Missisquoi Insurance Company®, Federation Insurance Company of Canada™, Family Insurance Solutions and The Mattei Companies.*

*A mutual insurance company since it was founded, The Economical Insurance Group announced its intention to demutualize in December, 2010, making it the first property and casualty insurer to take this step under current Canadian legislation. It is currently developing a demutualization plan for approval by regulators and The Group's mutual policyholders.*

### **Forward Looking Statements**

*This document may contain forward looking statements that involve risks and uncertainties. The Group's actual results could differ materially from these forward looking statements as a result of various factors.*

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