

November 30, 2011

TOWARDS A NEW ERA FOR ECONOMICAL:

DEMUTUALIZATION PROGRESS REPORT X

Here is another in the series of reports from your Board of Directors and its Special Committee providing you with information about the progress of Economical's proposed demutualization.

Development of demutualization regulations: We have continued to have what we believe are constructive discussions with the Department of Finance, which is responsible for the development of regulations for the demutualization of Federal property and casualty mutual insurance companies. The Federal Government has made a clear commitment to the regulatory development process, and the Finance Department is continuing its work after reviewing submissions it received following its request for public comments on P&C demutualization. It now appears that the Department's publication of draft regulations for final comment will be somewhat later than we had hoped, and may be delayed until the first few months of 2012. We remain optimistic that the draft regulations may be available in the first quarter.

For those of you seeking more information, we advise you to review Economical's submission which clearly outlines our views on the direction of the draft regulations. It is available at the Company's website: www.economicalinsurance.com. Mutual policyholders can also request a printed copy by calling 519-570-8500 ex 42358 or by e-mail at getthefacts@teig.com.

Since this regulatory process is in the hands of the Federal Government, if you have questions or concerns about its progress, you can contact your local Member of Parliament or the Department of Finance in Ottawa. We regret the delay in the development of demutualization regulations and any uncertainty it may create for you. However, the regulatory process is entirely controlled by the Finance Department and, while we can contribute to the discussion, we cannot accelerate the pace established by the Department.

Our objective has always been – and remains – to complete demutualization within approximately six months from the adoption of final regulations. That includes the time required for the necessary regulatory and member approval of the demutualization proposal.

Corporate progress on the demutualization plan: Economical is not pausing until the draft regulations are announced, but is implementing as much of the preparatory work as possible.

- While financial market conditions around the world continue to be very challenging, we remain hopeful that stability will return. In anticipation of that, Economical's management, led by President and CEO Karen Gavan with oversight from the Special Committee, remains active in pursuit of both the Initial Public Offering strategic track and the sponsored demutualization track – the two preferred routes selected by the Special Committee last year. Within the next few days, the Company and its financial advisors will have completed a second round of meetings with qualified third parties who have been selected to submit proposals for a possible sponsored demutualization.


- Economical and its advisors are also making progress in key areas such as suggested criteria for the allocation of demutualization benefits to mutual policyholders, verifying factual information relevant to benefit allocation, and tax treatment, as discussed in our last Progress Report . As mentioned then, while Economical can recommend allocation of demutualization benefits, those recommendations will be subject to review and approval by our regulators.
- The most vital thing we can do for you now is to ensure that Economical is running its business well. That is where the true long-term value is generated. We are pleased to report that the results for the third quarter, ended September 30, 2011, indicate that the management team has been doing an outstanding job despite facing weather-related catastrophes and difficult investment conditions. During the quarter, Economical improved underwriting results by \$7.3 million and its combined ratio by 1.6 percentage points. It earned net income of \$1.4 million in the quarter, despite investment impairment charges of \$23.2 million and weather-related losses of \$31.3 million from Hurricane Irene, wind and hail storms in Alberta, and the tornado that devastated Goderich, Ontario. Most importantly, from your perspective, the Company increased total mutual policyholders' equity by \$57.8 million since December 31, 2010.

We cannot control the timing of the Department of Finance, but we remain committed to continuously improving Economical's operations and to developing the demutualization proposal that will be presented for your consideration at a Special Meeting of Mutual Policyholders. We will also continue to keep you informed with these regular Progress Reports. If you have any questions, please contact us, or our CEO, Karen Gavan, at karen.gavan@teig.com.

Sincerely,



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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. 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.