

2006 ANNUAL REPORT



“To be a leading property and casualty insurance company through the delivery of high quality insurance products and superior service, built upon a foundation of innovation and financial strength.”

TABLE OF CONTENTS

Report of the Board of Directors for Economical Mutual Insurance Company

Industry Conditions	3
The Year In Review	4
Looking Forward	7
In Conclusion	7

Financial Review

Report of Management’s Accountability	8
Appointed Actuary’s Report	9
Auditors’ Report	9
Consolidated Financial Statements	10
Notes to the Consolidated Financial Statements	13
Unaudited Comparative Financial Information (Consolidated)	27

Economical Mutual Insurance Company Board of Directors and Senior Management . 28

Company Overview 30

Report of the Board of Directors for Economical Mutual Insurance Company

Industry Conditions

The Canadian property and casualty (P&C) insurance industry continues to generate a strong financial performance.



2006 marks the fourth year of acceptable results—a much needed prolonged correction to a marketplace that had an average after-tax return on equity (ROE) of less than 5% in the five years preceding 2003.

Industry analysts had predicted 2005 would be the high-water mark in the industry's return to profitability, as increased claims severity and frequency, increased competition, and the negative impact of rate reductions were expected in 2006. While these factors did occur in some lines of business, fewer weather-related claims helped keep the industry's overall claims losses lower than anticipated.

Investment earnings for the industry continued to be strong in 2006, primarily as a result of returns from equity markets.

Early results indicate that the industry's underwriting profitability will be strong in 2006, despite the current soft cycle. Heightened competition, companies' aggressive growth objectives across many lines of business, and ongoing pressure from regulators in most regions to reduce rates all have negative implications. However, the industry's claims ratio appears to be well below historical averages, thus enabling higher returns.

Due to the automobile rate decreases mandated by regulators, the market has responded by more aggressively competing for the non-regulated commercial and personal property lines of business.

Regionally, Quebec remained one of the most aggressive markets as the competition for market share between broker-based companies and direct writers continued

to heighten. British Columbia experienced the most dramatic weather-related claims events of the year, with a series of severe storms impacting coastal and inland areas in late December.

Distribution of insurance remained a focus of the industry in 2006. Throughout Canada, direct writers continue to erode the market share of broker-based companies, however a parallel issue also became more apparent. There is a high level of activity in the consolidation of independent brokerages. In an effort to expand their distribution systems, some insurers are acquiring independent brokers and transforming them into company agents. Most of the mergers and acquisitions, however, are being driven by the demographic fact that many brokers are reaching the age of retirement.

On the legislative front, the Federal government maintained its election promise to the industry and upheld prior decisions to restrict banks from offering or advertising insurance products via their branches and retail locations. This sound decision helps ensure consumers are not subject to the pressures of tied-selling, and the inevitable demise of smaller insurers leading to less market competition for consumers in the future.

The Year In Review

The Economical Insurance Group's financial results in 2006 were mixed. While investment income was strong, underwriting profitability slipped compared to prior years.

As a result, the combined ratio for The Group deteriorated to 99.6% (94.9% in 2005), and the after-tax ROE returned to a more historical average of 12.0% (18.4% in 2005).

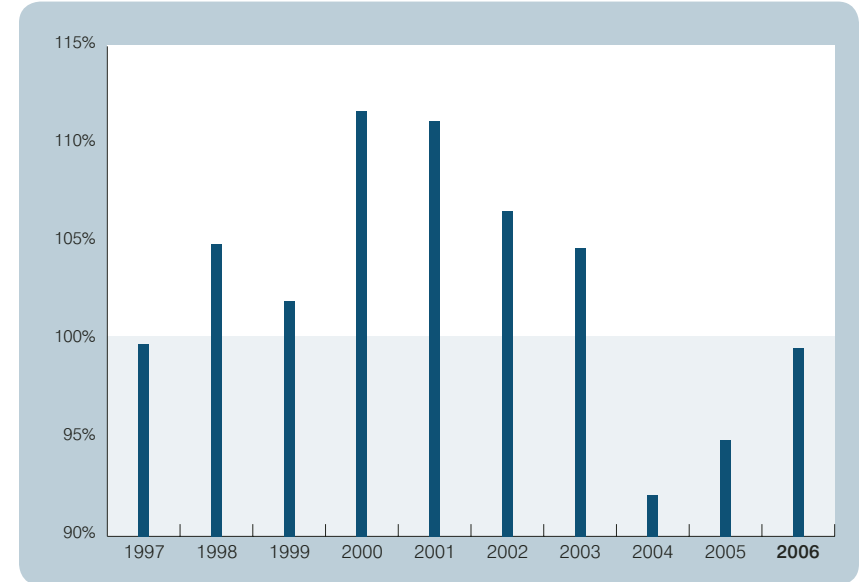
The Group generated a nominal underwriting profit in 2006 of \$6.3 million, representing a third consecutive year of underwriting profitability.

For the past few years the company has embarked on aggressive growth plans, especially in commercial lines, and has outperformed industry growth. The acquisition of new business, however, traditionally produces higher loss ratios than a seasoned portfolio.

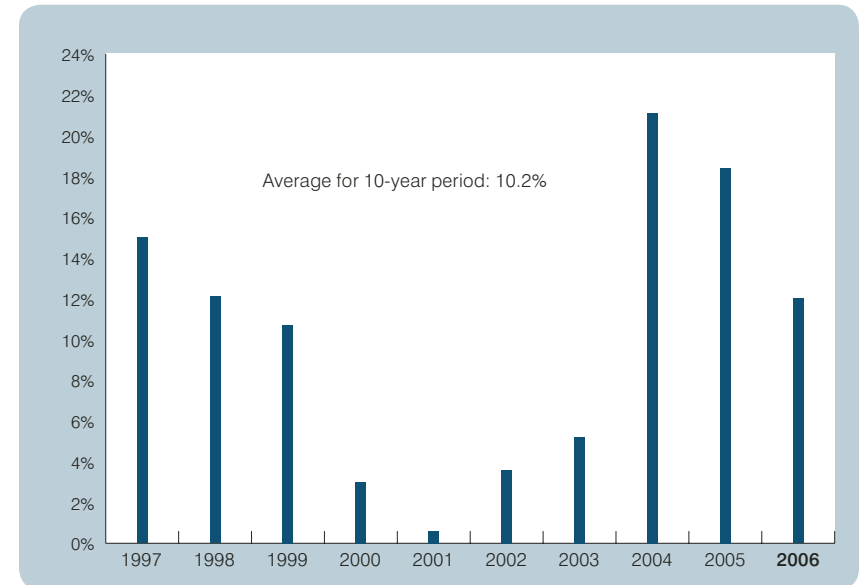
The severity of claims costs increased in 2006. Claims reserves were also strengthened in 2006 in accordance with the company's conservative approach to the introduction of changes to the automobile product in many provinces, specifically Bill 198 in Ontario.

Investment income greatly contributed to The Group's profitability in 2006, with a record pre-tax income of \$184.4 million compared to \$163.0 million in 2005.

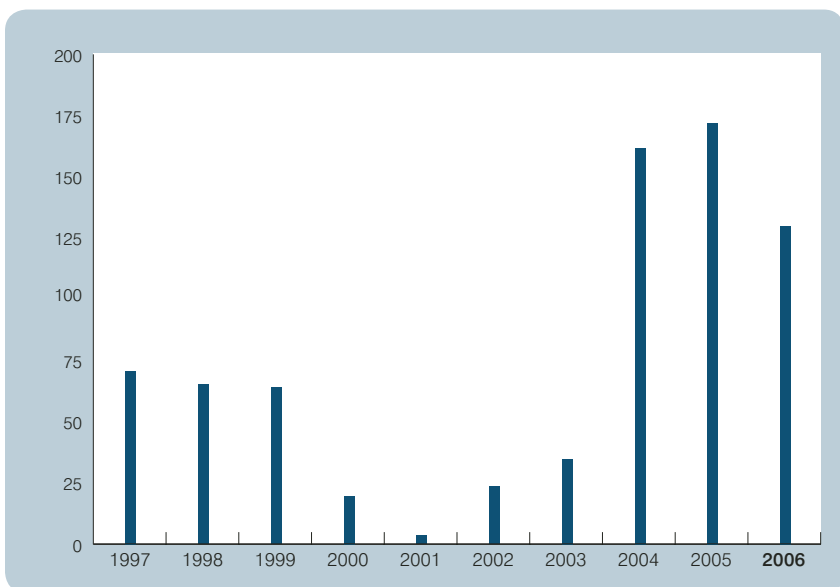
The Economical Insurance Group's **Annual Combined Ratio**



The Economical Insurance Group's **Annual Return on Equity**



The Economical Insurance Group's **Net Income** (Millions of Dollars)



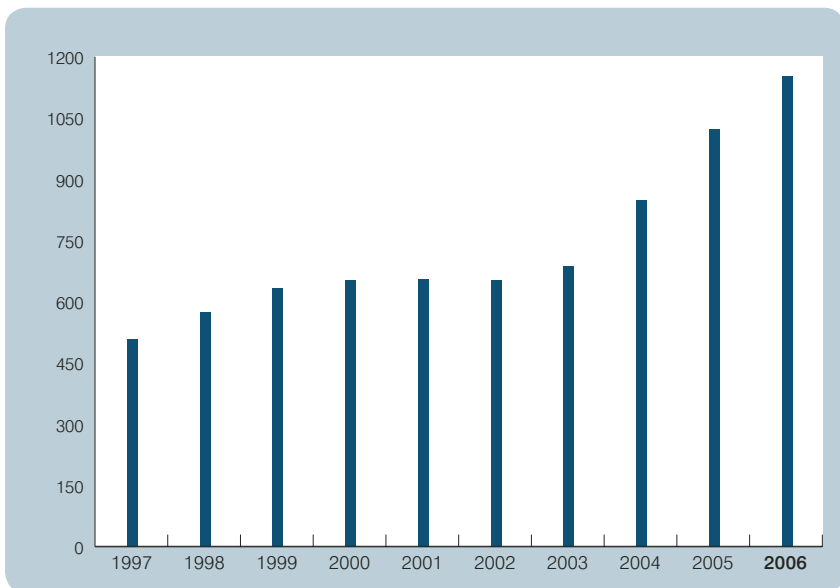
Despite achieving the highest investment income in The Group's history, the decline in underwriting profitability resulted in an overall year-over-year decrease in consolidated after-tax net income, falling to \$130.0 million compared to \$172.1 million in 2005. However, this still remains the third highest overall net income in The Group's history.

Between 2004 and 2006, The Group's after-tax net income has amounted to nearly \$464 million, approximately 40% of the company's current surplus.

Net premiums written increased to \$1.84 billion, an 8% gain over 2005, outperforming the industry average growth for the third consecutive year. The Group's policies in force also increased for the third consecutive year, to nearly 1.4 million.

With a surplus now exceeding \$1.15 billion, and total assets of over \$4 billion, The Group has built a solid financial foundation. This financial strength better positions the company for growth within the North American marketplace—something it began in earnest in 2006 with the acquisition of The Mattei Companies.

The Economical Insurance Group's **Net Surplus** (Millions of Dollars)



The Mattei Companies, a Seattle-based managing general agency, enhances The Group's commercial insurance offerings through new distribution channels and lines of business. The acquisition, combined with a general increase in commercial capability and products, resulted in a commercial growth rate of almost 16% in 2006—far surpassing the estimated industry growth rate of 4%.

The Group's financial strength also ensures policyholders and government regulators that the company's claims paying ability remains strong. While 2006 did not generate the weather-related losses experts had anticipated, there is an increasing global consensus that changing weather patterns will create catastrophic events.

Investments

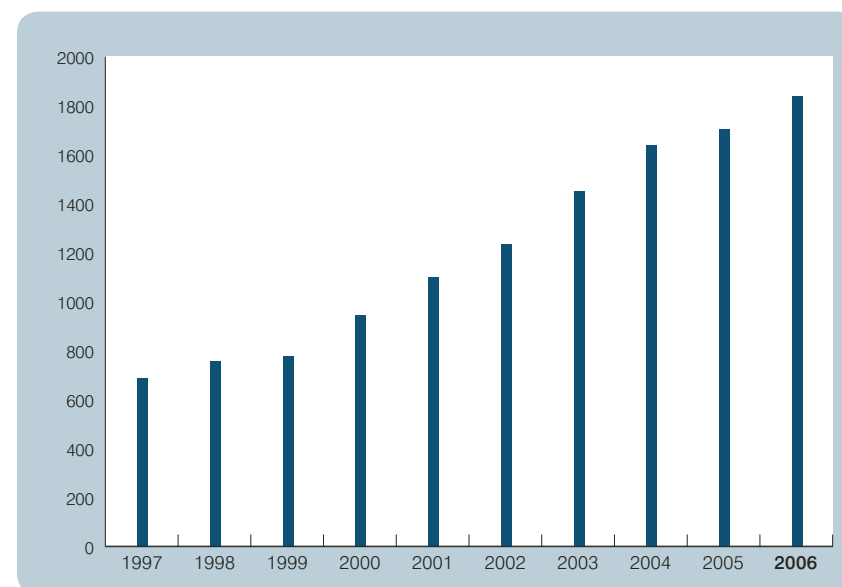
2006 was another very strong year for capital markets in North America. Equity markets in both Canada and the United States produced double-digit positive returns, while the Canadian bond market was stable. The TSX produced a total return of 17.3% while the S&P 500 returned 15.8% in US dollar terms, and 16.0% in Canadian dollar terms.

Total pre-tax investment income for The Group was \$184.4 million, an increase of 13.1% from last year's \$163.0 million. This increase was largely the result of growth in the asset base of the investment portfolio. Interest income increased 24.5% to \$89.5 million due to higher investment yields and a substantial increase in the size of the bond portfolio. Dividend income increased 1.7% to \$20.4 million and realized capital gains were \$74.5 million, the largest in The Group's 135-year history. Unrealized gains in the total portfolio decreased by \$23.0 million year-over-year due to a combination of realizing capital gains over the year and an increase in interest rates during 2006. An increase in interest rates has a negative effect on the market price of the bonds held in the portfolio.

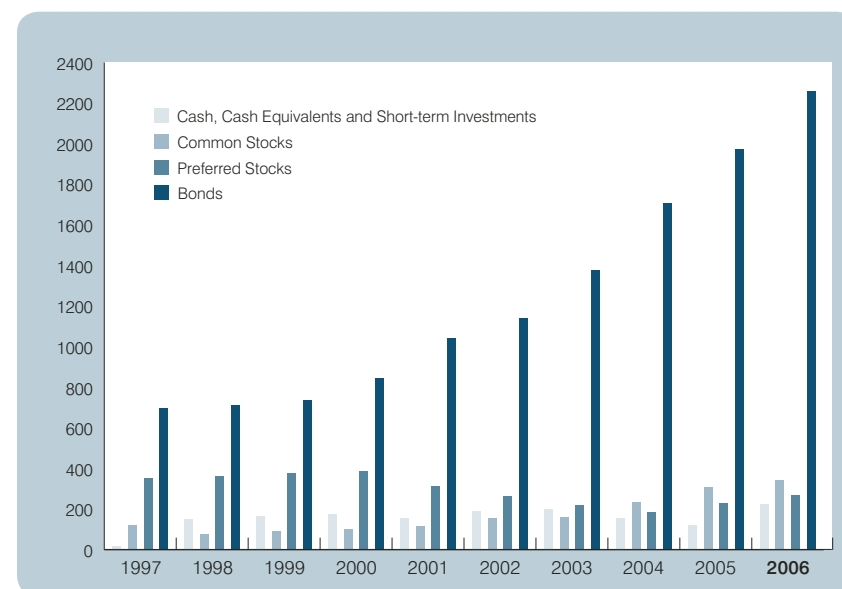
Total invested assets at book value, including cash and cash equivalents, increased by \$377.5 million or 14.3% to \$3 billion. At year-end the allocation of invested assets was arrayed conservatively. At book value, cash, cash equivalents and short-term investments represented 5.0% of the total portfolio; bonds 74.8%; preferred stocks 8.8%; and common stocks 11.4%. Common stocks at market value were 13.2% of the total portfolio. Unrealized gains at year-end in the common stock portfolio decreased by \$17.3 million to \$63.4 million. Year-over-year, the bond maturity profile was similar to prior years at 3.5 years.

The quality of our investment assets, with a book value over 2.5 times the company's surplus, provides additional security for policyholders.

The Economical Insurance Group's **Net Premiums Written** (Millions of Dollars)



The Economical Insurance Group's **Investments at Book Value** (Millions of Dollars)



The bond portfolio of The Economical Insurance Group would rank in quality among the best in Canada. From a bond portfolio of just over \$2.2 billion, with 105 issues, 100% of corporate bonds are rated A- or better.

Looking Forward

Following the last few years of solid financial gains, the industry remains in an aggressive growth mode with companies vying for market share.

The 10 largest companies in the industry accounted for over 55% of the direct premium written in 2006. However, with more than 200 companies competing for business, it remains a highly segmented and competitive market—especially in non-regulated lines of business.

Insurance company mergers and acquisitions will likely continue at a below average pace in 2007. With an abundance of capital in the industry, more companies are poised to make acquisitions, but inflated valuations have made appropriate acquisition targets harder to find during this profitable period.

Direct writers will continue to present competitive challenges to the broker distribution channel, which will continue to increase consolidation activity.

As the soft cycle gains momentum, The Group is expecting pressure on automobile rates and heightened competition for commercial and personal property lines of business in 2007. The impact of rate reductions due to regulatory change and increased competition will put downward pressure on gross written premiums and underwriting results over the next few years.

Despite rate pressure, The Group expects to maintain underwriting profitability in 2007 while expanding its commercial offerings.

The Group remains resolute in our commitment to the independent insurance broker network and will continue to assist in promoting its benefits and strengths. Our solid financial position, coupled with our status as a leading Canadian-owned and operated insurance company, enables us to continue our product and service enhancements while exploring new markets and opportunities.

We also remain dedicated to developing new technologies and processes that enhance the way we do business, and make doing business with us easier. In 2007 and beyond, we will continue to realize and build upon these strategic objectives.

In Conclusion

The Group remains well positioned as a leading Canadian insurer. With increased competition in the marketplace, and the likelihood of further reductions in underwriting profit, we will focus on achieving adequate pricing, enhancing operational efficiencies and delivering high quality insurance products and superior service.

The solid results the company has achieved over the last few years are a testament to the hard work and dedication of both employees and independent broker partners. We sincerely thank them for this support, as without it, these accomplishments would not have been possible.

Gerald A. Hooper

Chairman

Noel G. Walpole

President and Chief Executive Officer

Financial Review



Report of Management's Accountability

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis consistent with that of the preceding year and have been approved by the Board of Directors.

Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in the Annual Report, and reflect the company's business transactions and financial position.

The integrity and reliability of Economical Mutual Insurance Company's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and appropriate delegation of authority and division of responsibilities. Deloitte & Touche LLP has been retained to act as the company's internal auditor. The responsibility of the internal auditor is to monitor and assess the integrity of the internal controls within key

business processes. Economical's Code of Business Conduct, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the company's affairs.

The external auditor, Ernst & Young LLP, whose report on their audit of the consolidated financial statements follows, also reviews our systems of internal accounting control in accordance with Canadian generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

The actuary is appointed by the Board of Directors pursuant to the Insurance Companies Act (Canada). The actuary is responsible for ensuring that the assumptions

and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, and applicable legislation and associated regulations or directives. The actuary is also required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the company. Examination of supporting data for accuracy and completeness is an important element of the work required to form this opinion.

The Board of Directors annually appoints an Audit Committee comprised of directors who are not employees of the company. This committee meets regularly with management, the internal auditor and the external auditor to review significant accounting, reporting and internal control

matters. Both the internal and external auditors and the actuary have unrestricted access to the Audit Committee. Following its review of the consolidated financial statements and the report of the external auditor, the Audit Committee submits its report to the Board of Directors for formal approval of the consolidated financial statements.

Waterloo, Canada – February 8, 2007

Noel G. Walpole

President and Chief Executive Officer

Sandeep Uppal

Senior Vice President and Chief Financial Officer

Appointed Actuary's Report

To the Members of Economical Mutual Insurance Company:

I have valued the policy liabilities of Economical Mutual Insurance Company for its consolidated balance sheet at December 31, 2006, and their change in the statement of income and surplus for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities make appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the result of the valuation.

Waterloo, Canada – February 8, 2007

Linda M. Goss

Fellow, Canadian Institute of Actuaries

Auditors' Report

To the Members of Economical Mutual Insurance Company:

We have audited the consolidated balance sheet of Economical Mutual Insurance Company as at December 31, 2006 and the consolidated statements of income and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kitchener, Canada – February 8, 2007

Ernst & Young LLP

Chartered Accountants

Consolidated Statement of Income and Surplus

For the year ended December 31

(Thousands of Dollars)

	2006	2005
Direct premiums written	\$ 1,898,809	\$ 1,777,985
Premiums assumed from other companies	22,171	—
Gross premiums written	1,920,980	1,777,985
Premiums ceded	(81,276)	(74,605)
Net premiums written	\$ 1,839,704	\$ 1,703,380
Net premiums earned	\$ 1,767,611	\$ 1,665,596
Underwriting expenses:		
Claims and adjustment expenses (note 5)	1,218,109	1,070,801
Commissions	343,129	321,002
Operating expenses	138,877	131,268
Premium taxes	61,147	57,960
	1,761,262	1,581,031
Underwriting income	6,349	84,565
Investment income:		
Interest	89,453	71,876
Dividends	20,382	20,047
Gain on sale of investments	74,528	71,060
	184,363	162,983
Other income	3,944	9,284
Income before income taxes	194,656	256,832
Income tax expense (recovery) (note 3)		
Current	58,039	87,034
Future	6,613	(2,322)
	64,652	84,712
Net income for the year	130,004	172,120
Surplus, beginning of the year	1,021,549	849,429
Surplus, end of the year	\$ 1,151,553	\$ 1,021,549

On behalf of the Board:

G.A. Hooper, Director

N.G. Walpole, Director

See accompanying notes.

Consolidated Balance Sheet

As at December 31

(Thousands of Dollars)

	2006	2005
Assets		
Cash and cash equivalents	\$ 69,529	\$ 70,268
Investments (note 4)	2,950,483	2,572,274
Amounts due from agents and brokers	107,348	107,286
Premiums receivable from policyholders	441,337	409,826
Accrued investment income	23,923	20,217
Income, premium and other taxes receivable	505	—
Reinsurers' share of unearned premiums	18,077	15,451
Reinsurers' share of provision for unpaid claims (note 5)	101,411	103,076
Amounts due from Facility Association and other insurance companies	23,957	14,467
Deferred policy acquisition expenses	185,826	168,861
Property and equipment (note 7)	46,015	45,587
Future income tax assets	33,481	41,754
Other assets	57,294	46,633
Goodwill (note 8)	44,343	32,258
	\$ 4,103,529	\$ 3,647,958
Liabilities and Surplus		
Unearned premiums	\$ 956,216	\$ 881,180
Provision for unpaid claims (note 5)	1,880,384	1,617,093
Unearned reinsurance commissions	2,649	2,394
Accounts payable and other liabilities	112,727	110,915
Income, premium and other taxes payable	—	14,827
	2,951,976	2,626,409
Surplus for the protection of policyholders	1,151,553	1,021,549
	\$ 4,103,529	\$ 3,647,958

See accompanying notes.

Consolidated Cash Flow Statement

For the year ended December 31

(Thousands of Dollars)

	2006	2005
Operating activities:		
Receipts:		
Premiums collected	\$ 1,839,931	\$ 1,667,249
Investment income received	116,772	103,717
	1,956,703	1,770,966
Payments:		
Claims paid	953,153	884,415
Expenses paid	529,343	367,344
Income, premium and other taxes paid	135,633	212,519
	1,618,129	1,464,278
Net cash provided by operating activities	338,574	306,688
Investing activities:		
Bonds and debentures purchased	(1,276,310)	(1,430,963)
Bonds and debentures sold, redeemed or matured	1,005,992	1,162,602
Preferred stocks purchased	(113,442)	(192,857)
Preferred stocks sold or redeemed	77,503	156,746
Common stocks purchased	(188,948)	(162,350)
Common stocks sold	238,021	152,452
Income trusts purchased	(14,309)	(6,667)
Income trusts sold	871	140
Short-term investments purchased	(722,496)	(567,374)
Short-term investments sold, redeemed or matured	692,745	615,676
Other assets purchased	(19,210)	(16,629)
Acquisitions, net of cash acquired (note 8)	(19,730)	—
Net cash used in investing activities	(339,313)	(289,224)
Cash and cash equivalents:		
Net (decrease) increase during the year	(739)	17,464
Balance, beginning of the year	70,268	52,804
Balance, end of the year	\$ 69,529	\$ 70,268
Cash	\$ 58,750	\$ 62,072
Cash equivalents	10,779	8,196
Total cash and cash equivalents	\$ 69,529	\$ 70,268
Income taxes paid	\$ 77,814	\$ 86,113

See accompanying notes.

Notes to the Consolidated Financial Statements



1. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and Canadian accepted actuarial practice and reflect the requirements of the Office of the Superintendent of Financial Institutions Canada (“OSFI”). None of the accounting requirements of OSFI are an exception to Canadian GAAP. The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimation processes are related

to the determination of actuarial liabilities. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below:

(a) *Basis of consolidation*

The consolidated financial statements include the accounts of Economical Mutual Insurance Company (the “Company”) and its wholly-owned subsidiaries, Federation Insurance Company of Canada, The Missisquoi Insurance Company, Perth Insurance Company, Waterloo Insurance Company, and consolidated TEIG Holding Company Inc. All significant inter-company transactions and balances have been eliminated on consolidation. The accounts of the Company also include the TEIG Investment Partnership, which manages the investment portfolio for all companies in the group.

(b) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, balances on deposit with banks and investments in money market instruments having original maturities of ninety days or less.

(c) *Investments*

Short-term investments consist of money market instruments having original maturities of greater than ninety days and less than one year. Bonds are valued at amortized cost. Stocks, income trusts and short-term investments are valued at cost. Commercial loans are valued at principal amounts outstanding. Investment gains and losses are reflected in net income for the year as realized. When there is other than a temporary decline in value, the value of the investment is written down to the estimated realizable value. Write-downs of investments are netted against

gain on sale of investments in the consolidated statement of income and surplus.

(d) Financial guarantees

Credit default swaps represent financial guarantees of the Company to compensate a counterparty following the occurrence of a default in relation to a specified reference obligation, such as a bond or a loan. In the event it becomes likely that payment will be required under the financial guarantee and the amount of the expected loss can be reasonably estimated, a provision for the expected loss would be recorded in the period. The expected loss would be calculated as the amount of the payment less amounts recoverable from the sale or settlement of the specified reference obligation. The maximum amount payable under credit default swaps is equal to their notional amount.

(e) Deferred policy acquisition expenses

Commissions and premium taxes are deferred to the extent they are considered recoverable and are expensed in the accounting periods in which related premiums are recognized as income. To the extent they are considered non-recoverable, they are expensed as incurred. The amount deferred is limited to the difference between the unearned premiums and the total future policy costs expected from the unexpired portion of in-force policies.

(f) Property and equipment

Property and equipment are valued at cost less accumulated depreciation, which is provided at rates sufficient to write off the costs over the estimated useful lives of the assets.

Property and Equipment

	Basis	Rates
Automobiles	Declining balance	30%
Buildings	Declining balance	5%
Furniture and equipment	Declining balance	20%
Computer equipment	Straight-line	25%
Software	Straight-line	maximum 7 years

(g) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the total tangible and intangible net assets acquired. Goodwill is recorded at cost and tested at least annually for impairment, in accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3062, which requires goodwill impairment to be assessed at a reporting unit level. The Company has defined the reporting units to be insurance operations and broker operations. The fair value of each reporting unit is measured using a multiple of earnings approach.

(h) Intangible assets

Intangible assets that are determined to have a finite useful life are amortized on a systematic basis over the remaining useful life. Intangible assets with finite lives held by the Company are amortized over a term of up to 7 years. Intangible assets that are determined to have an indefinite life are not amortized, but are tested for impairment on the basis described in note 1 (g). Intangible assets of \$8.6 million are included in “Other assets” (\$1.3 million in 2005).

(i) Impairment of long-lived assets

When events and circumstances warrant a review, the Company evaluates the carrying value of its long-lived assets for potential impairment. An impairment loss is recognized when the estimated net recoverable amount of a long-lived asset is less than its carrying value. The impairment loss is measured as the excess, if any, of the carrying value over the fair value of the asset. Any impairment of these assets is written off against income in the year that such impairment becomes evident.

(j) Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(k) Premiums and unearned premiums

Premiums are taken into income on a pro-rata basis over the contract period.

Premiums on policies written with monthly payment terms are accounted for on an annualized basis. Premiums receivable from policyholders represent the premiums due for the remaining months of the contracts.

(l) Provision for unpaid claims

The provision for unpaid claims is calculated based on Canadian

accepted actuarial practice. The provision consists of case estimates prepared by claims adjusters and a provision for incurred but not reported claims. The estimates include related investigation, settlement and adjustment expenses. The valuation of claims liabilities, which is valued on a discounted basis, is disclosed in note 5.

(m) Employee future benefits

The Company provides certain pension and other future employee benefits to eligible participants upon retirement.

Pension benefits

The defined benefit plan is based on employee length of service and final average pensionable earnings. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. This method involves the use of management's best estimates concerning such factors as expected plan investment performance, salary escalation, and retirement ages of employees. The assets supporting the pension benefits are held in separate trustee pension funds.

The estimated excess of the fair value of plan assets over retirement obligations, including adjustments arising from plan amendments and changes in valuation assumptions, is included in income over the estimated average remaining service lives of participants. Actuarial gains and losses are amortized using the 10% corridor method.

The accumulated value for pension benefits is included in the consolidated balance sheet as "Other assets."

The Company also has a defined contribution plan, for which contributions are expensed in the year.

Non-pension benefits

The Company accounts for the cost of all non-pension future benefits including medical benefits, dental care and life insurance for eligible retirees, their spouses and qualified dependents on an accrual basis. These costs are recognized in the consolidated statement of income and surplus in the period during which services are rendered and are actuarially determined using the projected unit credit method prorated on service. This method involves the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate and management's best estimates concerning such other factors as expected plan salary escalation, retirement ages of employees and expected health care costs.

The accumulated value for other employee future benefits is recorded in the consolidated balance sheet in "Accounts payable and other liabilities."

(n) Foreign currency translation

Translation of foreign subsidiaries' accounts

Assets and liabilities of the Company's foreign subsidiaries, which are fully integrated, are translated from their functional currencies into Canadian dollars at the exchange rate in effect at the consolidated balance sheet date for monetary assets and liabilities, and at the historical rate in effect for non-monetary assets and liabilities. Revenues and expenditures are translated at the weighted average rate prevailing during the year, with the exception of the amortization of assets, which is translated at the same historic rate as the related asset. The adjustments resulting from the translation of the balance sheets of the foreign subsidiaries have been included in income.

Translation of foreign currency transactions

Transactions incurred in currencies other than the functional currency are converted to the functional currency at the rate in effect on the transaction date. Monetary assets and liabilities denominated in a currency other than the functional currency are converted to the functional currency at the exchange rate in effect at the consolidated balance sheet date. All foreign currency transaction gains and losses have been included in income.

(o) Comparative figures

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's financial statements.

2. Future accounting and reporting changes

In January 2005, the CICA issued new accounting standards comprising Handbook Sections 3855—"Financial Instruments—Recognition and Measurement," 3865—"Hedges," 1530—"Comprehensive Income" and 3251—"Equity," which become effective beginning January 1, 2007. These standards provide guidance on the recognition, measurement and classification of financial assets, financial liabilities and financial and non-financial derivatives.

The standards require that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables. In addition, the standards require that all financial assets, including all derivatives, be measured at fair value on the consolidated balance sheet, with the exception of loans, receivables and investments

classified as held-to-maturity, which will be measured at amortized cost. At initial recognition, all financial assets and financial liabilities must be recorded on the consolidated balance sheet at fair value, which may differ from historical cost.

Changes in the fair value of held-for-trading securities will be reported in net income, while changes in the fair value of available-for-sale securities will be reported within other comprehensive income ("OCI"), until the financial asset is disposed of or becomes impaired. OCI will become an additional component of the primary financial statements. Similarly, the standards require that all financial liabilities be measured at fair value on the consolidated balance sheet when they are held-for-trading or are derivatives. Other financial liabilities should be measured at amortized cost. Derivatives will be classified as held-for-trading, unless they are specifically designated within an effective hedging relationship.

The standards permit the Company the option to designate certain financial instruments, on initial recognition, as instruments that it will measure at fair value, with gains and losses recognized in net income in the period in which they arise. OSFI has imposed certain restrictions on this fair value designation, which are contained in OSFI Guideline D-10.

As at transition on January 1, 2007, accumulated other comprehensive income ("AOCI") will be included on the consolidated balance sheet as a separate component of surplus. The changes in the carrying value of financial instruments, as a result of adopting these standards, will be recognized in opening surplus and opening AOCI as appropriate.

3. Income tax expense

Income taxes differ from the combined statutory rates primarily as a result of the following:

Income Tax Expense

	2006	2005
<i>(Thousands of Dollars)</i>		
Income tax expense based upon statutory tax rates	\$ 68,640	\$ 90,713
Income tax adjustments related to:		
Canadian dividend income not subject to tax	(6,514)	(6,678)
Non-deductible expenses and other	399	677
Change in substantively enacted tax rate	2,127	—
Income tax expense reflected in the consolidated statement of income and surplus	\$ 64,652	\$ 84,712

4. Investments *(figure 1, page 18)*

(a) *Unrealized gains and losses*

The book values, market values and unrealized gains (losses) on investments as at December 31, 2006 were as noted in figure 1 located on page 18.

Market value is based on quoted prices in recognized securities markets or Canadian unlisted markets.

figure 1 Unrealized Gains and Losses

(Thousands of Dollars)	2006					2005				
	Book Value	Market Value	Gross Unrealized Gains	Gross Unrealized (Losses)	Net Unrealized Gains (Losses)	Book Value	Market Value	Gross Unrealized Gains	Gross Unrealized (Losses)	Net Unrealized Gains (Losses)
Short-term investments	\$ 82,858	\$ 82,858	\$ —	\$ —	\$ —	\$ 52,551	\$ 52,551	\$ —	\$ —	\$ —
Bonds:										
Federal	1,100,202	1,097,472	615	(3,345)	(2,730)	854,743	849,491	397	(5,649)	(5,252)
Provincial	122,372	121,227	—	(1,145)	(1,145)	173,092	170,864	—	(2,228)	(2,228)
Municipal	41,678	41,466	—	(212)	(212)	37,000	36,849	9	(160)	(151)
Corporate	973,129	967,481	993	(6,641)	(5,648)	908,267	901,819	1,228	(7,676)	(6,448)
	2,237,381	2,227,646	1,608	(11,343)	(9,735)	1,973,102	1,959,023	1,634	(15,713)	(14,079)
Canadian preferred stocks	266,090	262,207	1,888	(5,771)	(3,883)	227,271	230,523	5,813	(2,561)	3,252
Common stocks:										
Canadian	217,696	262,861	46,965	(1,800)	45,165	209,591	287,008	78,074	(657)	77,417
Foreign	101,027	120,676	19,649	—	19,649	89,704	91,205	1,626	(125)	1,501
	318,723	383,537	66,614	(1,800)	64,814	299,295	378,213	79,700	(782)	78,918
Canadian income trusts	22,829	21,386	352	(1,795)	(1,443)	9,581	11,362	1,781	—	1,781
Commercial loans	22,602	22,174	—	(428)	(428)	10,474	12,948	2,474	—	2,474
	\$ 2,950,483	\$ 2,999,808	\$ 70,462	\$ (21,137)	\$ 49,325	\$ 2,572,274	\$ 2,644,620	\$ 91,402	\$ (19,056)	\$ 72,346

All corporate bonds are rated A- or better and at market, and 99.4% (91.5% in 2005) of Canadian preferred stocks are rated P2 or better. "A-" and "P2" represent the ratings provided by two recognized rating services for high-grade bonds and preferred shares, respectively, where both asset and earnings protection are well assured.

There were no write-downs of investments in 2006 or 2005.

(b) Term to maturity (figure 2, page 19)

The effective interest rate at December 31, 2006 for the bond portfolio was 4.02% (3.79% in 2005). Rates are based on book values.

figure 2 Term to Maturity

	Less than 1 Year	1–5 Years	6–10 Years	Book Value
<i>(Thousands of Dollars)</i>				
Short-term investments	\$ 82,858	\$ —	\$ —	\$ 82,858
Bonds	471,832	1,316,921	448,628	2,237,381
Canadian preferred stocks	69,415	190,032	6,643	266,090
Commercial loans	329	6,677	15,596	22,602
2006 total	\$ 624,434	\$ 1,513,630	\$ 470,867	\$ 2,608,931
2005 total	\$ 168,665	\$ 1,847,064	\$ 247,669	\$ 2,263,398

(c) Securities lending

The Company participates in a securities lending program managed by a major Canadian financial institution whereby the Company lends securities it owns to other financial institutions to allow them to meet delivery commitments. The Canadian financial institution assumes all the risk associated with the lending activity. At December 31, 2006, securities with an estimated fair value of \$269.9 million (\$130.8 million in 2005) have been loaned and securities with an estimated fair value of \$290.9 million (\$139.0 million in 2005) have been received as collateral from the Canadian financial institution.

(d) Credit default swaps

Credit default swaps represent financial guarantees of the Company to compensate a counterparty following the occurrence of a default in relation to a specified reference obligation, such as a bond or a loan. The issuers of these obligations underlying the credit default swaps are rated AA or above by independent rating agencies. The maximum

amount payable under credit default swaps as at December 31, 2006 is equal to their notional amount of \$75.0 million (\$30.0 million in 2005). Credit risk is the exposure to loss in the event of non-performance by the counterparty to the transaction. The Company evaluates and monitors the credit risk of its credit default swaps in much the same way as its credit risks associated with its other financial instruments. All of the counterparties of the Company's credit default swaps are Canadian financial institutions rated AA or above by the independent rating agencies. Consequently, no provision for credit risk is required.

The financial compensation the Company receives in exchange for the financial guarantees is reflected in the consolidated statement of income and surplus.

The fair value of the credit default swaps reflects the quoted price from investment dealers on a monthly basis. The fair value of the related investment is verified to external sources and is \$0.3 million as at December 31, 2006 (\$0.1 million in 2005).

figure 3 Type of Claim Liability

(Thousands of Dollars)	2006			2005		
	Gross	Ceded	Net	Gross	Ceded	Net
Long settlement-term lines of business:						
Automobile - bodily injury and accident benefits	\$ 1,283,324	\$ 39,770	\$ 1,243,554	\$ 1,106,226	\$ 42,063	\$ 1,064,163
General liability	298,694	34,964	263,730	238,454	25,534	212,920
	1,582,018	74,734	1,507,284	1,344,680	67,597	1,277,083
Short settlement-term lines of business:						
Automobile	76,127	2,173	73,954	58,577	2,475	56,102
Property	169,405	24,504	144,901	149,939	33,004	116,935
	245,532	26,677	218,855	208,516	35,479	173,037
Facility Association and other residual pools	52,834	—	52,834	63,897	—	63,897
	\$ 1,880,384	\$ 101,411	\$ 1,778,973	\$ 1,617,093	\$ 103,076	\$ 1,514,017

5. Policy liabilities

These consolidated financial statements contain an actuarial estimate of the policy liabilities of the Company. Policy liabilities represent the amount of the obligation of the Company on account of policies effective on or before December 31, and consist of premium and claims liabilities.

(a) Premium liabilities

Premium liabilities are represented by the amount of net unearned premiums less the amount of net deferred policy acquisition expenses. Generally, the commissions and premium taxes corresponding to the net unearned premiums are deferrable; however, this amount is written down if the resulting premium liability is less than the expected future

net policy costs. There were no write-downs of premium liabilities required in 2006 or 2005.

(b) Claims liabilities (figure 3, above)

Determining the provision for unpaid claims, adjustment expenses and the related reinsurers' share involves an assessment of the future development of claims. The process takes into account the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises, and the delays in reporting claims. These provisions for unpaid claims and adjustment expenses are estimates and, as such, are subject to variability, which could be material in the near term. Changes to the estimates could result from future events such as receiving additional claim information,

changes in judicial interpretation of contracts or significant changes in severity or frequency of claims from past trends. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates.

The estimates are principally based on the Company's historical experience. Methods of estimation have been used that the Company believes produce reasonable results given current information. As additional experience and other data become available, the estimates could be revised. Any future changes in estimates would be reflected in the consolidated statement of income and surplus for the period in which the change occurred.

Figure 3 on page 20 details the provision for unpaid claims and adjustment expenses by risk categories. Short settlement-term lines of business are those lines of business where claims are substantially paid within a year of being reported. Approximately two-thirds of the long settlement-term claims liabilities are expected to be paid within five years.

The Company must participate in industry-operated pools providing coverage for residual market automobile risks based on its automobile market share. The Company records its share of the liabilities provided by the actuaries of the pools.

(c) Reinsurance recoveries

The amounts relating to reinsurance ceded are shown in note 9. The reinsurance recoveries are evaluated in a manner consistent with the gross liabilities and the provisions of the reinsurance contracts. Failure of reinsurers to honour their obligations could result in losses to the Company. No information has come to the Company's attention indicating weakness or failure of any of its current reinsurers, so no provision has been made in the accounts due to credit risks.

(d) Future investment income

In accordance with Canadian actuarial standards, future investment income has been considered in the evaluation of policy benefits. Consequently, policy benefits have been recorded on a discounted basis.

The discount rate used to determine the actuarial value of claims liabilities is based on the book yield of the Company's bond portfolio (see note 4). In assessing the risks associated with investment income, the Company considers the nature of the investment portfolio and the timing of claim payments and their matching to investment cash flows. Future changes in the investment portfolio could change the value of these claims.

An interest rate sensitivity analysis demonstrating the impact on policy liabilities of a 1% change in interest rates as at December 31, 2006 and 2005 for the next twelve-month period, yields a result of \$41.2 million for 2006 and \$27.6 million for 2005. An increase or decrease in the interest rates will result in a decrease or increase in the liabilities respectively.

(e) Incurred claims (figure 4, page 22)

The incurred claims in the consolidated statement of income and surplus and the changes in claims liabilities recorded in the consolidated balance sheet, have developed as noted in figure 4 on page 22.

(f) Canadian accepted actuarial practice

Under Canadian accepted actuarial practice, the appropriate amount representing future obligations is defined as policy liabilities, which take into consideration the time value of money and include provisions for adverse deviations. OSFI requires valuation of policy liabilities on this basis.

figure 4 Incurred Claims

	2006	2005
<i>(Thousands of Dollars)</i>		
Unpaid claims liabilities at the beginning of the year (net)	\$ 1,514,017	\$ 1,327,631
Change in estimated losses and expenses for claims occurring in prior years	(3,078)	7,661
Losses and expenses on claims occurring in the current year	1,221,187	1,063,140
Paid on claims occurring during:		
Current year	(577,568)	(532,633)
Prior years	(375,585)	(351,782)
Unpaid claims liabilities at the end of the year (net)	\$ 1,778,973	\$ 1,514,017

The basic assumptions made in establishing actuarial liabilities are best estimates. To allow for possible deterioration in experience, and to increase the likelihood that the actuarial liabilities are adequate to pay future benefits, actuaries are required to include margins in some assumptions. A range of allowable margins is prescribed by the Canadian Institute of Actuaries relating to claim development, reinsurance recoveries and investment income variables. The effect of the margins produces the provision for adverse deviation.

The fair value of claims liabilities is calculated using the same margins for adverse deviation, but discounting the expected cash flows at the market rate of return of the bond portfolio.

The table at the top of the following column details the amounts.

Canadian Accepted Actuarial Practice

	2006	2005
<i>(Thousands of Dollars)</i>		
Undiscounted claims liabilities	\$ 1,776,403	\$ 1,493,703
Impact of the time value of money	(143,639)	(100,904)
Provision for adverse deviation	146,209	121,218
Net claims liabilities recorded on a discounted basis	\$ 1,778,973	\$ 1,514,017
Fair value of net claims liabilities	\$ 1,766,278	\$ 1,503,230

(g) Structured settlements

The Company has purchased annuities from life insurers to provide for fixed and recurring payments to claimants. As a result of these arrangements, the Company is exposed to a credit risk to the extent to which any of the life insurers fail to fulfill their obligations. This risk is managed by acquiring annuities from life insurers with proven financial stability, 100% (100% in 2005) of which are rated AA or better. As at December 31, 2006, no information has come to the Company's attention that would suggest any weakness or failure in life insurers from which it has purchased annuities. Consequently, no provision for credit risk is required. An approximate measure of the maximum credit risk exposure is the original purchase price of the annuities of \$155.6 million (\$149.3 million in 2005).

6. Rate regulation (figure 5, page 23)

In common with the insurance industry in general, the Company is subject to regulation in certain jurisdictions whereby rates charged to customers for certain automobile insurance policies must be

figure 5 Rate Regulation

Jurisdiction	Regulatory Authority	Process
Alberta	Alberta Automobile Insurance Rate Board	File and use rate regulation for physical damage coverages and prior approval rate regulation for mandatory coverages on individually rated vehicles.
Newfoundland and Labrador	Public Utilities Board	File and use rate regulation for instances where there is no increase in rate for any coverage for any insured; any filing not meeting these requirements will be subject to prior approval rate regulation.
New Brunswick	New Brunswick Insurance Board	Prior approval rate regulation on individually rated vehicles.
Nova Scotia	Nova Scotia Insurance Review Board	Prior approval rate regulation on individually rated vehicles.
Ontario	Financial Services Commission of Ontario	File and use rate regulation on individually rated miscellaneous and commercial vehicles and prior approval rate regulation on individually rated private passenger vehicles.
Prince Edward Island	Island Regulatory and Appeals Commission	File and use rate regulation on individually rated vehicles.
Quebec	Autorité des Marchés Financiers	Use and file rate regulation on private passenger, miscellaneous and commercial vehicles.

approved by the applicable regulatory body. This type of business comprised 52.5% of the Company's total direct premiums written in 2006 (53.3% in 2005).

Figure 5 above outlines the jurisdictions, regulatory bodies and regulatory processes that the Company is subject to.

7. Property and equipment *(figure 6, page 24)*

Depreciation charged to operating expenses amounted to \$4.7 million (\$5.4 million in 2005). Included in software is \$7.5 million (\$8.4 million in 2005) that has not yet commenced being depreciated as it is still under development.

8. Acquisitions and change in ownership interests

During 2006, TEIG Holding Company Inc., a wholly-owned subsidiary, completed acquisitions totalling \$19.8 million in cash. The fair values of the assets acquired totalled \$11.3 million, including \$9.0 million relating to intangible assets. The fair values of liabilities assumed totalled \$3.6 million. This resulted in a \$12.1 million increase to goodwill. The purchase agreements also allow for additional future contingent consideration of up to \$9.5 million in cash. If the future conditions are satisfied, the future contingent consideration will be accounted for using the purchase method in the period in which the conditions are satisfied. The results of operations are included in the consolidated statement of income and surplus from the dates of acquisition.

figure 6 Property and Equipment

<i>(Thousands of Dollars)</i>	2006			2005		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Automobiles	\$ 230	\$ 109	\$ 121	\$ 761	\$ 536	\$ 225
Buildings	35,170	13,129	22,041	31,519	11,949	19,570
Furniture and equipment	17,749	12,729	5,020	16,895	12,410	4,485
Computer equipment	5,014	3,861	1,153	6,025	5,227	798
Software	46,148	29,717	16,431	44,867	25,607	19,260
	104,311	59,545	44,766	100,067	55,729	44,338
Land	1,249	—	1,249	1,249	—	1,249
	\$ 105,560	\$ 59,545	\$ 46,015	\$ 101,316	\$ 55,729	\$ 45,587

During 2005, the Company disposed of or reduced its investment ownership in certain companies for cash proceeds totalling \$14.5 million. As a result of these transactions, a gain of \$2.4 million was recorded in the consolidated statement of income and surplus and goodwill was reduced by \$5.6 million in 2005.

9. Reinsurance

The Company follows the policy of underwriting and reinsuring contracts of insurance which, in the main, limits the liability of the Company to varying amounts up to a maximum on any one loss of \$1.0 million (\$1.0 million in 2005) in the event of a property claim, and an amount of \$2.5 million (\$2.5 million in 2005) in the event of a liability claim. In addition, the Company has obtained reinsurance having an

upper amount of \$650 million (\$550 million in 2005), which limits the Company's net retention to \$20.0 million (\$15.0 million in 2005) in the event of a series of claims arising out of a single occurrence.

The amounts shown in the consolidated financial statements are net of the following amounts relating to reinsurance:

Reinsurance

<i>(Thousands of Dollars)</i>	2006	2005
Net premiums ceded on an earned basis	\$ 66,282	\$ 72,332
Net claims and adjustment expenses ceded	\$ 24,284	\$ 44,047

10. Related party transactions

From time to time, the Company enters into transactions in the normal course of business with certain directors, senior officers and companies with which it is related. Management has established procedures to review and approve transactions with related parties and reports annually to the Corporate Governance and Conduct Review Committee of the Board of Directors, on the procedures followed and the results of the review.

11. Employee future benefits *(figure 7, page 26)*

The Company provides certain pension and other future employee benefits through defined benefit and defined contribution plans to eligible participants upon retirement. The contributory defined benefit pension plans provide pension benefits based on length of service and final average pensionable earnings. The most recent actuarial valuation was prepared as of January 1, 2006.

Under the defined contribution plan, the Company contributes a fixed percentage of employees' pensionable earnings to the plan. Contributions under the defined contribution pension plan totalled \$6.1 million in 2006 (\$5.4 million in 2005).

Information about the Company's benefit plans, in aggregate, is as noted in figure 7 located on page 26.

Pension plan assets

The table at the top of the following column shows the allocation of pension plan assets as at December 31.

Percentage of Plan Assets

	2006	2005
Cash	0.6%	1.0%
Fixed income securities	36.0%	31.2%
Canadian equity securities	63.0%	67.4%
Other	0.4%	0.4%
	100.0%	100.0%

12. Commitments

The Company has the following obligations under long-term non-cancellable leases for automobiles, buildings and equipment.

Commitments

	Year	
	2007	\$ 10.8 million
	2008	\$ 7.3 million
	2009	\$ 4.7 million
	2010	\$ 3.8 million
	2011	\$ 3.8 million
	and beyond	\$ 15.2 million

13. Contingent losses

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of conducting its insurance business. The Company is of the opinion that this litigation will not have a significant effect on the financial position, results of operations or cash flows of the Company.

figure 7 Employee Future Benefits

	Pension Plans		Other Benefit Plans	
	2006	2005	2006	2005
<i>(Thousands of Dollars)</i>				
Accrued benefit obligation	\$ (138,597)	\$ (121,789)	\$ (46,332)	\$ (32,274)
Fair value of plan assets	146,028	128,234	—	—
Plan surplus (deficit)	\$ 7,431	\$ 6,445	\$ (46,332)	\$ (32,274)
Funded status:				
Plan surplus (deficit)	\$ 7,431	\$ 6,445	\$ (46,332)	\$ (32,274)
Unamortized actuarial loss	39,993	39,612	18,978	8,260
Unamortized transitional asset	(6,563)	(7,342)	—	—
Unamortized past service cost	—	—	(1,700)	(1,870)
Accrued benefit asset (liability)	\$ 40,861	\$ 38,715	\$ (29,054)	\$ (25,884)
Actuarial assumptions:				
Discount rate	5.25%	5.25%	5.25%	5.5%
Expected long-term return on plan assets	7.5%	7.5%	—	—
Rate of compensation increase	4.0%	4.0%	—	—
Health care costs increase	—	—	8.5%	7.5%
Average remaining service life of employees (in years)	13	15	19	18
Other information:				
Employer contributions	\$ 5,518	\$ 4,101	\$ —	\$ —
Employee contributions	624	636	—	—
Benefits paid	4,090	3,765	533	535
Net expense for benefit plans	3,372	2,026	3,703	3,122

14. Fair value of financial instruments

The fair value of investments is determined as current market value as disclosed in note 4. The estimated fair value of the provision for unpaid claims reflects the assumptions discussed in note 5 regarding

the provision for adverse deviation and the differences in market rates of return from book rates. All other financial instruments have carrying values that approximate their fair values.

Unaudited Comparative Financial Information (Consolidated)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>(Millions of Dollars)</i>										
Direct premiums written	\$ 1,898.8	\$ 1,778.0	\$ 1,696.9	\$ 1,522.8	\$ 1,342.7	\$ 1,191.1	\$ 1,075.9	\$ 819.2	\$ 794.4	\$ 720.8
Net premiums written	\$ 1,839.7	\$ 1,703.4	\$ 1,639.6	\$ 1,449.6	\$ 1,235.1	\$ 1,101.6	\$ 943.1	\$ 776.6	\$ 758.3	\$ 686.0
Net premiums earned	\$ 1,767.6	\$ 1,665.6	\$ 1,555.4	\$ 1,333.3	\$ 1,158.9	\$ 1,068.0	\$ 974.1	\$ 762.8	\$ 725.8	\$ 670.5
Claims and adjustment expenses	1,218.1	1,070.8	941.8	965.4	876.7	855.3	787.2	548.5	543.6	468.0
Other underwriting expenses	543.2	510.2	490.2	430.5	358.8	332.6	301.3	229.4	217.8	201.4
Total underwriting expenses	1,761.3	1,581.0	1,432.0	1,395.9	1,235.5	1,187.9	1,088.5	777.9	761.4	669.4
Underwriting profit (loss)	6.3	84.6	123.4	(62.6)	(76.6)	(119.9)	(114.4)	(15.1)	(35.6)	1.1
Interest and dividend income	109.9	91.9	82.1	81.2	80.0	86.3	90.3	85.6	82.3	79.3
Gain on sale of investments	74.5	71.1	27.2	23.7	14.0	38.1	51.6	21.2	45.3	21.2
Total investment income	184.4	163.0	109.3	104.9	94.0	124.4	141.9	106.8	127.6	100.5
Other income (expenses)	3.9	9.3	9.2	5.2	3.1	1.3	(3.4)	—	—	—
Goodwill amortization expense	—	—	—	—	—	4.2	4.2	—	—	—
Income before income taxes	194.7	256.8	241.9	47.5	20.5	1.6	19.9	91.7	92.0	101.6
Income taxes provided (recovered)	64.7	84.7	80.1	12.6	(3.1)	(2.0)	0.3	27.7	26.7	30.8
Net income	\$ 130.0	\$ 172.1	\$ 161.8	\$ 34.9	\$ 23.6	\$ 3.6	\$ 19.7	\$ 64.0	\$ 65.3	\$ 70.8
Investments at book value	\$ 2,950.5	\$ 2,572.3	\$ 2,234.4	\$ 1,859.4	\$ 1,688.5	\$ 1,506.3	\$ 1,436.5	\$ 1,315.4	\$ 1,269.4	\$ 1,177.1
Surplus	1,151.6	1,021.5	849.4	687.6	652.7	655.1	651.5	631.9	574.4	509.1
Total assets	4,103.5	3,648.0	3,294.1	2,873.9	2,573.4	2,405.7	2,280.2	1,869.7	1,751.3	1,608.6
Investments at market value	2,999.8	2,644.6	2,335.1	1,939.2	1,736.0	1,566.1	1,518.6	1,366.1	1,395.4	1,330.7

Economical Mutual Insurance Company

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2. Corporate Governance and
Conduct Review

3. Human Resources and
Compensation

4. Investment

5. Pension

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Dan Spears, *FCIP*
Regional Vice President, Atlantic Region

Marg Torrance, *BA, CIP*
Regional Vice President, Ontario

Company Overview



The Economical Insurance Group

Founded in 1871, as The Economical Mutual Fire Insurance Company of Berlin (now Kitchener, Ontario), The Economical Insurance Group has grown to be one of Canada's foremost property and casualty insurance companies.

Canadian owned and operated, The Group provides a wide range of personal and commercial insurance products throughout North America.

In Canada, The Group delivers peace of mind to nearly 1.4 million policyholders through its five insurers, one division and managing general agencies:

- Economical Mutual Insurance Company, and the Western General Farm Division
- Federation Insurance Company of Canada,
- The Missisquoi Insurance Company,
- Perth Insurance Company,
- Waterloo Insurance Company, and
- Family Insurance Solutions Inc.

Through The Mattei Companies, The Group provides specialty commercial insurance to customers across the United States.

The Group also operates TEIG Holding Company Inc. to assist its independent broker partners with alternative perpetuation and financing solutions.





MEMBER COMPANIES



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