

Economical Mutual Advises Members That Dissident Circular Offers No Alternative Plan and No Reason for Change

- **Board Continues to Recommend Members Reject VC & Co.-sponsored Dissident Proposal**

WATERLOO, ON, April 13, 2011 – Economical Mutual Insurance Company, one of Canada’s largest property and casualty insurance providers, is advising its mutual policyholders that the Dissident Circular being sent to them by VC & Co. Advisory Limited contains numerous significant errors and omissions of fact.

The Dissident Circular provides no alternative to the approach to demutualization or the actions taken by the Board of Economical. It simply wants to put the Company into the hands of new directors, a change that has no purpose other than the financial benefit of VC & Co.

“VC & Co. is making promises it knows, or should know, it cannot keep,” said Karen Gavan, Chair of the Special Committee of the Board responsible for Economical’s demutualization process. “The dissident proposal reveals a remarkable ignorance of the Company and the clearly defined demutualization process that is already well underway. It ignores the fact that the pace of demutualization and the amount of proceeds to go to each member are largely dictated by the development of regulations by the Department of Finance. To promise that a Board hand-picked by VC & Co can accelerate the process or change the financial outcome for members is misleading and irresponsible.”

Ms. Gavan added: “The dissident proposal is a backward step for Economical and its mutual policyholders. It would result only in the delay and the possible derailment of the demutualization process that is already underway. The Board of Economical has made a public commitment to demutualization of the Company. That commitment remains in place and is not in question -- period. The Board also remains committed to its position that the mutual policyholders are the owners, and the only owners, of the Company. The Board has also taken major steps in moving demutualization forward both in aligning the Company’s internal processes and in identifying and signing confidentiality agreements with strategically aligned third parties.”

Economical’s Board of Directors will respond in detail in a direct communication with Members, but notes the following:

- No one – not VC & Co. and not the Company – can provide a value for individual policies until federal regulations are in place for the demutualization. To suggest otherwise is misleading to mutual policyholders and betrays a lack of understanding of the process.
- The dissident nominees to the Board, as expected, have no experience with Economical or its business. That lack of experience can undermine the value of the Company at this crucial time.
- The Dissident Circular misstates key facts. Economical has publicly stated that there are 943 confirmed and valid mutual policies in force as of December 14, 2010, the day the demutualization decision was announced. It has also been very clear that it regards the mutual policyholders as the

owners of the Company and it has argued this position strenuously on behalf of the mutual policyholders with the Department of Finance as it prepares the necessary regulations.

- VC & Co. admits it will expect the Company to pay it millions of dollars in fees and expenses, a substantial cost that would be borne by all mutual policyholders, not just those who signed agreements with VC & Co. That will constitute a significant dilution of value for members.
- Economical's Board has doubled the size of the Company's surplus in 10 years to \$1.3 billion, providing significant growth in value for mutual policyholders. VC & Co. fails to acknowledge that it is this very growth in value that it hopes to exploit for itself.

The Board of Directors of Economical continues to recommend that mutual policyholders use the BLUE proxy included in the mailing to vote:

- FOR Resolution 1 - the election of the Company's nominees to the Board of Directors;
- FOR Resolution 2 - the appointment of the auditors, Ernst & Young LLP, and;
- AGAINST Resolution 3 - the Dissident Proposal to replace the Board of Directors with Nominees selected by VC & Co. Advisory Limited, the Toronto firm that organized the dissident mutual policyholders.

The Board also recommends that mutual policyholders disregard the dissident circular and DO NOT USE the Yellow proxy form that comes with it.

Mutual Policyholders with questions or who require assistance in completing and returning the BLUE form of proxy can call Georgeson, the Company engaged by Economical to assist in proxy solicitation toll-free at 1-866- 909 6468.

About The Economical Insurance Group

Founded in 1871, The Economical Insurance Group (TEIG) is one of Canada's leading property and casualty insurers, with over \$4.6 billion in assets and policyholders' equity of approximately \$1.3 billion. Canadian-owned and operated, TEIG provides a wide range of insurance products throughout North America. TEIG 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 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.

For Further Information:

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