

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**



THE HONOURABLE

JUSTICE HAINES

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FRI DAY THE 18th

OF AUGUST , 2017

**IN THE MATTER OF THE *INSURANCE COMPANIES ACT*, S.C. 1991 c. 47, AS
AMENDED, AND THE *MUTUAL PROPERTY AND CASUALTY INSURANCE COMPANY
WITH NON-MUTUAL POLICYHOLDERS CONVERSION REGULATIONS*, SOR/2015-168**

**AND IN THE MATTER OF A PLAN OF CONVERSION OF
ECONOMICAL MUTUAL INSURANCE COMPANY**

ORDER

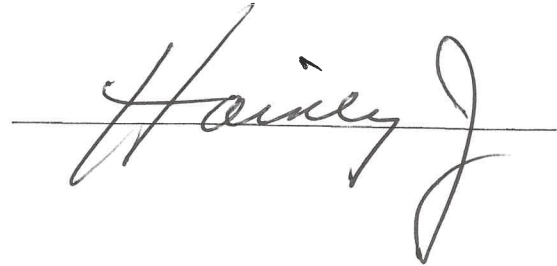
(Motion for Approval of Fees of Morrison Park)

THIS MOTION, made by the Committee of Eligible Non-Mutual Policyholders (the “Non-Mutual Policyholders Committee”) of Economical Mutual Insurance Company (“Economical”) approving the fees of Morrison Park Advisors (“MPA”) for expert financial services to be provided to the Non-Mutual Policyholders Committee, was heard this day, at 330 University Avenue, Toronto, Ontario.

ON READING the Consent of the parties, filed:

1. **THIS COURT ORDERS** that, subject to further order of this court, the fees of Morrison Park Advisors, consisting a monthly fee beginning one month from the effective date of the engagement (i.e., June 15, 2017) and recurring at one-month intervals thereafter for a minimum of six months, in the amount of \$60,000 per month for the first five months of

the engagement and \$50,000 per month for each month thereafter, in accordance with the engagement letter attached as Schedule "A", are approved, and Economical shall pay such fees upon issuance of invoices by Morrison Park Advisors.

A handwritten signature in black ink, appearing to read "Hainey J.", written over a horizontal line.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

AUG 21 2017

PER / PAR:

Handwritten initials "pel" in blue ink.

Schedule "A"

MPA Morrison Park Advisors

100 King Street West,
P.O. Box 360, Suite 2540,
Toronto, ON, M5X 1E1
T: 416.861.9753
F: 416.861.9614
www.morrisonpark.com

Friday, July-07-17

Thornton Grout Finnigan LLP
Suite 3200, TD West Tower
100 Wellington Street West
Toronto, ON M5K 1K7

Attention: John L. Finnigan

STRICTLY PRIVATE AND CONFIDENTIAL

Dear Sirs:

We understand that you are counsel for The Committee of Eligible Non-Mutual Policyholders (the "Committee") of Economical Mutual Insurance Company ("Economical"), which is entering into a negotiation (the "Negotiation") with representatives of the committee representing the eligible mutual policyholders (the "Mutual Committee") with a view to determining an agreed-upon sharing of the demutualization benefits to be distributed upon demutualization of Economical. In connection with the Negotiation, the Committee is seeking to retain a financial advisor to assist it in the negotiations.

The purpose of this letter agreement is to confirm the appointment of Morrison Park Advisors ("MPA") as a financial advisor to the Committee in respect of the Negotiation and to record our mutual understanding and agreement regarding the scope and terms of our engagement for this mandate (the "Mandate").

- 1. Appointment and Engagement.** By its acceptance of this letter, the Committee hereby appoints MPA, and we agree to act, as financial advisor to the Committee in connection with the Mandate on the terms and subject to the conditions set forth below.

This engagement of MPA shall be for a period commencing on June 15, 2017 (from which date this letter agreement shall be deemed to be effective) and shall remain in effect until the earlier of a) termination by either party upon 30 days' written notice to that effect, and b) February 22, 2018.

Notwithstanding any termination of this letter agreement, Economical will be responsible for the payment of fees and expenses under Section 7 to the extent provided for therein.

This engagement of MPA pertains only to the Mandate (including all matters necessary or desirable to complete the Mandate) and does not extend to any other mandate or matter.

2. **Services to be Rendered by MPA.** On completion of a review of all relevant background materials and a full de-briefing with the Committee or with Thornton Grout Finnigan LLP, counsel to the eligible non-mutual policyholders, we will:
 - a) assist the Committee in developing negotiating strategies based on various analyses;
 - b) on behalf of the Committee and alongside counsel, potentially assisting with the negotiations with the Mutual Committee and its advisors;
 - c) report regularly to the Committee on developments in the Negotiation and any relevant market developments;
 - d) assist the Committee with financial analysis to determine the appropriate allocations within the non-mutual policyholder group, if and when requested; and
 - e) assist in, and be present at, any policyholder presentations during the term of our engagement in connection with the ensuing votes.
3. **Additional Services.** Without limiting the generality of the foregoing, the services provided hereunder shall not include appearances as a witness, the provision of evidence, whether orally, by deposition or by affidavit, or participation by MPA in any court or administrative proceeding relating to the Mandate except as outlined above or on the terms and conditions set forth in Section 10 hereof.
4. **Opinion Qualifications.** Any report and any oral or other advice provided by MPA to the Committee will be made subject to and will be based upon assumptions, limitations, qualifications and reservations as we, in our professional judgment, deem necessary or prudent in the circumstances, including without limitation assumptions, limitations, qualifications or reservations which are customary in such opinions or advice or which relate to:
 - a) the information, data, opinions, appraisals, valuations and other materials made available, and representations made, to us; and
 - b) our access to management of Economical and other relevant parties, and also any of their respective advisors, consultants and agents.

5. **Disclosure of Our Advice and this Engagement.** The opinions, advice and materials, including any report, to be provided by MPA in carrying out its engagement hereunder are intended solely for the use of the Committee. The Committee will be entitled to rely upon such opinions, advice and materials, including any report.

In no event shall MPA bear any responsibility for the form or content of any disclosure document prepared by the Committee in connection with the Mandate or relating to the Negotiation, other than a description of the services provided by MPA under this engagement that may be required by law in a manner approved by MPA acting reasonably. MPA disclaims any liability or responsibility to the Committee by reason of the use, publication or distribution of, or reference to, any report or any other advice provided by MPA or this engagement, in each case other than in accordance with this engagement and for the purposes of the Mandate.

Additionally, MPA acknowledges that copies of any report or materials presented to the Committee that are appended to minutes maintained by the Committee or Economical, may be subject to review by legal and financial advisors to the Committee. MPA disclaims any liability or responsibility to any person (other than the Committee) in respect of any report or any other advice provided by MPA in connection with this engagement, and any such person to whom the Committee makes such reports or advice available in accordance with this agreement shall be so advised by the Committee.

6. **Right to Withdraw Reports:** If (i) MPA becomes aware of any information not disclosed to it, or known by it at the time of the delivery of any report, regardless of the source, which in its reasonable opinion would make the report misleading in any material respect, untrue, or inaccurate or would result in an omission to state therein any material fact necessary in order to make such report not misleading in the light of the circumstances in which it was made and which is not reflected or contemplated in the report, or (ii) MPA reasonably concludes that there has been a material change in the business or affairs of Economical or a material change in the Mandate or in the information contained in the report which materially affects the opinions contained in or conclusions drawn in the report, MPA shall be entitled to amend, supplement or withdraw the report previously provided.

If MPA amends, supplements or withdraws a report provided hereunder for any reason or reasons, it shall so advise the Committee in writing in advance in a timely manner and consult with the Committee prior to taking such action. If the report or any summary thereof or extract therefrom has been published or referred to in any public document, then such amendment, supplement or withdrawal shall immediately be communicated or published in such manner as may be appropriate in the circumstances. Such communication shall be at the expense of the Committee.

7. **Fees and Expenses.** Subject to Section 11(1) of the Mutual Property and Casualty Insurance Company with Non-mutual Policyholders Conversion Regulations (the "Regulations"), for our services hereunder, Economical will pay to MPA a monthly fee beginning one month from the effective date of this letter agreement (i.e., June 15, 2017) and recurring at one-month intervals thereafter for a minimum of six months, in the amount of \$60,000 per month for the first five months of the engagement and \$50,000 per month for each month thereafter (the "Consulting Fees"), it being understood that payment of such fees will only be made on approval from the court under Section 11(1) of the Regulations and that until approved no person will be liable for any such fees and once approved MPA will only have recourse against Economical for such fees. Court approval for the financial advisory fees of MPA will be sought by Thornton Grout Finnigan LLP forthwith upon execution of this letter agreement.

Should notice of our termination be received prior to the completion of the minimum six-month period in b) above, the balance of any unpaid Consulting Fees subject to the minimum shall be due on termination again subject to Section 11(1) of the Regulations.

Economical will reimburse MPA for all reasonable travel and related expenses, printing & publishing costs and courier costs incurred by us in connection with the Mandate. Such reimbursable expenses will be billed from time-to-time and be payable by Economical upon receipt of invoice.

Economical and MPA understand and agree that financial advisory fees are subject to the Harmonized Sales Tax ("HST") and that such tax will be applicable to fees paid under the Mandate.

8. **Confidentiality.** MPA agrees that it will cause each person working on the Mandate that is part of MPA to execute the confidentiality undertaking attached as Schedule "A" to this letter which is required pursuant to the Confidentiality Order of the Honourable Justice Hainey, dated February 22, 2017, a copy of which has been delivered separately to MPA. Such confidentiality undertakings to be so executed upon commencement of the Mandate and MPA will deliver copies of same to Economical forthwith after such execution.
9. **Protection from liability.** MPA understands that pursuant to paragraph 6 of the Order of the Honourable Justice Hainey, dated February 22, 2017 that among other things appointed the Committee provides that any actuarial or other expert (such as MPA) retained by the Committee shall not incur any liability as a result of their appointment or the fulfillment of their duties, save and except for any gross negligence or willful misconduct on their part.

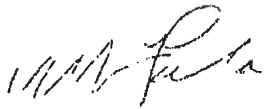
10. **Notice of Regulatory or Court Action.** The Committee or Economical will advise us promptly of any request received by them from any applicable regulatory authority for any material information, meeting or hearing relating to the Mandate, or of the initiation of any meeting, hearing, proceeding or litigation by a regulatory authority, policyholder or other party, with respect to the Mandate. If requested by the Committee or Economical, we will testify before or provide reasonable support services to the Committee before any governmental department, commission, agency or regulatory authority (including any stock exchange) or court and we shall be paid reasonable professional fees for such services. Our testimony or support services will be confined to the services performed under this letter agreement. We shall have the right to employ counsel in connection with our testimony and shall be reimbursed by Economical for the reasonable fees and disbursements of such counsel as well as all of our reasonable out-of-pocket costs, charges and expenses incurred in connection with such testimony or support services.
11. **Survival of Terms.** The terms and conditions of this letter agreement shall survive the completion of our engagement hereunder; any withdrawal or termination of the Mandate or decision not to proceed with the Mandate and any termination or purported termination of this letter agreement. In addition, any representations, warranties, and other agreements provided by the Committee or Economical in connection with this letter agreement, including without limitation, any certificate contemplated or otherwise delivered hereunder, shall remain in full force and effect regardless of any investigation made by us or on our behalf.
12. **Relationship.** The Committee and Economical agree that MPA has been retained to act solely as financial advisor to the Committee. In such capacity, MPA shall act as an independent contractor and any duties of MPA arising out of its engagement pursuant to this letter agreement shall be owed solely to the Committee. Notwithstanding that MPA's financial advisory fees shall be paid by Economical, MPA will provide its services solely in accordance with its Mandate as financial advisor to the Committee, and Economical will not seek to instruct MPA in any manner nor will Economical have access to any of MPA's work product other than with the consent of the Committee. MPA may place a tombstone on its website disclosing its involvement in the demutualization of Economical.

13. **Other Matters.** This letter agreement shall not be assignable by: (i) the Committee without the prior written consent of MPA; and (ii) MPA without the prior written consent of the Committee, in either case except as provided herein. The agreement resulting from this engagement letter shall be governed by and construed in accordance with the laws of the Province of Ontario and the parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Ontario. All financial references in this letter agreement are to Canadian dollars unless otherwise expressly indicated. Headings used herein are for ease of reference only and shall not affect the interpretation or construction of this letter agreement. No waiver, amendment or other modification of this letter agreement shall be effective unless in writing and signed by each party bound hereto. Time shall be of the essence of this agreement.
14. **Notices.** Any notice or other communication required or permitted to be given under this letter agreement shall be in writing and shall be sufficiently given or made by personal delivery, electronic mail or by telecopy or similar facsimile transmission (receipt confirmed) to the respective parties at the addresses set forth in this letter (in the case of MPA to the attention of the undersigned). Any notice so given shall be deemed conclusively to have been given and received when so personally delivered or so telecopied or transmitted.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing the enclosed copy of this letter, and return to the undersigned.

Yours very truly,

MORRISON PARK ADVISORS

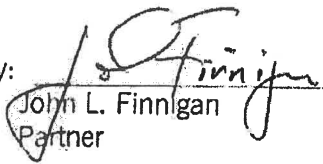


By: _____
William Gula
Senior Advisor

The foregoing is in accordance with our understanding and is accepted and agreed to by us
this _____ day of July, 2017.

THORNTON GROUT FINNIGAN LLP,
in its capacity as counsel to the committee of eligible non-mutual policyholders of
Economical Mutual Insurance Company

By: _____


John L. Finnigan
Partner

ECONOMICAL MUTUAL INSURANCE COMPANY

By: _____

Mr. Rowan Saunders
President & Chief Executive Officer

**IN THE MATTER OF THE INSURANCE COMPANIES ACT, S.C. 1991, c. 47, AS AMENDED,
AND THE MUTUAL PROPERTY AND CASUALTY INSURANCE COMPANY
WITH NON-MUTUAL POLICYHOLDERS CONVERSION REGULATIONS, SOR/2015-168**

Court File No.: CV-16-11425-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

ORDER

(Motion for approval of fees of Morrison Park)

THORNTON GROUT FINNIGAN LLP
3200-100 Wellington Street West
P.O. Box 329, Toronto-Dominion Centre
Toronto, ON M5K 1K7
Fax: (416) 304-1313

John Finnigan (LSUC# 24040L)
Email: jfinnigan@tgf.ca
Tel: (416) 304-0558

John Porter (LSUC# 23844T)
Email: jporter@tgf.ca
Tel: (416) 304-0778

Denisa Mertiri (LSUC# 67856I)
Email: dmertiri@tgf.ca
Tel: (416) 304-0596

Counsel for the Non-Mutual Policyholders
of Economical Insurance Company