

good to know<sup>®</sup>

2011 PUBLIC ACCOUNTABILITY STATEMENT



economical INSURANCE<sup>®</sup>



## who we are ...

Celebrating our 140th anniversary in 2011, Economical is one of Canada's largest and leading property and casualty (P&C) insurance companies, with market presence from coast to coast. With nearly 2,500 employees, we are committed to providing top quality home, automobile and commercial insurance products to our more than one million policyholders across the country.

Proudly headquartered in Waterloo, Ontario, Economical projects service excellence and superior product lines across Canada's vast and varied regions through 17 community branches and member companies, and a truly national broker channel to which we are fully committed.

## ...what we believe

Economical was established to meet a community need. Farmers, merchants and families needed financial security to make our communities viable and stable. For 140 years we've been doing just that. We build communities, facilitate business and provide security and support for Canadian families.

We plan to demutualize in 2012, securing the ability to compete and grow profitably and sustainably into the exciting future.

### SCOPE

Economical Mutual Insurance Company's 2011 Public Accountability Statement was produced as a consolidated statement. It provides a brief overview of our 2011 approach to corporate citizenship and activities undertaken in support of the economy, our policyholders, our employees, the environment and our communities. This public accountability statement includes the contributions of Federation Insurance Company of Canada, Missisquoi Insurance Company, Perth Insurance Company and Waterloo Insurance Company.

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## Karen Gavan

President and CEO

“

**We are at the  
beginning of  
our journey  
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”

# A message from Karen Gavan, president and CEO

**AT ITS CORE, ECONOMICAL IS A STRONG AND COMPETITIVE  
CANADIAN INSURANCE COMPANY.**

We provide financial security to Canadian families and businesses; we create jobs for Canadian communities; we make large contributions, through taxes, to public investments in Canada's economic and social development; and we produce innovative products and services to increasingly sophisticated consumers, strengthening the dynamism and competitiveness of Canada's financial sector and broader economy.

But we're also a corporate citizen. We are members of the communities we operate in and we are entrusted with sustaining and building the public's confidence in Canadian businesses. For these reasons, I am very pleased to introduce Economical's 2011 public accountability statement.

This public accountability statement, or PAS, is Economical's opportunity to provide the public with an at-a-glance overview of our approach to developing a progressive and sustainability-focused form of corporate citizenship.

We are at the beginning of our journey of corporate responsibility at Economical, but our commitment is firm and profound. Though our approach to developing a designated corporate responsibility program has been operationalized fairly recently, building strong communities is what Economical has always been about.

In fact, Economical was established to meet a community need. In 1871, only four short years after Confederation, farmers, merchants and families needed financial security to make the community of Berlin, Ontario – present day Kitchener – viable and stable. For 140 years, that's what we've been doing. We're community-builders, business-enablers and guardians of Canadian families' financial security.

We're here for Canadians. And we're here to stay.

Sincerely,



**KAREN GAVAN**  
President and CEO





## Our approach to corporate citizenship

Corporate responsibility (CR) at Economical has been gaining momentum. At Economical, CR is about operating in a way that is responsible to our various stakeholders, respectful of the environment and is supportive of the communities in which we live and work.

We began accelerating our work on CR in 2010 through a comprehensive diagnostic phase, which collected and synthesized feedback and recommendations from key stakeholders such as employees, broker partners, suppliers and industry organizations.

Under the overall guidance of the corporate governance and conduct review committee of Economical's board of directors, Economical is operationalizing the first elements of our CR agenda, including our community giving program. For more on Economical's community giving program, see the section titled "Supporting our communities".

# Supporting Canada's economy

## TAXES PAID

Economical provides financial security for Canadian families, business and communities – but our role doesn't end there. As a large, strong and stable financial institution, Economical has created thousands of jobs for Canadians and has supported local communities by making major contributions to public revenues.

	Income Taxes	Capital Taxes	Premium and Fire Taxes	=	2011	2010	2009
Total Federal	26,458,844.39				26,458,844.39	17,632,269.00	20,695,021.19
Newfoundland	237,993.52		845,200.00		1,083,193.52	1,054,545.00	993,229.36
Prince Edward Island	58,115.05		191,966.00		250,081.05	209,903.00	207,129.17
Nova Scotia	721,262.44	74,821.08	2,609,203.00		3,405,286.51	2,908,273.00	3,445,519.70
New Brunswick	506,455.29		1,960,426.00		2,466,881.29	2,104,110.60	2,275,734.02
Quebec	1,448,558.08		4,506,833.00		5,955,391.08	5,086,951.97	5,392,721.00
Ontario	10,063,677.65		30,810,010.00		40,873,687.65	39,345,440.00	42,548,516.33
Manitoba	73,921.90		368,829.00		442,750.90	298,736.00	352,376.50
Saskatchewan	17,370.64		105,010.00		122,380.64	105,943.00	74,469.20
Alberta	1,271,278.46		5,783,598.00		7,054,876.46	6,876,065.00	6,887,250.00
British Columbia	1,820,760.98		11,188,484.00		13,009,244.98	11,366,983.00	11,114,677.38
Yukon	1,715.55		2,960.00		4,675.55	4,590.00	5,317.03
Northwest Territories	3,394.16		8,947.00		12,341.16	13,612.00	16,285.05
Nunavut	1,170.54		3,025.00		4,195.54	4,457.00	5,119.09
Total Provincial	16,225,674.26	74,821.08	58,384,491.00		74,684,986.33	69,379,609.57	73,318,343.82
<b>Total</b>	<b>42,684,518.65</b>	<b>74,821.08</b>	<b>58,384,491.00</b>		<b>101,143,830.73</b>	<b>87,011,878.57</b>	<b>94,013,365.01</b>

## DEBT FINANCING

Economical provides debt financing to Canadian businesses within its distribution network. This supports their development and growth so they are better able to provide their products and services to their customers.

From	To	All Canadian provinces and territories	
(in dollars, except as otherwise noted)		# Loans	\$ Loans
-	24,999.00	4	48,203.99
25,000.00	99,999.00	4	145,246.74
100,000.00	249,999.00	3	507,582.00
250,000.00	499,999.00	2	700,000.00
500,000.00	999,999.00	0	-
1,000,000.00	4,999,999.00	4	7,494,921.69
5,000,000.00	greater	2	13,990,000.00
<b>Total</b>		<b>19</b>	<b>22,885,954.42</b>



**Economical supports policyholders with qualified claims experts to ensure fast, quality service every time.**

**When surveyed, 9 out of 10 customers rated our Claims service as **EXCELLENT**.**



# Supporting our policyholders

Expert claims representatives guide our policyholders through the process with all the tools and information required to make each claim as easy as possible. This includes:

- 24-hour claims service, seven days a week,
- 700 claims professionals servicing policyholders in several languages,
- 15 claims service offices across Canada,
- repair guarantees for auto and property claims,
- catastrophe response teams, and
- specialized units dedicated to ensuring customized claims services.

If policyholders' property or vehicle has been damaged, they can take advantage of our hassle-free Economical Service Program (ESP). We developed the ESP to provide superior claims service to our policyholders, while ensuring the quality of repairs. We thoroughly inspect all repair facilities and contractors before approving them for our program. We set stringent performance standards and only certify those that meet or exceed our standards. Location, quality, reputation, integrity and environmentally friendly procedures are essential elements in meeting our ESP standards. We also guarantee the quality of the repairs.

Certified Economical Repair Facility (CERF) is the designation we give to repair shops that meet or exceed our standards. The advantage is a one-stop shopping solution for all auto repair needs.

As part of our commitment to our CERF program and the environment, effective in late 2011 Economical enhanced its CERF criteria to create an elite status for those shops that achieve a lean and eco friendly designation. Under our new elite CERF program, in addition to meeting our newly specified performance matrices, repair facilities demonstrate they follow a business strategy to continuously improve the benefits they provide society, by reducing environmental impact and adding value to the community of stakeholders.

Certified Economical Quality Contractor (CEQC) provides a guarantee of quality property restoration and repairs, with our promise of the work for up to two years from the time of the repair.



**It takes a national team of professionals to serve our more than one million policyholders across Canada. Those professionals – our people – make Economical the successful and strong company it is today.**

**To keep our team and company strong, Economical is committed to attracting, developing and retaining top talent.**

# Supporting our employees

Following is an overview of how Economical's employees are situated across the country. Our head office in Waterloo, Ontario, accounts for the proportionally high number of employees located in that province.

## OUR EMPLOYEES ACROSS THE COUNTRY

PROVINCE	FULL-TIME	PART-TIME
Alberta	182	7
British Columbia	108	4
New Brunswick	37	1
Nova Scotia	91	1
Quebec	203	10
Ontario	1811	27
	<b>2432</b>	<b>50</b>

## TOTAL REWARDS

Employees are unique and at Economical we value benefits and rewards that provide flexibility, choice and control. Our total rewards compensation strategy offers competitive pay, flexible benefits, a healthy work-life balance and opportunities for learning and development.

Our total rewards approach reflects our values of integrity, achievement and collaboration. It is designed to recognize individual and group achievements in a fair and consistent manner.

Economical employees enjoy a competitive salary based on job requirements and skills. They also benefit from a merit-pay system linking reward to performance, an incentive bonus plan, job evaluation reflecting responsibility and accountability, bonuses for completion of certain professional designations and bonuses for successfully referring new employees.

Our employee benefits are comprehensive and include:

- immediate and flexible coverage that can be tailored to individual and family needs,
- broad range of options for employees and their family members: medical (including many paramedical practitioners), dental, prescription drug, long-term disability, accidental death and dismemberment and life insurance,
- award-winning wellness programs and incentives,
- comprehensive health and safety program, including flu vaccines,
- personal and family access to an employee assistance program and resources,
- guaranteed access to daycare and emergency childcare and eldercare programs through Kids & Company,
- comprehensive defined contribution pension plan and tools to assist in saving for future retirement needs,
- company-match on employee contributions to group RRSP,
- minimum of three-weeks vacation per year and other paid time-off options,
- flexible work scheduling, and
- employee home and auto insurance discounts.

## RECOGNITION

At Economical, we know that human capital is our greatest asset. We believe that rewarding and recognizing our employees is an important way of showing our commitment each day.

Recognition takes many forms at Economical and the newest involves our Aspire Higher program. It is an innovative approach to recognition that enables all employees to recognize their colleagues through a user-friendly web-based tool. This program celebrates our core values: customer focus, integrity, achievement, collaboration and learning.

Leaders can also provide recognition and special gifts to employees through a web-based awards system. After the gift nomination is submitted by the leader and approved, the recipient is able to choose their own gift from a pre-defined catalogue of items. This centralized, web-based program facilitates the growing culture of appreciation at all levels.

aspire<sup>^</sup>higher

## TALENT MANAGEMENT

The talent management philosophy at Economical is about the potential to grow, develop and succeed. Our programs identify talent throughout the organization and accelerate the development of high-potential individuals.

We undertake initiatives to promote Economical as a preferred workplace with Canadian post-secondary institutions. We start early and connect with high school and university students through on-campus initiatives such as the Insurance Institute of Canada's Ambassador Program which takes employees into public school classrooms to talk about the insurance industry. We also participate in job fairs at post-secondary institutions across the country.

Since 1999, we have established the Economical Insurance Award in insurance and risk management at MacEwan University. The scholarship is awarded to a student in the management studies, insurance administration program for their scholastic achievement and/or community endeavours.



## LEARNING AND EDUCATION

Learning is one of five core values that support the mission and vision at Economical. In our culture, the learning never stops. With an inspired learning environment, we encourage and support continual growth and improvement for all of our people. We provide learning and education strategies that promote a system-wide culture of excellence and high performance. These include assessment data, development tools, and learning opportunities to maximize employee effectiveness in achieving Economical's mission, vision, and goals.

**Economical continues to invest in the corporate learning function. As a company, we continue to seek innovative ways to set us apart in both the insurance industry and as a top training organization.**

The Economical Learning Institute for Training and Education (elite) is the centralized learning function that offers a comprehensive array of learning solutions including all technical training, leadership development, employee development, eLearning, and the resource library. The next generation of elite training has begun focusing on learning technology innovations and evolving to meet diverse employee needs. Strategic direction is pointing to increasing the use of blended learning in all training programs by integrating more eLearning modules, podcasting, tutorials, and live classroom sessions.

Economical maintains a robust tuition and certification reimbursement program. As one of the largest property and casualty insurance companies in Canada, we provide a financial reward to employees achieving insurance professional certifications. Economical is ranked in the top three P&C insurance companies in Canada for the number of employees who have earned their Chartered Insurance Professional (CIP) designation, a ten-course program integrating practical and theoretical knowledge; five mandatory, three applied professional and two electives.



**Economical supports charitable organizations and causes that drive positive change in Canadian communities – we always have.**

**In 2011 the company gave more than \$410,000 in charitable donations and \$144,000 in sponsorships for a total exceeding \$554,000.**

## Supporting our communities

**The United Way / Centraide** has long been a charity of choice for employees at Economical. In 2011 this organization was named Economical's signature charity and we ran our first nationally coordinated campaign themed "give today, change tomorrow." A large cohort of volunteers coordinated a two-week campaign and collectively raised more than \$590,000 for our communities across Canada, including both employee donations and the company matching portion.

**Junior Achievement** has also been a long supported cause. Economical employees present the Junior Achievement course, The Economics of Success (EOS) to groups of public school students. The program involves visiting a local grade school and facilitating a one-day program designed to help students understand the importance of education and the benefits of staying in school. Both students and Economical volunteers realize the many positive benefits of participating in this opportunity

Economical employees are actively involved with **various charitable causes** through their social committees. They organize activities to support charities, including:

- Food Bank with food drives
- Daffodil Days for Cancer Society
- Glad Days for Epilepsy
- Send 'em Off Smiling
- Canadian Blood Services

As part of our emerging **corporate responsibility program**, community giving is being strengthened and brought into sharper strategic focus. In late 2011, Economical established the approach for our new community giving program. The program is designed to generate online applications for charitable donations and sponsorships, review those requests to ensure alignment with our strategic priorities, and provide a well-governed process for establishing those philanthropic partnerships in our communities.

In our 2012 report, watch for information on Economical's strategic thrusts – the areas of focus for our community giving program are: safety and security, youth and education, arts and culture, and health and wellness.

To review our community giving webpage, visit [www.economicalinsurance.com/communitygiving](http://www.economicalinsurance.com/communitygiving).

Do you know of a charitable or community cause that you believe Economical should support? Reach out to us at [communitygiving@economical.com](mailto:communitygiving@economical.com).



**At Economical, we have started down the path  
of environmental sustainability.**

**As our corporate responsibility program – formally  
launched in 2011 – continues to evolve, our ability  
to report on environmentally sensitive facilities  
upgrades will grow along with it.**



# Supporting our environment

Every journey begins with a first step. Our journey toward corporate sustainability has already yielded progress. Our environmental sustainability objectives and plans are:

## To raise awareness of environmental sustainability within the company nationally.

- Ensuring all employees are aware of their role and responsibility to fulfill and sustain our environmental guiding principles.
- Promoting transparency through documenting and publishing our environmental performance.
- Engaging creativity and enthusiasm with respect to our environmental initiatives.
- Involving all staff in the promotion and awareness of environmental issues through training and guidance.
- Communicating appropriately with employees, suppliers, regulators, customers and the general public regarding environmental aspects of company operations.

## To identify, investigate and take action to reduce pollution, waste and the consumption of resources.

- Designing, managing and operating our facilities to promote energy efficiency and to protect the environment.
- Educating and encouraging fleet drivers with vehicle choices to select environmentally friendly vehicles (hybrid options, and low emission vehicles). Provide selector vehicles that are equipped with four cylinder engines and lower carbon emissions.
- Ensuring the paper we purchase contains recycled fibre and where available use paper that is either certified by Forest Stewardship Council (FSC), Canadian Standards Association or equivalent, indicating that it has been harvested from sustainably managed forests.
- Ensuring the disposal of furniture and equipment and our recycling and waste removal programs are environmentally friendly.
- Continually monitoring business activities that use significant quantities of consumable items such as paper and plastic products and look for ways to reduce consumption.

## To create processes and procedures that support environmentally friendly business practices.

- Developing a comprehensive sustainable purchasing policy.
- Considering the environmental performance of our suppliers and the environmental attributes of the products and services during the procurement process. Select the vendors with environmentally friendly practices or processes.
- Encouraging internal clients to select sustainable and environmentally friendly products during sourcing process.
- Working with suppliers to effectively and efficiently recycle waste in an environmentally responsible manner.

Below are some examples of environmentally sensitive steps taken during this reporting period.

- Setup all multifunction printers and fax machines with double-sided printing.
- Ensured environmentally friendly practices when selecting our vendors.
- Purchased refurbished furniture for standard workstations and task chairs made with 98% recyclable material and/or are 98% recyclable by weight.
- Printed the majority of all marketing material on paper with recycled content and used envelopes manufactured from FSC certified material.
- Worked with Iron Mountain – our preferred shredding supplier – to ensure shredded paper is recycled.
- Recycled used toner cartridges back to the supplier.
- Endorsed Staples Advantage (Office Supplies) ‘Green Fifty’ program to reduce the number of deliveries (since 2008).
- Ensured waste removal supplier invests in innovative technologies in landfills to make them highly engineered gas-to-energy landfills.
- Worked with our food service provider to reduce the amount of Styrofoam and plastic used.
- Ensured carpet cleaners use environmentally friendly cleaning products.
- Used the “Smart about Salt” program in the winter, an environmentally friendly program sponsored by the Region of Waterloo.
- Adjusted building temperatures during non-business hours.
- Installed light motion sensors in a number of meeting rooms.
- Promoted the Waterloo Region’s commuter challenge to encourage staff reduce emissions by using more environmentally friendly commute options such as walking, cycling, carpooling and using public transit.

To better understand its Waterloo Region carbon footprint and how to reduce it, Economical works with Sustainable Waterloo. Sustainable Waterloo was founded in July 2008 and is a not-for-profit organization that guides organizations in Waterloo Region towards a more environmentally sustainable future. To do so, Sustainable Waterloo facilitates collaboration between industry, local government, academia and NGOs.

The current work of Sustainable Waterloo is focused on the Regional Carbon Initiative, which supports voluntary target-setting and reductions of carbon emissions by organizations across Waterloo Region.

# Economical locations

Economical has branches and offices across the country to serve our policyholders. Below, please find our locations and contact information.

## HEAD OFFICE

111 Westmount Road South  
P.O. Box 2000  
Waterloo, ON N2J 4S4

## ALBERTA

### Calgary Branch

801-6 Avenue S.W., Suite 2700  
Calgary, AB T2P 3W2  
Telephone: 403-262-4558  
Toll-free: 1-800-562-1180

### Edmonton Branch

10250 101st Street, Suite 1600  
Edmonton, AB T5J 3P4  
Telephone: 780-426-5925  
Toll-free: 1-800-661-3274

## BRITISH COLUMBIA

### Vancouver Branch

1055 West Georgia Street,  
Suite 1900  
P.O. Box 11112, Royal Centre  
Vancouver, BC V6E 3P3  
Telephone: 604-684-1194  
Toll-free: 1-800-951-6665

## NOVA SCOTIA

### Halifax Branch

200 Waterfront Drive,  
Suite 300  
Bedford, NS B4A 4J4  
Telephone: 902-835-6214  
Toll-free: 1-800-278-9639

## NEW BRUNSWICK

### Moncton Branch

1600 Main Street, Suite 200  
Moncton, NB E1E 1G5  
Telephone: 506-857-8830  
Toll-free: 1-800-332-3932

## ONTARIO

### Hamilton Branch

120 King Street West, Suite 750  
Hamilton, ON L8P 4V2  
Telephone: 905-522-4984  
Toll-free: 1-800-263-6432

### Kitchener-Waterloo Branch

590 Riverbend Drive  
Kitchener, ON N2K 3S2  
Telephone: 519-570-8322  
Toll-free: 1-866-202-2622

### London Branch

148 Fullarton Street, PO Box 817  
Talbot Centre, Suite 1200  
London, ON N6A 4Z4  
Telephone: 519-673-5990  
Toll-free: 1-800-265-4441

### Metro Branch

5700 Yonge Street, Suite 1600  
North York, ON M2M 4K2  
Telephone: 416-590-0038  
Toll-free: 1-800-268-8801

### Mississauga Customer Contact Centre

77 City Centre Drive, Suite 400  
Mississauga, ON L5B 1M5  
Telephone: 1-800-522-0195  
Fax: 905-896-2698

### Ottawa Branch

343 Preston Street, Suite 500  
Ottawa, ON K1S 1N4  
Telephone: 613-567-7060  
Toll-free: 1-800-267-8318

### Toronto Office

121 King Street West, Suite 1701  
Toronto, ON M5H 3T9  
Telephone: 647-260-3680

## Economical Select

### (formerly Waterloo Insurance)

590 Riverbend Drive  
Kitchener, ON N2K 3S2  
Telephone: 519-570-8322  
Toll-free: 1-866-202-2622

## Perth Insurance Company

5255 Yonge Street, Suite 1500  
North York, ON M2N 6P4  
Telephone: 416-590-0171  
Toll-free: 1-888-307-3784,  
or Toll Free "Service Centre":  
1-888-717-2233

## Western General Farm Division

959 Dundas Street, Ste. 200  
Woodstock, ON N4S 1H2  
Telephone: 519-421-3047  
Toll-free: 1-800-464-1766

## QUEBEC

### (formerly Missisquoi Insurance)

1 Place Ville Marie, Suite 1400  
Montreal, QC H3B 2B2  
Telephone: 514-875-5790  
Toll-free: 1-800-361-7573



**HEAD OFFICE**

111 Westmount Road South, P.O. Box 2000, Waterloo ON Canada N2J 4S4  
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