

# DEFINITY FINANCIAL CORPORATION

## BY-LAW NO. 1

### A By-Law relating generally to the conduct of the business and affairs of Definity Financial Corporation

#### SECTION ONE

#### INTERPRETATION

1.01 Definitions. In the by-laws of the Company, unless the context otherwise requires:

“Act” means the *Insurance Companies Act* (Canada) or any statute that may be substituted therefor, and the regulations to the Act, as from time to time amended;

“Applicable Securities Laws” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such legislation and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission or similar regulatory authority of each province and territory of Canada;

“appoint” includes “elect” and vice versa;

“board” means the board of directors of the Company;

“by-laws” means this By-law No. 1 and all other by-laws of the Company from time to time in force and effect;

“close of business” means 5:00 p.m. on a business day in Waterloo, Ontario, Canada;

“Company” means Definity Financial Corporation;

“Conversion Plan” means the conversion proposal of Economical Mutual Insurance Company as approved by the Minister of Finance (Canada) which constitutes a conversion proposal as contemplated by the Act;

“Effective Date” means the effective date specified in the Letters Patent of Conversion;

“including” means including, without limitation;

“letters patent” means, in respect of an instrument authorized to be issued under the Act, letters patent in a form approved by the Superintendent of Financial Institutions;

“Letters Patent of Conversion” has the meaning ascribed thereto in the Conversion Plan;

“meeting of shareholders” includes an annual meeting of shareholders and a special meeting of shareholders; and “special meeting of shareholders” includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

“nominating shareholder” has the meaning ascribed thereto in Section 3.16(a);

“Notice Date” has the meaning ascribed thereto in Section 3.16(c);

“public announcement” means disclosure in a news release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com, or otherwise in accordance with public disclosure processes contemplated by applicable securities laws.

“prescribed” means prescribed in accordance with the Act; and

“senior officer” is a person who is

- (a) a director of the Company who is a full-time employee of the Company;
- (b) the chief executive officer of the Company;
- (c) the chief operating officer, president, secretary, treasurer, controller, chief financial officer, chief accountant, chief auditor or chief actuary of the Company;
- (d) a natural person who performs functions for the Company similar to those performed by a person referred to in paragraphs (b) or (c);
- (e) the head of the strategic planning unit of the Company;
- (f) the head of the unit of the Company that provides legal services or human resources services to the Company; or
- (g) any other officer reporting directly to the board, the chief executive officer of the Company or the chief operating officer of the Company.

1.02 Construction of By-Laws. In the by-laws of the Company, save as provided in Section 1.01, words and expressions defined in the Act have the same meanings when used in any such by-law; words importing the singular number include the plural and vice-versa; words importing gender include the masculine, feminine and neuter genders; words importing a person include an individual, a partnership, a fund, an unincorporated association or organization, a

body corporate, a trust, a trustee, Her Majesty in right of Canada or of a province, an agency of Her Majesty in right of Canada or of a province, the government of a foreign country or any political subdivision thereof and any agency thereof, an executor, an administrator and a legal representative; and headings of the articles and sections of any such by-law shall not affect the interpretation of such by-law.

1.03           Severability. If any provision of any by-law of the Company contravenes applicable law, such contravention shall not invalidate any other provision of that or of any other by-law of the Company.

1.04           Governing Effect of Act, etc. If there is any matter pertinent to the Company that is not expressly dealt with in the by-laws of the Company and that is dealt with in the Act or any orders or consents issued to the Company pursuant to the Act, the provisions of the Act or such orders or consents shall govern.

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## SECTION TWO

### BUSINESS OF THE COMPANY

2.01 Head Office. The head office of the Company is located in the place in Canada specified in the letters patent of the Company. The board may change the address of the head office within the province specified in the letters patent. The board may change the province in which the head office of the Company is situated by amending this By-law No. 1 and submitting the amendment to the shareholders and the shareholders may, by special resolution, confirm amend or reject the by-law.

2.02 Corporate Seal. The Company may, but need not, adopt a corporate seal and if one is adopted, it shall be in a form approved from time to time by the board.

2.03 Financial Year. Until changed by the board, the financial year of the Company shall end on the last day of December in each year.

2.04 Execution of Instruments. Instruments and documents of any nature may be signed on behalf of the Company by any two senior officers of the Company. In addition, the board may from time to time designate any of the senior officers or other persons, alone or together, by whom and the manner in which any particular instrument or document or class of instruments or documents may or shall be signed. Any signing officer may affix the corporate seal to any instrument or document requiring the same.

2.05 Banking Arrangements. The banking business of the Company, including the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe.

2.06 Voting Rights in Other Bodies Corporate. The signing officers or other authorized signatories of the Company under Section 2.04 may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Company. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07            Divisions. The board may cause the business and operations of the Company or any part thereof to be divided into one or more divisions upon such basis, including types of business or operations, geographical territories, product lines or goods or services, as may be considered appropriate in each case. In connection with any such division, the board or, subject to any direction by the board, the chief executive officer of the Company may authorize from time to time, upon such basis as may be considered appropriate in each case:

- (i)            Subdivision and Consolidation – the further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;
  - (ii)           Name – the designation of any such division or sub-unit by, and the carrying on of the business and operations of, any such division or sub-unit under, a name other than the name of the Company; provided that the Company shall set out its name in legible characters in all places required by law; and
  - (iii)           Officers – the appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any of such officers so appointed, provided that any such officers shall not, as such, be officers of the Company.
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## SECTION THREE

### DIRECTORS

3.01 Number of Directors. The board shall consist of a minimum of seven (7) directors and a maximum of twenty-one (21) directors. The number of directors to be elected at any annual meeting of shareholders of the Company shall be such number as is fixed by the board prior to the annual meeting of shareholders. Until such time as the number of directors constituting the board shall be changed by resolution of the directors, there shall be 10 directors. The board may appoint one or more additional directors to hold office for a term ending immediately prior to the election of directors at the annual meeting of shareholders next following the director's election or appointment, provided that: (a) the total number of directors so appointed shall not exceed one third of the number of directors elected at the previous annual meeting of shareholders; and (b) the maximum number of directors is not exceeded.

3.02 Qualification. Subject to Section 3.16 hereof, any person who, under the Act, is not disqualified from being a director of a Company or is not made ineligible for election or appointment as such director, shall be eligible for election or appointment as a director of the Company.

3.03 Term of Directors. Each director shall be elected or appointed for a term ending immediately prior to the election of directors at the annual meeting of shareholders next following the director's election or appointment. Directors are eligible for re-election or re-appointment.

3.04 Action by the Board. The powers of the board may be exercised at a meeting (subject to the provisions of this By-law No. 1) at which a quorum is present.

3.05 Conduct of Meetings of the Board and Quorum. The board shall establish from time to time the place of, and procedures for the calling and conduct of, meetings of the board and its committees.

3.06 Chair of the Board. The chair of any meeting of the board shall be the chair of the board or, failing such person, the vice-chair or, failing such person or at the direction of the chair or vice-chair, the chief executive officer of the Company, or failing such person, a director designated in writing by the chair. If neither of these persons nor the person so designated, if any, is present the directors present shall choose one of their number to be chair.

3.07 Quorum. Subject to this By-law No. 1 and the Act, the quorum for the transaction of business at any meeting of the board shall consist of a majority of directors where the total number of directors is thirteen (13) or less, and seven (7) directors where the total number of

directors is more than thirteen (13), and at any meeting of a committee of directors shall consist of a majority of the members of the committee, except where such committee has four (4) members, in which case a quorum shall be two (2) members.

3.08 Votes to Govern. At all meetings of the board, every question shall be decided by at least a majority of votes cast in favour of the question and in the case of an equality of votes cast on any resolution, the resolution shall fail. In the event that the vote is in connection with the removal or appointment of the chief executive officer of the Company, the chief executive officer of the Company shall not take part in the vote.

3.09 Meetings of Committees of the Board. Committees of the board shall determine their own procedures, including notice requirements, if any, for the calling and conduct of meetings, subject to any procedures and requirements imposed by the board.

3.10 Loans to Directors and Related Parties. A director shall not be present or vote at a meeting of the board or any committee thereof when a loan or advance to such director or a firm of which such director is a member or a Company of which such director is a director or officer is under consideration, except as permitted by the Act.

3.11 Remuneration of Directors. In consideration of serving in such capacity, each director of the Company, other than directors who are full-time employees of the Company or of a subsidiary of the Company, shall be paid remuneration in such amount and payable in such manner as the board may from time to time determine, with any payment in the form of property other than cash property having a value for the purpose of this Section 3.11 as the board may determine. The aggregate of all amounts that may be paid to all of the directors as remuneration for their services as directors in any financial year of the Company shall not exceed \$4,000,000. Additionally, the directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof or otherwise in the performance of their duties.

3.12 Limitation of Liability. Subject to the Act, and without limiting any defences available under the Act or otherwise, no director shall be liable for the acts, receipts, neglects, omissions, failures or defaults of any other director, officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the board for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Company shall be placed out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Company shall be deposited, or for any loss occasioned by any error of judgment or oversight on the part of such director, or for any liability or expense sustained or incurred by the Company in the execution of the duties of such person's

office or in relation thereto; provided, however, that nothing herein contained shall relieve any director from the duty to act in accordance with the Act or from liability for any breach thereof.

3.13 Indemnity. Subject to the Act, the Company shall indemnify a director, a former director, or a person who acts or acted at the Company's request as a director of, or in a similar capacity for, another person, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such person, in respect of any civil, criminal, administrative, investigative or other proceeding in which such person is or was involved because of that association with the Company or such person if:

- (i) such person acted honestly and in good faith with a view to the best interests of the Company; and
- (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such person had reasonable grounds for believing that such person's conduct was lawful.

The Company shall also indemnify such person in such other circumstances as the Act or law permits or requires. The Company shall indemnify the heirs or personal representatives of such person to the extent referred to in the foregoing paragraph. Nothing in this By-law No. 1 shall limit the right of any person entitled to indemnification to claim indemnity apart from the provisions of this By-law No. 1.

The Company shall advance moneys to an individual for the costs, charges and expenses of a proceeding referred to in this Section 3.13. The individual shall repay the moneys if the individual does not fulfil the conditions of this Section 3.13.

3.14 Insurance. Subject to the Act, the Company may purchase and maintain insurance for the benefit of any person referred to in Section 3.13 hereof.

3.15 Attendance at Meetings. Unless any director present at a meeting objects, the chair of the meeting may invite any officer of the Company or any other person to attend the whole or part of the meeting.

3.16 Requirements for Nominations of Directors.

(a) Nomination Procedures. Subject to the Act and the by-laws of the Company, only individuals who are nominated in accordance with the procedures set out in this Section 3.16 shall be eligible for election as directors of the Company at any meeting of shareholders of the Company. Nominations of individuals for election to the board may be made at any annual meeting of shareholders or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors:

- (i) by or at the direction of the board, including pursuant to a notice of meeting;
- (ii) by or at the direction or request of one or more shareholders pursuant to a proposal or a requisition made in accordance with the provisions of the Act; or
- (iii) by any person (a “**nominating shareholder**”) who: (A) at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting is a registered holder of shares that are entitled to be voted at such meeting on the election of directors; and (B) complies with the notice procedures set forth in this Section 3.16.

(b) Timely Notice. In addition to any other applicable requirements, for a nomination to be made by a nominating shareholder, the nominating shareholder must have given timely notice thereof in proper written form to the secretary of the Company at the head office of the Company.

(c) Manner of Timely Notice. To be timely, a nominating shareholder’s notice to the secretary of the Company must be made:

- (i) in the case of an annual meeting (including an annual and special meeting) of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that if the annual meeting of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made (the “**Notice Date**”), notice by the nominating shareholder shall not be made later than the close of business on the 10th day following the Notice Date; and
- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a nominating shareholder’s notice as described above.

(d) Proper Form of Timely Notice. To be in proper written form, a nominating shareholder’s notice to the secretary of the Company must set forth:

- (i) as to each individual whom the nominating shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the individual; (B) the principal occupation or employment of the individual, both present and within the five years preceding the notice; (C) whether the person is a resident Canadian within the meaning of the Act; (D) the number of shares of the Company beneficially owned, or controlled or directed, directly or indirectly, by the individual as of the record date for the meeting of shareholders

(if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (E) a description of any relationship, agreement, arrangement or understanding (financial, compensation or indemnity related or otherwise) between the nominating shareholder and the person; and (F) any other information relating to the individual that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and

- (ii) as to the nominating shareholder giving the notice and any beneficial owner respecting which the notice was given, the names of such person(s) and (A) whether the person is a shareholder of the Company as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the close of business on the date of such notice; (B) the number of shares of the Company beneficially owned, or controlled or directed, directly or indirectly, by such person(s) and each person acting jointly or in concert with any of them; (C) full particulars regarding any proxy, contract, arrangement, agreement, understanding or relationship pursuant to which such nominating shareholder has a right to vote or to direct or to control the voting of shares of the Company for the election of directors; and (D) any other information relating to such nominating shareholder that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

References to "nominating shareholder" in this Section 3.16 shall be deemed to refer to each person that nominates a person for election as a director in the case of a nomination proposal where more than one person is involved in making such nomination proposal.

(e) Other Information. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company, including to comply with requirements of the Office of the Superintendent of Financial Institutions (Canada), to assess the suitability of directors and potential changes to the board, to determine the eligibility of such proposed nominee to serve as an independent director of the Company, or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee.

(f) Notice to be updated. In addition, to be considered timely and in proper written form, a nominating shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

(g) Power of the Chair. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

(h) Eligibility for Nomination as a Director. No individual shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this By-law, provided, however, that nothing in this by-law shall preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which such shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act.

(i) Delivery of Notice. Notwithstanding any other provision of the Company's by-laws, notice given to the secretary of the Company pursuant to this by-law may only be given by personal delivery or by email (at the email address indicated under the Company's profile on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com) or such other email address stipulated for this purpose by the secretary), and shall be deemed to have been given and made only at the time it is served by personal delivery or email (at the aforesaid address) to the secretary at the address of the head office of the Company; provided that if such delivery or electronic communication is made on a day which is not a business day or later than close of business on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next day that is a business day.

(j) Increase in Number of Directors to be Elected. Notwithstanding any provisions in this section to the contrary, in the event that the number of directors to be elected at a meeting is increased effective after the time period for which the nominating shareholder's notice would otherwise be due under this section, a notice with respect to nominees for the additional directorships required by this section shall be considered timely if it shall be given not later than the close of business on the tenth (10<sup>th</sup>) day following the day on which the first public announcement of such increase was made by the Company.

(k) Board Discretion. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement of this Section 3.16.

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## SECTION FOUR

### OFFICERS

4.01 Appointment of Officers. The board may designate the offices of the Company, appoint officers thereto, specify the duties of those officers and delegate to them powers to manage the business and affairs of the Company. Subject to the Act, an officer may, but need not be, a director.

4.02 Agents and Attorneys. Any two senior officers of the Company together shall have power, on behalf of the Company, to appoint agents and attorneys of the Company with such powers (including the power to subdelegate) of management, administration or otherwise as may be thought fit. In addition, the board may from time to time designate any of the senior officers or other persons, alone or together, by whom and the manner in which any particular agents or attorneys, or class thereof, may be appointed.

4.03 Term of Office, etc. Every officer shall hold office at the pleasure of the board. All officers shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Appointments of officers by the board shall survive any reconstitution or changes in the composition of the board.

4.04 Limitation of Liability. Subject to the Act, and without limiting any defences available under the Act or otherwise, no officer shall be liable for the acts, receipts, neglects, omissions, failures or defaults of any other director, officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the board for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Company shall be placed out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Company shall be deposited, or for any loss occasioned by any error of judgment or oversight on the part of such officer, or for any liability or expense sustained or incurred by the Company in the execution of the duties of such office or in relation thereto; provided, however, that nothing herein contained shall relieve any officer from the duty to act in accordance with the Act, or from liability for any breach thereof.

4.05 Indemnity. Subject to the Act, the Company shall indemnify an officer, a former officer, or a person who acts or acted at the Company's request as an officer of, or in a similar capacity for, another person against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such officer, in respect of any civil, criminal, administrative, investigative or other proceeding in which such officer is or was involved because of that association with the Company or such person if:

- (i) such person acted honestly and in good faith with a view to the best interests of the Company; and
- (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such officer had reasonable grounds for believing that such officer's conduct was lawful.

The Company shall also indemnify such person in such other circumstances as the Act or law permits or requires. The Company shall indemnify the heirs or personal representatives of such person to the extent referred to in the foregoing paragraph. Nothing in this By-law No. 1 shall limit the right of any person entitled to indemnification to claim indemnity apart from the provisions of this By-law No. 1.

The Company shall advance moneys to an individual for the costs, charges and expenses of a proceeding referred to in this Section 4.05. The individual shall repay the moneys if the individual does not fulfil the conditions of Section 4.05.

4.06            Insurance. Subject to the Act, the Company may purchase and maintain insurance for the benefit of any person referred to in Section 4.05 hereof.

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## SECTION FIVE

### SHARES AND DIVIDENDS

5.01 Commissions. The board may from time to time authorize the Company to pay a reasonable commission to any person in consideration of such person's purchasing or agreeing to purchase shares of the Company, whether from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares. The board may, to the extent permitted by the Act, delegate this authority to a committee of directors.

5.02 Share Certificates. Subject to the Act, any share certificates, if applicable, shall be in such form as the board may from time to time approve. Any such certificate shall be signed in accordance with Section 2.04 and need not be under the corporate seal. Notwithstanding the foregoing, unless the board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers under Section 2.04 or, in the case of a certificate which is not valid unless countersigned by or on behalf of a transfer agent and/or registrar and in the case of a certificate which does not require a manual signature under the Act, the signatures of the signing person or persons under Section 2.04 may be printed or otherwise mechanically reproduced in facsimile thereon. Every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Company. A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

5.03 Replacement of Share Certificates. The board or any officer or agent designated by the board may direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

5.04 Joint Shareholders. If two or more persons are registered as joint holders of any share, the Company shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

5.05 Deceased Shareholders. In the event of the death of a holder, or of one of the joint holders, of any share, the Company shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except

upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Company and its transfer agent(s).

5.06            Transfer Agent(s) and Registrar(s). If the board appoints one or more agents to maintain, in respect of each class of shares of the Company issued by it, a central securities register and one or more branch securities registers, such a person may be designated as transfer agent or registrar according to the functions of such person and one person may be designated both registrar and transfer agent subject to applicable law and any applicable stock exchange requirements. The board may at any time terminate such appointment.

5.07            Payment of Dividends. A dividend payable in money shall be paid by cheque to the order of (or, at the option of the Company, electronically deposited in accordance with the last instructions of the holder received by the Company or its transfer agent to), each registered holder of shares of the class or series in respect of which it has been declared. Any such cheque shall be mailed by prepaid ordinary mail to such registered holder at the holder's recorded address, unless such holder otherwise directs. In the case of joint holders, any such cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque or electronic deposit as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Company is required to and does withhold. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Company shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

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## SECTION SIX

### MEETINGS OF SHAREHOLDERS

6.01 Place of Meetings. Meetings of shareholders shall be held in the place where the head office of the Company is situated or elsewhere in Canada if the board shall so determine. The board may determine that any meeting of shareholders shall be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting; provided that such determination is permitted under the Act or is otherwise made in accordance with the Act.

6.02 Notice of Meetings. Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Section Seven hereof within the prescribed period and in accordance with the Act to each shareholder entitled to vote at the meeting, each director, to the auditor and to the actuary of the Company, and to the Superintendent.

6.03 Chair and Secretary. The chair at all meetings of shareholders of the Company shall be the chair of the board, or in the absence of the chair of the board, a non-management director chosen as the chair of the meeting by the directors who are present. If the secretary of the Company is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting.

6.04 Quorum Provisions.

(a) Quorum. A quorum for any meeting of shareholders shall be at least two persons present in person and, together, holding or representing by proxy not less than twenty-five (25) percent of the total number of issued and outstanding shares of the Company entitled to vote at such meeting. No business shall be transacted at any meeting of shareholders unless the requisite quorum is present at the commencement of such meeting, provided that if a quorum is present at the commencement of a meeting a quorum shall be deemed to be present during the remainder of the meeting.

(b) Adjournment. If a quorum is not present at the time appointed for a meeting of shareholders or within such reasonable time thereafter as the shareholders present may determine, the chair of the meeting may, and if so directed by the meeting must, adjourn the meeting to a fixed time and place but may not transact any other business. The reconvened meeting following the adjournment shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. Except as provided for in this Bylaw, if there is no quorum present at the reconvened meeting following the adjournment, the original meeting shall be deemed to have terminated forthwith after its adjournment.

6.05 Proxyholders and Representatives. Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, to attend and act as the shareholder's representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A shareholder entitled to vote at a meeting of shareholders may appoint a proxy in writing or by any other method specified by the board for such meeting, including by means of a telephonic, electronic or other communication facility, and an appointment by such method in the manner prescribed by the board shall be considered a completed and executed form of proxy in accordance with the requirements of the Act. The Company shall recognize any individual authorized by a resolution of the directors or governing body of a body corporate or association to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Company a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Company or the chair of the meeting. Any such proxyholder or representative need not be a shareholder.

6.06 Time for Deposit of Proxies. Subject to the Act and applicable law, the board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours, excluding Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Company or an agent thereof specified in such notice or if, no such time having been specified in such notice, it has been received by the secretary of the Company or by the chair of the meeting or any adjournment thereof prior to the time of voting.

6.07 Votes to Govern. At any meeting of shareholders every question shall, unless otherwise required by the Act, the by-laws, by law or any applicable stock exchange rule, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

6.08 Show of Hands. Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote, subject to any provision of the Act restricting the ability of a proxyholder or alternate proxyholder to vote by way of show of hands where such person has conflicting instructions from more than one shareholder. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or defeated and an entry to that effect in the minutes of the meeting shall be prima facie proof of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question. Any vote referred

to in Section 6.07 and this Section 6.08 may be held, subject to and in accordance with the Act, partly or entirely by means of a telephonic, electronic or other communication facility, if the Company makes available such a communication facility. Any person participating in a meeting of shareholders in Sections 6.07 and 6.08 and entitled to vote at that meeting may vote, subject to and in accordance with the Act by means of the telephonic, electronic or other communication facility that the Company has made available for that purpose.

6.09           Ballots. On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chair may require a ballot or any person who is present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the constating documents of the Company, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

6.10           Persons Entitled to be Present. The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors, the auditor and the actuary of the Company and others who, although not entitled to vote, are entitled or required under any provision of the Act or the by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

6.11           Adjournment. The chair at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

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## SECTION SEVEN

### NOTICES

7.01 Method of Giving Notices. Except as otherwise provided in a by-law, any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the by-laws or otherwise to a shareholder, director, officer, auditor, actuary or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to such person's recorded address or if mailed to such person at such person's recorded address by prepaid ordinary or air mail or if sent to such person at such recorded address by any means of prepaid transmitted, recorded or electronic communication. A notice so delivered shall be deemed to have been given at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the person did not receive that notice at that time or at all; and a notice so sent by any means of transmitted, recorded or electronic communication shall be deemed to have been given when dispatched or delivered for dispatch. The secretary of the Company may change or cause to be changed the recorded address of any shareholder, director, officer, auditor, actuary or member of a committee of the board in accordance with any information believed by the secretary to be reliable.

7.02 Notice to Joint Shareholders. If two or more persons are registered as joint holders of any share, any notice may be addressed to all such joint holders, but notice addressed to one of such persons shall be sufficient notice to all of them.

7.03 Computation of Time. In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the day of giving the notice shall be excluded and the day of the meeting or other event shall be included.

7.04 Omissions and Errors. The accidental omission to give any notice to any shareholder, director, officer, auditor, actuary or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

7.05 Waiver of Notice. Any shareholder, proxyholder or other person entitled to attend a meeting of shareholders or any director, officer, auditor, actuary or member of a committee of the board may at any time waive or abridge the time for any notice required to be given to such person under the Act, the by-laws or otherwise, and such waiver or abridgement whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or a committee of the board which may be given in any manner.

7.06            Interpretation. In this By-law No. 1, “recorded address” means in the case of a shareholder, the shareholder’s latest known postal address or address for transmitted, recorded or electronic communication according to the central securities register of the Company; and in the case of a director, officer, auditor, actuary or member of a committee of the board, such person’s latest known postal address or address for transmitted, recorded or electronic communication as recorded in the records of the Company.

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## SECTION EIGHT

### EFFECTIVE DATE

8.01 Effective Date. This By-law No. 1 is effective from the issuance of the Letters Patent of Conversion on the Effective Date.

# DEFINITY FINANCIAL CORPORATION

## BY-LAW NO. 2

### A by-law creating classes of shares of Definity Financial Corporation

#### SECTION 1 INTERPRETATION

##### 1.1 Definitions

In this By-law No. 2:

- (a) “Act” means the *Insurance Companies Act* (Canada), enacted by the Parliament of Canada, as amended from time to time, and every statute that may be substituted therefor;
- (b) “Board” means the Board of Directors of the Corporation;
- (c) “Cancellation Time” means 11:59p.m. Toronto time on the 35<sup>th</sup> month anniversary of the Effective Date;
- (d) “Common Shares” means the common shares in the capital of the Corporation, without nominal or par value, now existing or hereafter created;
- (e) “Conversion Plan” means the conversion proposal of Economical Mutual Insurance Company as approved by the Minister which constitutes a conversion proposal as contemplated by the Act;
- (f) “Corporation” means Definity Financial Corporation;
- (g) “Economical Insurance” means the share corporation that resulted from the conversion of Economical Mutual Insurance Company with effect from the Effective Date;
- (h) “Effective Date” means the effective date specified in the Letters Patent of Conversion;
- (i) “Letters Patent of Conversion” has the meaning ascribed thereto in the Conversion Plan;
- (j) “Lost Policyholder” has the meaning ascribed thereto in the Conversion Plan;
- (k) “Preferred Shares” means the preferred shares in the capital of the Corporation, without nominal or par value, now existing or hereafter created;
- (l) “Regulations” means the regulations made under the Act, as amended or replaced from time to time; and

- (m) “Share Constraint Regime” means the provisions of the Act and the Regulations, if any, which establish rules restricting the purchase or other acquisition, issue, transfer and voting of shares of the Corporation, as those provisions may be amended from time to time.

## **1.2 Interpretation**

In this By-law No. 2, the terms “control”, “entity”, “person”, and “significant interest” and all other terms which are not defined herein shall have the meanings ascribed to those terms in the Act.

## **SECTION 2 AUTHORIZED CAPITAL**

### **2.1 Authorized Capital**

The authorized capital of the Corporation consists of:

- (a) an unlimited number of Common Shares; and
- (b) an unlimited number of Preferred Shares issuable in series.

## **SECTION 3 COMMON SHARES**

The Common Shares shall have attached thereto the following rights, privileges, restrictions, and conditions:

### **3.1 Dividends**

- (a) Subject to the prior rights of the holders of any series of Preferred Shares and any other shares ranking senior to the Common Shares with respect to priority in payment of dividends, the holders of Common Shares shall be entitled to receive dividends if, as and when declared by the Board out of monies properly applicable to the payment of dividends, in such amounts and in such forms as the Board may from time to time determine, and all dividends which the Board may declare on the Common Shares shall be declared and paid in equal amounts per share, net of any applicable withholding taxes, on all Common Shares outstanding at the time.
- (b) Any dividend (other than a stock dividend) unclaimed after a period of thirty-five months from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

### **3.2 Participation upon Liquidation, Dissolution, or Winding-up**

In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the specific purpose of winding up its affairs, subject to the prior rights of the

holders of any series of Preferred Shares and any other shares ranking senior to the Common Shares with respect to priority in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, the holders of the Common Shares shall be entitled to receive the remaining property of the Corporation that pertains to shareholders, in equal amounts per share, without preference or priority of one share over another.

### **3.3 Voting Rights**

The holders of Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each Common Share held at all meetings of the shareholders of the Corporation, except for meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series.

### **3.4 Constrained Shares**

- (a) On and after the date upon which the Corporation becomes the holding body corporate of a company that has converted from a mutual company into a company with common shares, the Corporation shall not issue or allot any Common Shares to any person, or any entity controlled by a person, the Corporation shall refuse to allow the entry in the securities register of the Corporation of an issue or transfer of any Common Shares to any person, or any entity controlled by a person, and no person, or any entity controlled by a person, shall purchase or otherwise acquire any Common Shares, if such issue, transfer or purchase or other acquisition (i) would cause the person to have a significant interest in the Common Shares or (ii) where the person has a significant interest in the Common Shares, would increase the significant interest of the person in the Common Shares. No person who has a significant interest in any class of shares of the Corporation, or entity controlled by a person who has a significant interest in any class of shares of the Corporation, shall, in person or by proxy, exercise any voting rights attached to Common Shares beneficially owned by, or that are subject to agreement pertaining to the exercise of voting rights entered into by, that person, or entity. In accordance with the authority granted to the Board under the Act and the Regulations, the Board is hereby authorized to make such arrangements as the Board deems necessary to carry out the intent of the acquisition, issue, transfer and voting restrictions contained in the Act, the Regulations and the by-laws.
- (b) If the purchase or other acquisition, issue, transfer, or voting of any Common Shares would be permitted under the Act and the Regulations, notwithstanding the provisions of subsection 3.4(a), the Board is hereby authorized, in its discretion, to permit by resolution of the Board, any such purchase or other acquisition, issue, transfer, or exercise of voting rights with respect to such Common Shares.
- (c) Subject to subsection 3.4(d), if, after the date of incorporation of the Corporation, the Share Constraint Regime is amended, replaced or deleted, such that the provisions of subsection 3.4(a) are inconsistent with the Share Constraint Regime resulting from such amendment, replacement or deletion, then the Board is hereby

authorized to amend, replace or delete subsection 3.4(a) such that it will be consistent with the Share Constraint Regime then in effect. The action of the Board to amend, replace or delete subsection 3.4(a) shall be by resolution of the Board and such amendment, replacement or deletion of subsection 3.4(a) shall be effective without the approval of the holders of any of the Preferred Shares or the Common Shares. Promptly following any amendment, replacement or deletion of subsection 3.4(a) by the Board, the Corporation shall give notice to the holders of the Common Shares of the amendment, replacement or deletion thereto.

- (d) If, after the date of incorporation of the Corporation, the Share Constraint Regime is amended or replaced and the Share Constraint Regime then in effect allows the Corporation to determine the application to it and its shareholders of all or any part of such Share Constraint Regime then the provisions of subsection 3.4(a) may only be amended or replaced with approval of the holders of the Preferred Shares and the Common Shares as provided in the Act.

### **3.5 Amendment with Approval of Holders of Common Shares**

The rights, privileges, restrictions and conditions attached to the Common Shares as a class may be added to, changed or removed but only with the approval of the holders of the Common Shares given as hereinafter specified.

### **3.6 Approval of Holders of Common Shares**

The approval of the holders of the Common Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Common Shares as a class may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of the Common Shares or passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of the holders of the Common Shares duly called for that purpose.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting, the quorum required therefor and the conduct thereof shall be those from time to time required by the Act as in force at the time of the meeting and those, if any, prescribed by the by-laws or the administrative resolutions of the Corporation with respect to meetings of shareholders. On every poll taken at every meeting of the holders of the Common Shares as a class, each holder of Common Shares entitled to vote thereat shall have one vote in respect of each Common Share held.

### **3.7 Notice to the Holders of the Common Shares**

Any notice, document or other communication from the Corporation provided for herein or by the Act shall be sent to the holders of the Common Shares:

- (i) by mail, postage prepaid at their respective addresses appearing on the securities register of the Corporation or, in the event of the address of any such holder not so appearing, then at the last address of such holder known to the Corporation; or

- (ii) by any other method permitted (or not prohibited) by the Act and other applicable law from time to time, including by electronic means.

Accidental failure to give any such notice, document or other communication to one or more holders of Common Shares shall not affect the validity thereof, but, upon such failure being discovered, a copy of the notice, document or other communication, as the case may be, shall be sent or delivered forthwith to such holder or holders. Unless otherwise provided herein or by the Act, any notice, request, certificate or other communication from a holder of Common Shares herein or by the Act provided for shall be either sent to the Corporation by mail, postage prepaid, or delivered by hand to the Corporation at its head office, or sent or delivered by any other means acceptable to the Corporation.

## **SECTION 4 PREFERRED SHARES**

The Preferred Shares, as a class, shall have attached thereto the following rights, privileges, restrictions and conditions:

### **4.1 One or More Series**

The Preferred Shares may at any time and from time to time be issued in one or more series.

### **4.2 Terms of Each Series**

Subject to the Act, the directors may fix, before the issue thereof, the number of Preferred Shares of each series, the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series, including, without limitation, any voting rights, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms and conditions of redemption or purchase, any conversion rights, and any rights on the liquidation, dissolution or winding-up of the Corporation, any sinking fund or other provisions, the whole to be subject to the issue of a certificate of amendment setting forth the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of the series.

### **4.3 Ranking of the Preferred Shares**

The Preferred Shares shall be entitled to a preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the specific purpose of winding up its affairs.

If the Board exercises its powers referred to in Section 4.2 hereof, Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other

distribution of the assets of the Corporation among its shareholders for the specific purposes of winding up its affairs.

If any cumulative dividends, whether or not declared, or declared non-cumulative dividends or amounts payable on return of capital are not paid in full in respect of any series of Preferred Shares, then the Preferred Shares of all series participate rateably in respect of such dividends in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of such return of capital in accordance with the sums that would be payable on such return of capital if all sums so payable were paid in full; provided, however, that if there are insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preferred Shares with respect to return of capital shall be paid and satisfied first and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The Preferred Shares of any series may also be given such other preferences not inconsistent with the rights, privileges, restrictions and conditions attached to the Preferred Shares as a class over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined in the case of such series of Preferred Shares.

#### **4.4 Voting Rights**

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Preferred Shares, the holders of the Preferred Shares as a class are not entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation.

#### **4.5 Constrained Shares**

- (a) On and after the date upon which the Corporation becomes the holding body corporate of a company that has converted from a mutual company into a company with common shares, the Corporation shall not issue or allot any Preferred Shares to any person, or any entity controlled by a person, the Corporation shall refuse to allow the entry in the securities register of the Corporation of an issue or transfer of any Preferred Shares to any person, or any entity controlled by a person, and no person, or any entity controlled by a person, shall purchase or otherwise acquire any Preferred Shares, if such issue, transfer or purchase or other acquisition (i) would cause the person to have a significant interest in the Preferred Shares or (ii) where the person has a significant interest in the Preferred Shares, would increase the significant interest of the person in the Preferred Shares. No person who has a significant interest in any class of shares of the Corporation, or entity controlled by a person who has a significant interest in any class of shares of the Corporation, shall, in person or by proxy, exercise any voting rights attached to Preferred Shares beneficially owned by, or that are subject to agreement pertaining to the exercise of voting rights entered into by, that person, or entity. In accordance with the authority granted to the Board under the Act and the Regulations, the Board is hereby authorized to make such arrangements as the Board deems necessary to carry out the intent of the acquisition, issue, transfer and voting restrictions contained in the Act, the Regulations and the by-laws.

- (b) If the purchase or other acquisition, issue, transfer, or voting of any Preferred Shares would be permitted under the Act and the Regulations, notwithstanding the provisions of subsection 4.5(a), the Board is hereby authorized, in its discretion, to permit by resolution of the Board, any such purchase or other acquisition, issue, transfer, or exercise of voting rights with respect to such Preferred Shares.
- (c) Subject to subsection 4.5(d), if, after the date of incorporation of the Corporation, the Share Constraint Regime is amended, replaced or deleted, such that the provisions of subsection 4.5(a) are inconsistent with the Share Constraint Regime resulting from such amendment, replacement or deletion, then the Board is hereby authorized to amend, replace or delete subsection 4.5(a) such that it will be consistent with the Share Constraint Regime then in effect. The action of the Board to amend, replace or delete subsection 4.5(a) shall be by resolution of the Board and such amendment, replacement or deletion of subsection 4.5(a) shall be effective without the approval of the holders of any of the Preferred Shares or the Common Shares. Promptly following any amendment, replacement or deletion of subsection 4.5(a) by the Board, the Corporation shall give notice to the holders of the Preferred Shares of the amendment, replacement or deletion thereto.
- (d) If, after the date of incorporation of the Corporation, the Share Constraint Regime is amended or replaced and the Share Constraint Regime then in effect allows the Corporation to determine the application to it and its shareholders of all or any part of such Share Constraint Regime then the provisions of subsection 4.5(a) may only be amended or replaced with approval of the holders of the Preferred Shares and the Common Shares as provided in the Act.

#### **4.6 Amendment with Approval of Holders of Preferred Shares**

The rights, privileges, restrictions and conditions attached to the Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Preferred Shares given as hereinafter specified.

#### **4.7 Approval of the Holders of the Preferred Shares**

The approval of the holders of the Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Preferred Shares as a class or series or in respect of any other matter requiring the consent of the holders of the Preferred Shares as a class or series may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of the Preferred Shares as a class or series or passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of the holders of the class or series duly called for that purpose. Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Preferred Shares, notwithstanding anything else in this Section 4, the approval of the holders of a series of Preferred Shares, voting separately as a class or series, is not required on a proposal to amend the by-laws of the Corporation to:

- (a) increase or decrease the maximum number of authorized Preferred Shares or such series, or increase the maximum number of authorized shares of a class or series of shares having rights or privileges equal or superior to the Preferred Shares;
- (b) effect the exchange, reclassification or cancellation of all or any part of the Preferred Shares or any series thereof; or
- (c) create a new class or series of shares equal to or superior to the Preferred Shares or any series thereof.

The formalities to be observed with respect to the giving of notice of any such meeting or any continuation of an adjourned meeting, the quorum required therefor and the conduct thereof shall be those from time to time required by the Act as in force at the time of the meeting and those, if any, prescribed by the by-laws or the administrative resolutions of the Corporation with respect to meetings of shareholders. On every poll taken at every meeting of the holders of the Preferred Shares as a class or series, or at any joint meeting of the holders of two or more series of Preferred Shares, each holder of Preferred Shares entitled to vote thereat shall have one vote in respect of each Preferred Share held.

#### **4.8 Notice to Holders of Preferred Shares**

Any notice, document, notice of redemption or other communication from the Corporation provided for herein or by the Act shall be sent to the holders of the Preferred Shares:

- (i) by mail, postage prepaid at their respective addresses appearing on the securities register of the Corporation or, in the event of the address of any such holder not so appearing, then at the last address of such holder known to the Corporation; or
- (ii) by any other method permitted (or not prohibited) by the Act and other applicable law from time to time, including by electronic means.

Accidental failure to give any such notice, document, notice of redemption or other communication to one or more holders of Preferred Shares shall not affect the validity thereof, but, upon such failure being discovered, a copy of the notice, document, notice of redemption or other communication, as the case may be, shall be sent or delivered forthwith to such holder or holders. Unless otherwise provided herein or by the Act, any notice, request, certificate or other communication from a holder of Preferred Shares herein or by the Act provided for shall be sent to the Corporation by mail, postage prepaid, or delivered by hand to the Corporation at its head office, or sent or delivered by any other means acceptable to the Corporation.

### **SECTION 5 LOST POLICYHOLDERS**

#### **5.1 Restriction on Voting Rights**

- (a) Subject to Subsection 5.1(b), no Lost Policyholder shall, in person or by proxy, exercise any voting rights that are attached to the Common Shares issued to such Lost Policyholder.

- (b) Subsection 5.1(a) shall cease to apply in respect of a Lost Policyholder once such Lost Policyholder ceases to be a Lost Policyholder in accordance with Section 5.2.

## **5.2 Confirmation Criteria**

A Lost Policyholder shall cease to be a Lost Policyholder at any time from the Effective Date up to and including the Cancellation Time if at such time such Lost Policyholder confirms the current address at which such Lost Policyholder may be reached by mail by: (i) responding to a letter from the Corporation, the Corporation's depository agent or Economical Insurance requesting confirmation of the current address; (ii) contacting the Corporation, the Corporation's depository agent or Economical Insurance and confirming the current address; (iii) informing the Corporation, the Corporation's depository agent or Economical Insurance of a change of address; or (iv) otherwise confirming the current address with the Corporation, the Corporation's depository agent or Economical Insurance, in a manner satisfactory to the Corporation.

## **5.3 Securities Register**

From the Effective Date up to and including the Cancellation Time, the Corporation shall record in its securities register the status of a person as a Lost Policyholder. If a Lost Policyholder ceases to be a Lost Policyholder in accordance with Section 5.2, the Corporation shall amend its securities register accordingly.

## **5.4 Dividends and Distributions**

No payments in respect of dividends or distributions declared by the Corporation in respect of the Common Shares issued pursuant to the Conversion Plan shall be made in respect of Common Shares issued to a Lost Policyholder. However, the Corporation shall pay to a person who ceases to be a Lost Policyholder, in accordance with Section 5.2, all dividends or distributions, without interest and net of any applicable withholding taxes, to which such person was otherwise entitled as a shareholder of record of the Corporation, while such person was a Lost Policyholder. The payment of such dividends or distributions shall be in accordance with the other provisions of this By-law No.2.

## **5.5 Cancellation of Shares and Dividends and Subsequent Reissuance**

Upon the Cancellation Time, the Corporation shall, for no consideration, cancel all Common Shares issued to Lost Policyholders who remain as such at the Cancellation Time, and all such Common Shares shall be deemed to have been surrendered to the Corporation, together with all entitlements to dividends and distributions thereon, including any proceeds of dissolution pursuant to the Act. Notwithstanding the foregoing, the Corporation may, from time to time in accordance with the Conversion Plan, subsequent to the Cancellation Time reissue Common Shares and pay an amount in respect of dividends or issue securities or pay cash or other property to a person, as the case may be, whose Common Shares were cancelled in accordance with this Section 5.5.

No amount shall be deducted from, or added to, the stated capital account maintained for Common Shares in respect of the Common Shares cancelled or reissued, respectively, pursuant to this Section 5.5.

**SECTION 6**  
**EFFECTIVE DATE**

**6.1 Effective Date.**

This By-law No. 2 is effective from the issuance of the Letters Patent of Conversion on the Effective Date.