



75th ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

SOUTHEASTERN
Mutual

Insurance Company

JOINT REPORT FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT

Chairman's Address - Don Howe

Welcome to our 75th annual meeting.

It gives me pleasure to say, we have had another good year. Darrel will give you the company highlights. I would like to review the past year from a director's perspective.

This past year was a rollercoaster year for our Board, with its highs and its lows.

We continue to share different perspectives with our partners in United General on what direction the company needs to take. Furthermore, we were of the opinion that an operating division should not have taken advantage of a provision in the shareholders' agreement that was put there to reduce a small division's operating expenses and allow them an opportunity to grow. So early in June we went to arbitration to have this disagreement settled. Unexpectedly, Carleton and Stanley sided with Fundy and filed against us. This, plus the fact that we had signed the open-ended agreement back in 2001, presented the arbitrator little choice but to provide a favourable decision to the other parties. As a result of this decision, our share of operating expense this year in United General was in excess of \$770,000.00. This does not include any past period adjustments as a result of the decision. As a Board we are still researching our options as to how we will move forward with United General.

In last year's report I mentioned that it was very likely that we would move away from the Mutual Guarantee Pool Fund by joining the PACCIC, a federal insurance co solvency fund. In February of this year, we received a letter from the Superintendent's Office requesting that we do so. We have filed application, and this will cost us an additional \$4,225.00 annually in fees, and possibly Actuarial costs as well.

In following through with our Strategic Business from a recent strategic planning session, we have been increasing our sales force in our traditional service area. Being a provincial insurer, we have also been exploring possibilities in other areas of the province to assist with our growth initiatives and to enable us to spread our risks. With this in mind, I am pleased to announce that in January of this year we expanded our geographical trading area by appointing three brokers to provide both SEM & UGIC products outside our traditional service areas. As an organization, we remain 100% committed to our existing agency model and view this new distribution channel as a complement to it.



This year I had the opportunity to attend a course on Strategic Planning with fellow director, Jim Stark & our CEO, Darrel Coates. It was prepared by Jack C. Randall of *Windmill Leadership*. In his presentation, he stated "Our future success will depend upon:

1. Our ability to learn
2. Our ability to change and,
3. Our ability to accept uncertainty."

I believe, we as a Board of Directors have embraced all three, and because of this I am anxiously looking forward as to what this year brings.

Thank you for being a valued policyholder member.

Don Howe, Chairman

A handwritten signature in black ink, appearing to read 'Don Howe', written over a light blue background.

2013 President & CEO Report - Darrel Coates

Once again it's both an honor and privilege to be your president & CEO; it's my pleasure to present to you, our policyholders, my report for the fiscal 2013.

As an organization, we completed a number of key projects and priorities throughout the year and introduced several new programs and strategies to improve Southeastern's position in the industry and responsibilities to our policyholders and the communities that we serve. Our Chairman, Don Howe, will speak on a few of these initiatives in his report.

During 2013, we expanded our geographical trading area to the rest of the province by providing insurance services and products to select brokers on a trial basis. This was in response to a strategic decision from one of our planning sessions. Our trial relationship with Anderson McTague Ltd. provided us with the foundation for further expansion into the independent brokers' distribution channel early in 2014.

Our new brokers are:

1. Pearson Insurance, Sussex
2. Bestway Insurance, St. Andrews
3. St. George Insurance, St. George

This is an important strategy in our industry, as it provides an increased spread of risk, especially as weather-related losses continue to increase in frequency and severity. This expansion complements our existing agency distribution channel, by providing our unique product offerings throughout our geographical trading area.

Our overall revenue targets continue to improve year over year for both our property division and auto division within United General. Overall premium growth continues to be strong with increases in new business counts, as well as overall positive policy and premium growth, which support our continued improvements in retention. The results for our auto division in United General continue to be positive; however they are being impacted by pricing issues with the product. We anticipate the changes made in 2013 will have a positive impact on our 2014 growth initiatives, as we explore options for delivery of this important product to our policyholders.

Financial operations performance was strong again in 2013, with our operations providing our second straight year of positive underwriting results. This was despite a budgeted increase in some one-time expenses related to our 75th anniversary, which assisted with our continued brand-building initiatives and supporting of community events. These were in addition to some unanticipated professional fees as a result of ongoing shareholders' issues at United General. While the desired results didn't materialize, as an organization we now have clarity on the issue, which allows us to plan for the future. Although claims frequencies were relatively flat year over year; we did experience an increase in claims severity for the period. This was primarily driven by weather-related events, as we see wind and water related losses starting to surpass fire as our most common occurrences. These results are not inconsistent with industry trends and are considered typical as we read news events from across the country of floods in Alberta, Ontario and ice storm events. Our Adjuster, Donnie Saunders, will be providing more details in his report.

A true measure of a company's success is its combined ratio as a benchmark. Our ratio for 2012 was 95.3% and 96.8% in 2013. The combined ratios measure the organizations ability to provide a positive return on insurance operations before investment returns. With the improved investment market, our overall return on equity was 5.06% for 2013. These numbers are indicative of the insurance industry's early results; however, they were impacted by our deteriorated results from United General. The company's Market Capital Test of 812.8% continues to exceed our internal operating target of 450% and the regulators' threshold of 150%. Our company continues to be well capitalized for future growth.

Another key strategic item is risk appetite, which we constantly monitor and assess as an organization. Our continued financial stability and strength as a mutual insurance company provide us with exceptional opportunities for expansion. As a result, we were able to leverage our unique relationship with our reinsurance provider, to prepare and submit a proposal to our regulator in 2013 to increase our capacity as a company. Our proposal, requesting the ability to utilize our capital by assuming more risk, was approved. This resulted in lower reinsurance premiums and operating expenses moving forward. You will continue to see the improvements in our net earned premiums and improved operating expenses moving forward. Expense control initiatives remain one of our key strategic pillars as an organization, as we continue to seek better economies of scale.

It was also a year of significant growth within our organization. Our commitment to developing a talented and professional team of employees progressed favourably with the introduction of a performance-based review process and goal setting. This remains an ongoing priority with a focus on the development of existing personnel and recruitment of additional talent as required. This past year saw us bolster our agency sales force with the addition of Eugene Bastarache in Kent County, in anticipation of upcoming retirements.

Furthermore, we continued to add staff as required throughout our operations; we welcomed Emily Boss and Amy Glenn. As well, Bob Nuttall joined our organization as a contract Inspector.

Early in 2014, we plan on adding a product/policy wording position to our organization as we continue to strive to offer first-rate insurance products to our policyholders from a local perspective. This addition fully supports another strategic pillar by ensuring that we remain competitive, as we move forward in our offerings and pricing with an innovative niche product development. Increasing our resources provides us the ability to research, develop and respond quickly to constantly changing market conditions as a local insurance company. This new position allows us to take advantage of the wealth of information available to us from our reinsurance company and trade associations. Networking remains a key component to our success.

This is a challenging time for both insurance providers and insurance consumers. We appreciate your continued loyalty as a policyholder member of SouthEastern Mutual. Political intervention is high in the areas of demutualization, increased regulations and automobile insurance. As well, we continue to see a high frequency in market consolidations at both the insurer and distributor level. As reported last year, we believe this will continue to be an ongoing activity within our industry, since last year we have seen no fewer than seven announced consolidations.

Our overall capital base continues to grow at a desirable rate. We have been extremely successful in achieving key strategic objectives while continuing to build a strong equity position to support these initiatives. This continues to be an important objective and we will be increasing our emphasis on deployment of capital through growth and expanded risk. We believe this is a necessary strategy to keep your company at the forefront with an appetite for innovation, appropriate risk selection to foster long-term sustainable growth in a rapidly changing environment. Our assets increased to \$19,290,000 for the period with member surplus increasing to \$14,304,000, ensuring SouthEastern's financial stability & strength moving forward.

I hope that you have caught a sense of how your board and management team take pride in what we do every day. Our history shows that we've persevered through all kinds of economic, climate and industry challenges and have prospered for over 75 years. I want to personally thank my management team, our agents and staff for all their efforts this past year. Additionally, I would like to thank the Board of Directors for allowing me the opportunity to be associated with a truly exceptional organization. Once again, in 2013, we are extremely proud to have been recognized as one of the Top 20 Best Places to work, as well as being a 101 Top Business in Atlantic Canada.

In conclusion, please accept the appreciation of all SouthEastern Mutual staff, agents and Directors for your continued loyalty as a policyholder member. We value your confidence and trust in us as your local insurance provider and we look forward to serving you moving forward.

Mutually Yours,
Darrel Coates, President & CEO



INDEPENDENT AUDITORS' REPORT ON CONDENSED FINANCIAL STATEMENTS

To the Policyholders of SouthEastern Mutual Insurance Company:

The accompanying summary financial statements, which comprise the condensed statement of financial position and condensed statements of changes in equity, comprehensive income, cash flows, and related notes, are derived from the audited financial statements of SouthEastern Mutual Insurance Company for the year ended December 31, 2013. We expressed an unmodified audit opinion on those financial statements in our report dated February 20, 2014.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of SouthEastern Mutual Insurance Company.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with Canadian generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of SouthEastern Mutual Insurance Company for the year ended December 31, 2013 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Riverview, NB
February 20, 2014

STEVENSON & PARTNERS LLP
Chartered Accountants

SOUTHEASTERN MUTUAL INSURANCE COMPANY CONDENSED STATEMENT FINANCIAL POSITION - Statement 1

	December 31, 2013	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 800,321	\$ 661,498
Accrued investment interest	45,144	37,349
Premiums receivable	1,325,045	1,232,303
Reinsurance receivable	125,826	224,958
Deferred premium acquisition costs	620,291	613,338
Investments	11,393,440	10,463,512
Property, equipment, investment property and intangible assets	771,951	799,622
Investment in associate	4,208,337	4,264,527
	\$ 19,290,355	\$ 18,297,107
LIABILITIES		
Accounts payable and accrued liabilities	\$ 462,968	\$ 441,631
Reserve for policy claims and liabilities	680,477	688,250
Income taxes payable	188,432	87,719
Unearned premiums	3,558,704	3,439,899
Agents' future retirement compensation	96,226	91,928
	4,986,807	4,749,427
EQUITY		
General Reserve - Statement 2	14,150,934	13,446,876
Accumulated other comprehensive income - Statement 2	152,614	100,804
	14,303,548	13,547,680
	\$ 19,290,355	\$ 18,297,107
APPROVED ON BEHALF OF THE BOARD:		
	Donald Howe- Chairman	
	Jack Low - Chair of Audit Finance Committee	

SOUTHEASTERN MUTUAL INSURANCE COMPANY CONDENSED STATEMENT OF COMPREHENSIVE INCOME - Statement 3

For the year ended December 31, 2013

	2013	2012
Income		
Premiums written	\$ 6,674,741	\$ 6,446,046
Less: Premiums ceded/quota share recovery	-	87,384
Reinsurance premiums	(1,179,741)	(1,184,101)
Change in unearned premiums	(118,805)	(241,965)
Net premiums earned	5,376,195	5,107,364
Service charge revenue	96,556	86,744
Net underwriting revenue	5,472,751	5,194,108
Expenses		
Net claims incurred	2,151,830	2,085,288
Premium acquisition expenses	1,267,478	1,225,158
Operating expenses	1,880,537	1,645,497
Claims, acquisition and other operating expenses	5,299,845	4,995,943
Underwriting income	172,906	238,165
Investment and other items		
Equity income (loss) from associate	(108,000)	609,417
Investment income	413,584	25,338
Fair value adjustment for held-for-trading financial instruments	430,568	428,026
	736,152	1,062,781
Income before income taxes	909,058	1,300,946
Provision for income taxes	(205,000)	(102,000)
Net income for the year	704,058	1,198,946
Other comprehensive income:		
Share of other comprehensive income from associate	51,810	21,706
Comprehensive income	\$ 755,868	\$ 1,220,652

SOUTHEASTERN MUTUAL INSURANCE COMPANY CONDENSED STATEMENT OF EQUITY - Statement 2

For the year ended December 31, 2013

	2013	2012
General Reserve		
General Reserve, beginning of year, as previously stated	\$ 13,496,458	\$ 12,297,441
Prior period adjustment	(49,582)	(49,511)
General Reserve, beginning of year, as restated	13,446,876	12,247,930
Net income for the year	704,058	1,198,946
General Reserve, end of year - Statement 1	\$ 14,150,934	\$ 13,446,876
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of year	\$ 100,804	\$ 79,098
Total other comprehensive income - Statement 3	51,810	21,706
Accumulated other comprehensive income, end of year - Statement 1	\$ 152,614	\$ 100,804

SOUTHEASTERN MUTUAL INSURANCE COMPANY CONDENSED STATEMENT OF CASH FLOWS - Statement 4

For the year ended December 31, 2013

	2013	2012
Cash flows from operating activities:		
Net income for the year - Statement 2	\$ 704,058	\$ 1,198,946
Items not requiring an outlay of cash	(301,983)	(616,806)
Changes in non-cash working capital balances	229,022	56,086
Cash flows from operating activities	631,097	638,226
Cash flows from investing activities:		
Additions to property, equipment, investment property and intangible assets	(73,588)	(185,072)
Proceeds on disposal of property and equipment	315	10,620
Investments matured/sold	2,303,169	3,539,607
Purchase of investments	(2,639,395)	(3,493,457)
Reinvested dividends	(82,775)	(73,087)
Cash flows used for investing activities	(492,274)	(201,389)
Increase in cash and cash equivalents	138,823	436,837
Cash and cash equivalents, beginning of year	661,498	224,661
Cash and cash equivalents, end of year - Statement 1	\$ 800,321	\$ 661,498

The company follows International Financial Reporting Standards (IFRS) in preparing its complete financial statements. Readers are cautioned that these condensed statements may not be appropriate for their purposes as they do not contain all the disclosures required by International Financial Reporting Standards. For more information on the entity's financial position, changes in equity, results of operations and cash flows, reference should be made to the related complete financial statements.

Detailed financial statements and summary of significant accounting policies and explanatory information are available upon request from:

SouthEastern Mutual Insurance Company
378 Coverdale Road, Riverview, New Brunswick E4E 2M3
or www.semual.nb.ca

Meet Our SouthEastern Mutual Team



Top row from left to right:

Andy Bransfield (204-7173), Denise Doiron (775-6992),
Mark Estabrooks (536-1782), Roland Gallant (204-6089),
Eugene Bastarache (743-6700), Garry Evans (859-1811) & Ariste Cormier (955-3790).

Bottom row from left to right:

Reneé Doiron (523-9403), Jeff MacDougall (386-5500),
Christine Wenarchuk (384-5185), Gary Lounsbury (756-1102),
& Nicole Landry (758-2032).

NOTICE OF ANNUAL MEETING

SouthEastern Mutual Insurance Company will be holding its 75th Annual Meeting of policyholders on Tuesday, April 29th at 1:15 pm, at the Moncton Golf & Country Club, 212 Coverdale Rd. Riverview, N.B.

A complimentary noon lunch will be served.

The purpose of the meeting is to receive:

- The 2013 Audited Financial Statements
- Approval of Bylaw changes
- To elect directors
- Appoint auditors for 2014
- Transact other business which may properly be brought before the meeting.

Any policyholder of the Company who wishes to seek election or re-election to the Board of Directors must file intention to do so, in writing, with the President of the Company at least ten (10) days prior to the Annual Meeting. Nomination papers and further information are available by contacting the company's head office: 378 Coverdale Road, Riverview.

SouthEastern Mutual Insurance Company

Signed: Darrel Coates CIP, CRM
President/CEO

Serving policy holders locally since 1938.

AVIS D'ASSEMBLÉE ANNUELLE

La compagnie d'assurance **SouthEastern Mutual Insurance Company** tiendra sa 75^e réunion annuelle de titulaires de police le mardi 29 avril, 2014 à 13 h 15 au Moncton Golf & Country Club, 212 chemin Coverdale à Riverview (N.-B.).

Un goûter sera servi à midi. La réunion d'affaires débutera à 13 h 15.

Le but de cette réunion est de :

- recevoir les états financiers vérifiés de 2013;
- l'approbation des modifications aux règlements société;
- élire les directeurs;
- nommer des vérificateurs pour 2014;
- délibérer d'autres questions apportées avant la réunion.

Tout titulaire de police de la compagnie qui désire être élu ou ré-élu au conseil d'administration doit signaler son intention, en écrit, auprès du président de la compagnie au moins dix (10) jours avant la réunion annuelle. Les formulaires de mise en candidature et autres renseignements sont disponibles au siège social, 378 chemin Coverdale, à Riverview.

SouthEastern Mutual Insurance Company

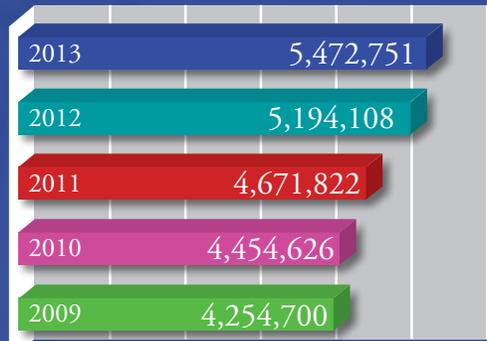
Signé : Darrel Coates CIP CRM
Président//Directeur Général

Au service des titulaires de police d'assurance depuis 1938.



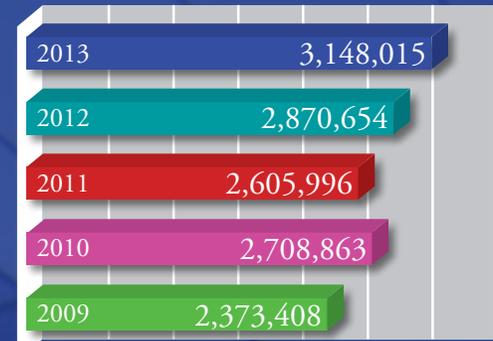
OUR FINANCIAL PERFORMANCE 2009-2013

Millions 1 2 3 4 5 6



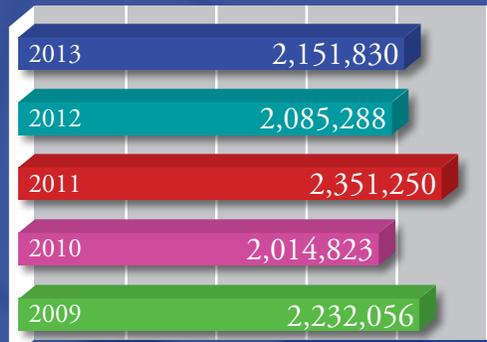
NET EARNED PREMIUM

Millions .5 1 1.5 2 2.5 3 3.5



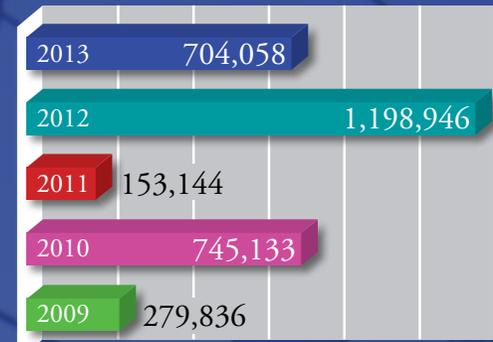
OPERATING EXPENSES

Millions .5 1 1.5 2 2.5



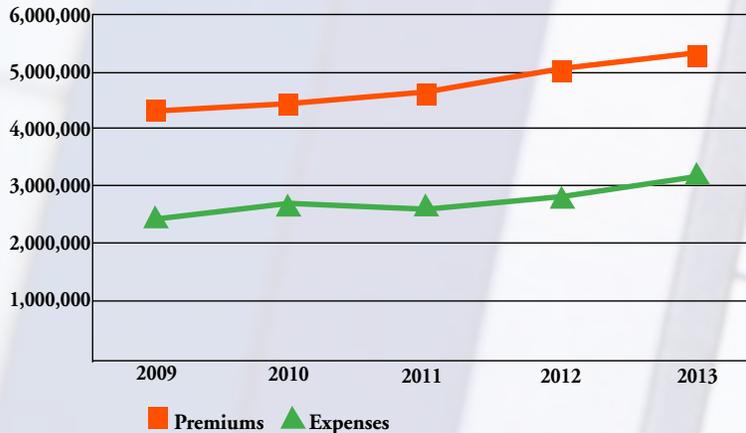
CLAIMS

Millions .2 .4 .6 .8 1 1.2

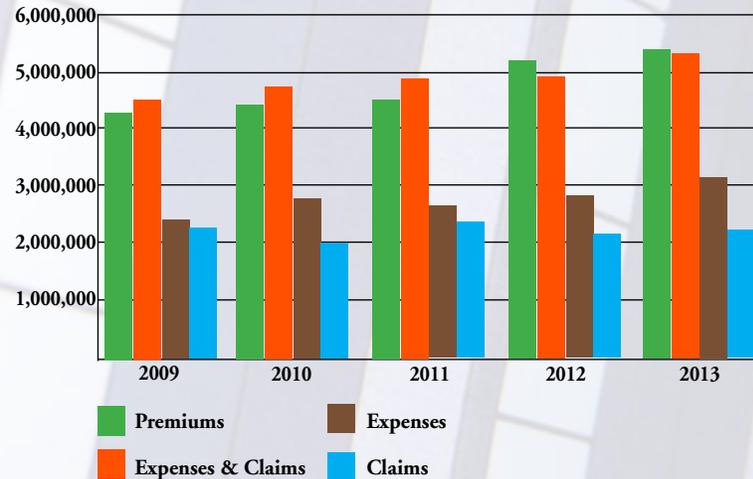


NET INCOME

PREMIUM vs EXPENSES 2009 - 2013



THE FINANCIAL PICTURE 2009 - 2013



COMBINED RATIO 2004 - 2013

Year	Earned Premium	Claims	Combined Claims & Expenses	Ratio
2004	3,565,616	1,278,955	3,247,066	91.1%
2005	3,685,423	1,504,659	3,432,885	93.1%
2006	3,913,555	1,547,542	3,643,279	93.1%
2007	4,126,525	1,611,040	3,857,316	93.4%
2008	4,149,632	1,594,594	3,900,856	94.0%
2009	4,254,700	2,232,056	4,605,464	108.2%
2010	4,454,626	2,014,823	4,723,686	106.0%
2011	4,671,822	2,351,250	4,957,246	106.1%
2012	5,194,108	2,085,288	4,949,943	95.3%
2013	5,472,751	2,151,830	5,299,845	96.8%

The most accurate indicator of a company's performance is its **Combined Ratio**. This measures the cost of claims and expenses against the total revenue for the year. This allows you to compare prior year's results to the current year; the results should be less than 100%. A result of less than 100% indicates an **underwriting profit**, while a result greater than 100 indicates an **underwriting loss**.

The above graph indicates that we have produced an underwriting profit 7 out of the last 10 years. These results also clearly illustrate the cyclical and unpredictable nature of an insurance company's results. This has been evident in recent years with the increase in water, fire and fuel losses that the company and our policy holders have been impacted by. With the continued combined effort of our staff, agents and inspectors, we anticipate to see continued improvements in these trends.

Our company's ten year average is 97.7%

SOUTHEASTERN MUTUAL'S 2013 BOARD AND STAFF

Agents

Andy Bransfield204-7173 Moncton
Ariste Cormier955-3790 Ste. Marie
Christine Wenarchuk...384-5185 Riverview
Denise Doiron775-6992 Acadieville
Eugene Bastarache743-6700 Bouctouche
Garry Evans, CIP.....859-1811 Moncton
Gary Lounsbury, CIP...756-1102Petitcodiac
Jeff MacDougall, CIP ..386-5500 Riverview
Mark Estabrooks.....536-1782 Sackville
Nicole Landry.....758-2032 ..Memramcook
Renée Doiron523-9403 Richibucto
Roland Gallant, CIP204-6089 Moncton

Officers

Chairman Don Howe
Vice Chairman James Stark
President/CEO Darrel Coates, CIP CRM

Directors

Jack Low Riverview
Peter Wright Riverview
Robert Moreau Grand Digue

Staff

Sandra Cloney, CIP
Susan McGee, FCIP
Michelle Bourque
Brenda Ryder, CIP
Amy Glenn
Chantal Gaudet
Susan Watson
Emily Boss

Claims

Donnie Saunders, CIP

Loss Control

Roger Hebert
Gary Bellinger
Bob Nuttall



MISSION STATEMENT

To provide insurance protection from a local perspective through personalized quality services delivered promptly and efficiently.

Auto Insurance You Can Trust



Whether you're currently shopping around for auto insurance or your policy is about to expire, **SouthEastern Mutual** strives to make your life simpler by making your insurance buying friendlier and easier by offering:

- More Coverage Choices • Accident Waiver
- Deductible Savings • Loyalty Discount
- Mature Driver Discounts • Additional Discounts & Savings

*Contact one of our friendly SouthEastern agents.
You will find them conveniently listed on page 8 of this booklet.*



378 Coverdale Road, Riverview, NB Tel.: 386-9002
www.semutual.nb.ca
Serving Your Community For Over 75 Years

CONGRATULATIONS SCHOLARSHIP WINNERS



BRITTNEY L. DIXON
NBCC
Moncton NB



CAILIN ADAIR
University of NB
Fredericton NB



CHRISTINE CORMIER
Université Paul Valéry
Montpellier, France



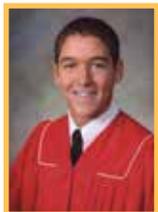
DANIKA BOURQUE
Université de Moncton
Moncton NB



HANNAH DUFFETT
Mount Allison University
Sackville NB



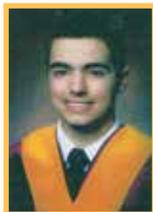
JAYME DIXON
University of NB
Fredericton NB



JESSE BALSER
Mount Allison University
Sackville NB



JUSTIN CORMIER
Oulton College
Moncton NB



KEVIN R. LEBLANC
NBCC
Moncton NB



SHANNON ANDERSON
Memorial University
St. Johns NF



TRINA MULLIN
UNB Saint John
Saint John NB



VANESSA R. CHEVARIE
NBCC Miramichi
Miramichi NB

Southeastern
Mutual
Insurance Company

378 Coverdale Road, Riverview, NB

Tel: 506-386-9002

www.semutual.nb.ca

SouthEastern Mutual is proud to call itself a New Brunswick based insurance company, giving back to the community for over 75 years. That tradition continues as we are pleased to offer yet another benefit to our policyholders. We honour our students by off-setting the ever increasing cost of their post secondary education. **The 12 graduates shown above are the 2013 winners of our \$500.00 Scholarships.** *SouthEastern Mutual congratulates them all and we wish them much success in the years to come.*

