

77th ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015



www.semutual.nb.ca

*Proudly serving our policyholder-members
from a local perspective since 1938*

Joint Report from the Chairman of the Board and the President

Chairman's Address - Peter Wright

On behalf of the Board of Directors, welcome to the 77th Annual Meeting.

Though much has changed over the years, some things at Southeastern should never change. What should never change are the spirit and the core values upon which this company was built starting back in those relatively simple days of 1938 when 12 farmers incorporated Southeastern Mutual. This company was built on the bedrock of solid rural values. Critical to this was the conduct of business with a high level of trust and respect for others and common decency. These values are simple, but their collective worth to a corporation is beyond calculation.

If we can preserve these values, we will enjoy a competitive advantage in a pretty tough business environment out there.

Of course our company cannot succeed merely by preserving things. We must also be willing to adapt to the accelerating pace of change in the modern business world. So, we must keep the best of the old, our core values, and take on the new with the same courage, determination and optimism that those 12 farmers had in 1938.

I would like to tell you a little about some of the challenges we are dealing with at the Company. If we divide the last 14 years into two periods, you will see that for the first seven year period (2002-2008), the Company had an underwriting profit in each and every year. For this period, the combined ratio averaged a stellar 94.2%. In essence this means that for each dollar of premium received, the Company earned \$5.80 in profit during this period. Long term policyholders will remember receiving premium rebates during this period as the Company returned a portion of the profits to policyholders.

However, in the second seven year period (2009-2015), the Company experienced underwriting losses in five of the seven years and the combined ratio averaged 104%, a substantial deterioration in the Company's financial performance. In effect, in this period, the Company lost \$.04 cents on each dollar of premium revenue it generated.

In fact, during the last seven years, the Company lost over \$1.4 million in the aggregate on its insurance operations and no premium rebates were paid to policyholders.

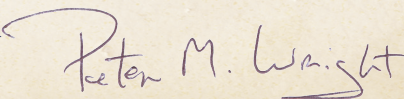
Thankfully, the Company has substantial investment income from the funds it holds in reserve to pay claims, so the Company remained profitable in an overall sense during both seven year periods, but on its pure insurance operations the Company lost money in the most recent seven year period. This trend must be reversed.

You should also be aware that the Company's expense ratio is much too high. In 2015, the expense ratio was 54.6%. This means that for every dollar of premium paid to Southeastern in 2015, the Company used 54.6 cents of it to pay expenses. This left only 45.4 cents out of each dollar to pay claims. For an insurance company this level of expenses is extraordinarily high and must be reduced. The third challenge is that our surplus, though growing in most years, is not growing fast enough to keep up with our premium growth. At some point, unless fixed, this will limit the Company's ability to grow and invest in the future.

I can assure you that measures are being taken to address all these issues. I look forward to reporting our progress on them at the next AGM.

There is a time and a place for everything, and unfortunately this is a time for the retirement of two long-serving members of the Southeastern family. Sandra Cloney, V-P Operations and Human Resources, is retiring after giving her heart and soul to Southeastern, and four managers, for 34 years. In addition, Don Howe, the man with the wise and steady hand is retiring after serving on the board of directors for 32 years. Southeastern will miss the corporate memory, loyalty and wise counsel of Don and Sandra, but trust that they will remain an integral part of the Southeastern family after retirement.

Peter Wright, Chairman
SouthEastern Mutual
Insurance Company



Introducing Claire Fanning, SouthEastern Mutual's New CEO



Claire Fanning FCIP, MBA
President/CEO

The Board of Directors of **SouthEastern Mutual Insurance Company** announces the appointment of Claire Fanning to the position of Chief Executive Officer, effective November 25th, 2015.

Claire has spent her career working at Co-operators Insurance in a variety of roles including Accounting Supervisor, Client Services Manager, Financial Analyst and most recently as District Manager for New Brunswick and Prince Edward Island. In these roles, among other things she has experience in sales management, claims, underwriting and human resources and has been involved in a number of special projects.

Claire is a Fellow of the Insurance Institute of Canada and a MBA Graduate from the Université de Moncton. She has taken a number of director accreditation courses and currently serves on the Board of Directors of a large New Brunswick credit union.

Claire and her husband Zane have lived in the Moncton area for the past 40 years where they have raised their family and enjoyed a strong connection to the community.

Board Chair Peter Wright states *"we are delighted to have such an experienced professional joining our ranks. In addition to her extensive leadership abilities and industry knowledge, her co-operative roots and values are complimentary to the mutual system and its policy holders."*

We would like to welcome Claire to **SouthEastern Mutual** and wish her the very best as the our new CEO.

SouthEastern Mutual was incorporated in 1938. It is a financially stable, provincially licensed insurance company which, along with its affiliates, provides property and casualty insurance with \$10 million in gross written premium annually.



Tel: 506-386-9002
www.semutual.nb.ca

INDEPENDENT AUDITORS' REPORT ON SUMMARY FINANCIAL STATEMENTS

To the Policyholders of SouthEastern Mutual Insurance Company:

The accompanying summary financial statements, which comprise the summary statement of financial position and summary statements of changes in equity, operations, 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, 2015. We expressed an unmodified audit opinion on those financial statements in our report dated March 2, 2016.

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 International Financial Reporting Standards.

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, 2015 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Riverview, NB
March 2, 2016

STEVENSON & PARTNERS
Chartered Professional Accountants

SOUTHEASTERN MUTUAL INSURANCE COMPANY SUMMARY STATEMENT FINANCIAL POSITION - Statement 1

	December 31, 2015	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 343,921	\$ 162,607
Accrued investment interest	35,907	53,616
Premiums receivable	1,561,670	1,390,266
Income taxes recoverable	85,952	9,617
Deferred premium acquisition costs	723,369	666,163
Investments	11,598,788	12,613,497
Investment in associate	4,136,540	4,403,224
Property, equipment, investment property and intangible assets	2,048,675	776,096
	\$20,534,822	\$20,075,086
LIABILITIES		
Accounts payable and accrued liabilities	\$ 577,716	\$ 388,166
Reserve for unpaid claims, net of reinsurance	871,094	633,059
Unearned premiums	4,106,522	3,823,972
Agents' future retirement compensation	-	19,174
	5,555,332	4,864,371
EQUITY		
General Reserve - Statement 2	14,159,544	14,090,859
Accumulated other comprehensive income - Statement 2	819,946	1,119,856
	14,979,490	15,210,715
	\$20,534,822	\$ 20,075,086

APPROVED ON BEHALF OF THE BOARD:

Peter Wright- Chairman

Jack Low - Chair of Audit Finance Committee

SUMMARY STATEMENT OF EQUITY - Statement 2

For the year ended December 31, 2015

	2015	2014
General Reserve		
General reserve, beginning of year	\$ 14,090,859	\$ 13,742,798
Net income for the year	68,685	348,061
General Reserve, end of year - Statement 1	\$ 14,159,544	\$ 14,090,859
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of year	\$ 1,119,856	\$ 560,750
Total other comprehensive income - Statement 3	(299,910)	559,106
Accumulated other comprehensive income, end of year - Statement 1	\$ 819,946	\$ 1,119,856

SUMMARY STATEMENT OF OPERATIONS - Statement 3

For the year ended December 31, 2015

	2015	2014
Income		
Premiums written	\$ 7,712,062	\$ 7,165,105
Reinsurance premiums	(1,086,278)	(1,128,973)
Change in unearned premiums	(282,550)	(265,267)
Net premiums earned	6,343,234	5,770,865
Expenses		
Net claims incurred	3,339,198	2,885,631
Premium acquisition expenses	1,392,599	1,367,954
Operating expenses	2,069,361	1,810,338
Claims, acquisition and other operating expenses	6,801,158	6,063,923
Underwriting (loss)	(457,924)	(293,058)
Investment and other items		
Equity income (loss) from associate	(14,385)	141,193
Service charge revenue	105,527	99,321
Investment income	387,411	418,442
Rental income	37,356	11,263
	515,909	670,219

SUMMARY STATEMENT OF OPERATIONS - Statement 3 continued

For the year ended December 31, 2015

	2015	2014
Income before income taxes	57,985	377,161
Recovery of (provision for) income taxes	10,700	(29,100)
Net income for the year	68,685	348,061

SUMMARY STATEMENT OF COMPREHENSIVE INCOME - Statement 4

For the year ended December 31, 2015

	2015	2014
Net income for the year	68,685	348,061
Other comprehensive income (loss):		
Share of other comprehensive income (loss) from associate	(252,299)	53,694
Unrealized gains (losses) on available-for-sale financial instruments, net of income taxes	(47,611)	505,412
	(299,910)	559,106
Comprehensive income (loss)	\$ (231,225)	\$ 907,167

SUMMARY STATEMENT OF CASH FLOWS - Statement 5

For the year ended December 31, 2015

	2015	2014
Cash flows from operating activities:		
Net income for the year - Statement 2	68,685	348,061
Items not requiring an outlay of cash	100,768	(246,280)
Charges in non-cash working capital balances	403,725	(125,792)
Cash flows from (used for) operating activities	573,178	(24,011)
Cash flows from investing activities:		
Additions to property, equipment, investment property and intangible assets	(1,385,385)	(90,142)
Investments matured/sold	2,855,258	2,832,795
Purchase of investments	(1,861,737)	(3,356,356)
Cash flows used for investing activities	(391,864)	(613,703)
Increase (decrease) in cash and cash equivalents	181,314	(637,714)
Cash and cash equivalents, beginning of year	162,607	800,321
Cash and cash equivalents, end of year - Statement 1	343,921	162,607

SouthEastern Mutual Insurance

Proud of Our New Office Complex

On December 3rd, 2015, the staff of **SEM** moved to our new home at **663 Pinewood Road in Riverview**. Although we were accompanied by the inevitable December snowstorm, the move itself was seamless.

As the pictures indicate, our clients and visitors now enjoy a very spacious and welcoming front lobby, and our staff have a working environment second to none. We look forward to a long, happy and successful future for **SEM** in our new surroundings.



Boardroom

Meeting Room

Offices

Lunch Room

File Room



Foyer and Front Desk

Wishing Sandra Cloney A Happy Retirement



Sandra early in her career.

Sandra today.

After 34 years of unwavering commitment to **SouthEastern Mutual**, Sandra has decided to turn in her rate manual and opt for sunny days on the golf course. And what a well earned change this will be! We have all been benefactors of your hard work, dedication and passion for the business of insurance. **SouthEastern Mutual** is a better company today because you walked in our doors 34 years ago. From all of your friends, peers, agents, policy-holders and the Board at **SouthEastern Mutual** and from the **Mutual** system itself, we wish you all the best in your retirement and hope it includes many happy days swinging your golf clubs and many relaxing evenings sipping red wine! *Thank you, Sandra!*

NOTICE OF ANNUAL MEETING

SouthEastern Mutual Insurance Company will be holding its Annual Meeting of policyholders on Friday, April 29th, 2016 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 2015 Audited Financial Statements
- Approval of Bylaw changes
- To elect directors
- Appoint auditors for 2016, and
- To transact other business which may properly be brought before the meeting.

Note that in accordance with the bylaws of the corporation, 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.

A copy of the audited statements will be available on the corporation's web-site on or before May 1st, 2016, or a member may obtain copies by sending a written request to the Corporation's Head Office.

SouthEastern Mutual Insurance Company

Claire Fanning FCIP, MBA
President/CEO

SERVING POLICYHOLDERS LOCALLY SINCE 1938.

AVIS D'ASSEMBLÉE ANNUELLE

La Compagnie **Southeastern Mutual Insurance Company** tiendra son assemblée annuelle des détenteurs de police, le mercredi 29 avril 2016 à 13 h 15, au Moncton Golf & Country Club, 212 Chemin Coverdale, Riverview (N.-B.).

Un goûter gratuit sera servi à midi.

Le but de la réunion est :

- de recevoir les états financiers vérifiés de 2015
- d'obtenir l'approbation des modifications aux règlements administratifs
- d'élire administrateurs
- de nommer les vérificateurs pour 2016 et
- de traiter toute(s) autre(s) affaire(s) dûment soumise(s) avant l'assemblée

Notez que, conformément aux règlements de la compagnie, tout titulaire de police de la compagnie qui souhaite demander l'élection ou la réélection au conseil d'administration doit faire part de son intention, par écrit, auprès du présidente de la compagnie et ce au moins dix (10) jours avant l'assemblée annuelle.

Une copie des états financiers vérifiés seront disponible sur le site web de la compagnie le ou avant le 1er mai 2016, ou un membre peut en obtenir un exemplaire en envoyant une demande écrite au bureau chef de la compagnie.

SouthEastern Mutual Insurance Company

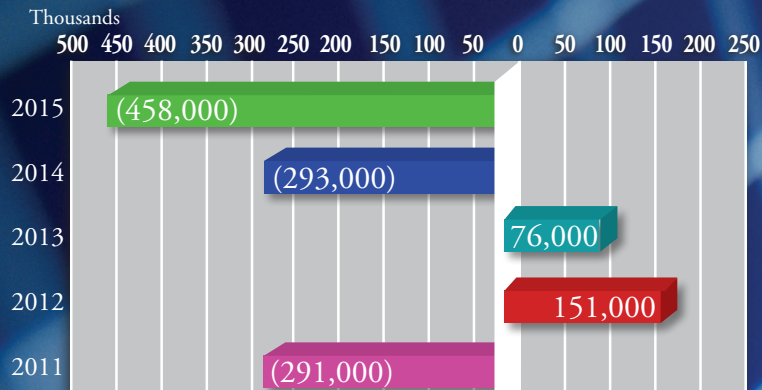
Claire Fanning FCIP, MBA
Présidente/CEO

« AU SERVICE DES ASSURÉS LOCALEMENT DEPUIS 1938. »

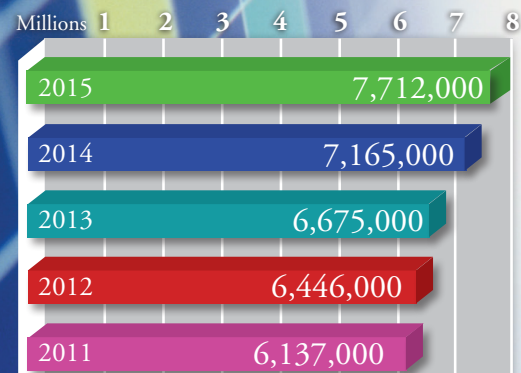


www.semutil.nb.ca

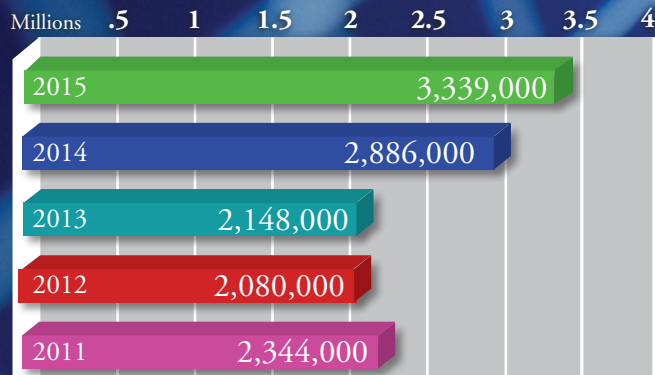
OUR FINANCIAL PERFORMANCE 2011-2015



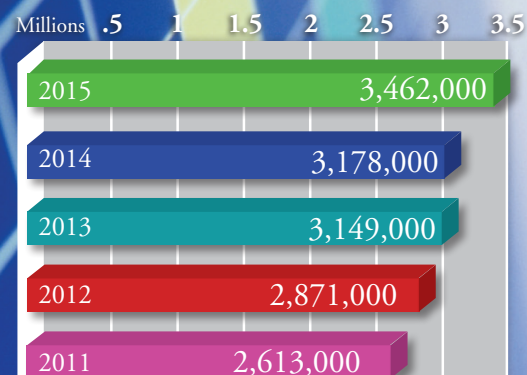
UNDERWRITING INCOME



PREMIUMS WRITTEN

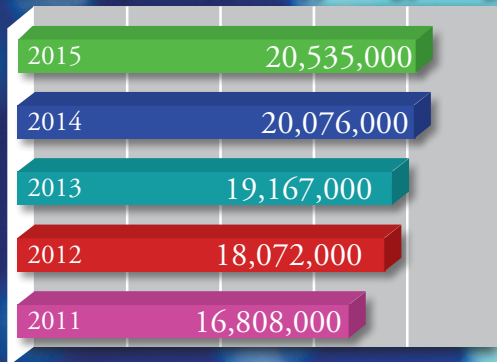


NET CLAIMS



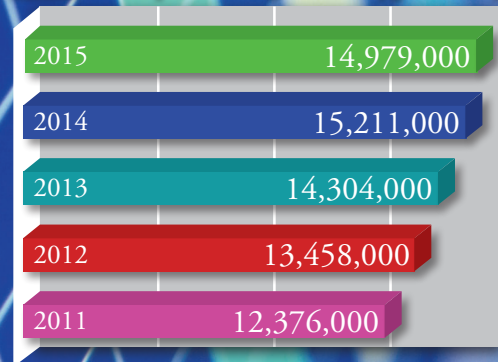
OPERATING EXPENSES

Millions 5 10 15 20 25



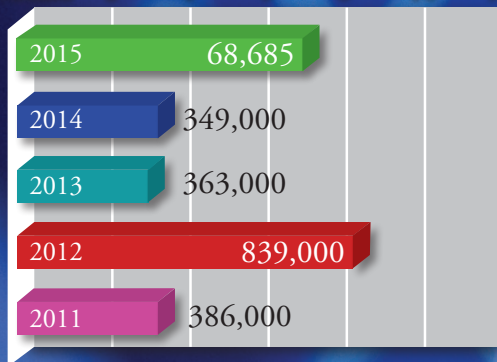
ASSETS

Millions 4 8 12 16



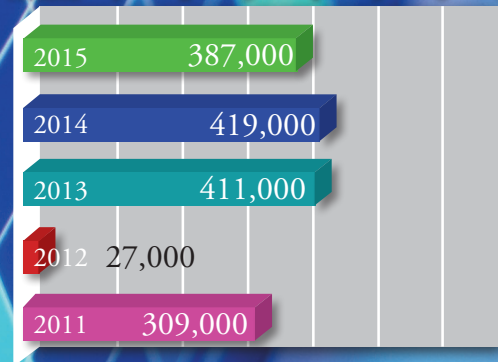
TOTAL EQUITY

Thousands 2 4 6 8 10 12



NET INCOME

Thousands 1 2 3 4 5 6 7



INVESTMENT INCOME

SOUTHEASTERN MUTUAL'S 2015 BOARD AND STAFF

Agents

Andy Bransfield204-7173 Moncton
Chad Crawford.....532-4300Shediac
Christine Wenarchuk...384-5185 Riverview
Denise Doiron.....775-6992Acadieville
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/Executive Management

Chairman Peter Wright
Vice Chairman Jack Low
President/CEO Claire Fanning, FCIP MBA

Directors

Don Howe.....Lower Coverdale
James StarkPetitcodiac
Robert MoreauGrand Digue

Staff

Amy Glenn
Brenda Ryder, CIP
Chantal Gaudet
Darrell Tower
Emily Boss
Michelle Bourque, CIP
Sandra Batten
Sandra Cloney, CIP

Claims

Donnie Saunders, CIP

Loss Control

Bob Nuttall
Gary Bellinger
Roger Hebert



www.semutual.nb.ca

MISSION STATEMENT

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



Are You A Small Business Entrepreneur?

When you own and operate a Flower Shop, or any small business, you run your own company and you have plenty to contend with. **SouthEastern Mutual Insurance** can relieve you from some of the day-to-day stress by protecting your diligent, hard work with our **small business insurance**. *Let us help you with:*

- Building • Inventory • Equipment • Loss of Income
- Equipment Breakdown • Crime Protection • Commercial Liability

An accredited, friendly SouthEastern Mutual agent would be happy to offer you a quote on your small business insurance needs. You can trust the insurance company that has been serving your community for over 75 years.



Tel: 506-386-9002 www.semutual.nb.ca

CONGRATULATIONS SCHOLARSHIP WINNERS

SouthEastern Mutual is proud to call itself a New Brunswick-based insurance company, giving back to the community for over 77 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 listed below are the 2015 winners of our \$500.00 Scholarships.**

- | | | | |
|--------------------|--------------|----------------------|-----------------|
| • Alexander Buck | Riverview | • Alexandra Forbes | Targetville |
| • Kyle Cadman | Sackville | • Mélanie Léger | Cormier-Village |
| • Andrea Carr | Moncton | • Neal Lemoine | Riverview |
| • Alexandre Daigle | Richibouctou | • Stéphanie Richard | Notre Dame |
| • Brandon Dixon | Salem | • Jessica Trentowsky | Upper Coverdale |
| • Nicholas Evans | Moncton | • Shanece Wilson | West Branch |

SouthEastern Mutual congratulates them all and we wish them much success in the years to come.

SOUTHEASTERN
 **MUTUAL INSURANCE**

Tel: 506-386-9002
www.semutual.nb.ca

