

76th ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014



www.semutual.nb.ca

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



Three consecutive years

JOINT REPORT FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT

Chairman's Address - Don Howe

On behalf of the Board of Directors, welcome to our 76th Annual Meeting. I'd like to begin my report by outlining the duties of the board of directors.

Ultimately, we are responsible for supervising the management of the business. The Board selects the Chief Executive Officer ("CEO") and works with senior management as collaborators in advancing the interests of the Company. The Board makes major policy decisions and delegates to management the authority and responsibility to look after day to day affairs. The Board is responsible for direction setting and general oversight of senior management's performance, effectiveness and stewardship.

Senior management is accountable for implementing the Board's decisions. The CEO directs and oversees the operations of the Company. This includes overseeing strategic planning, risk governance, the integrity of internal controls and management information systems, and governance on the Boards' behalf. Although the Board is responsible for, it is not to become involved in, the day to day operations of the Company. It must work only with Senior Management.

At this time, I would like to thank our current President/CEO Darrel Coates for his strong leadership and commitment. His belief that SouthEastern's success depends upon the success of our agents, employees and business partners continues to strengthen and guide us in the proper mutual direction.

SouthEastern Mutual continues to add to surplus, even though we experienced an underwriting loss this year. This is important as we must grow our surplus to support our continued strong premium growth. However, due to this underwriting loss we cannot declare a premium rebate this year.

SouthEastern is moving. We are climbing the hill behind our present location to 663 Pinewood, a beautiful 94 hundred square foot building.

You have heard of fire hydrant protected, we are fire station protected, with the Riverview station just across the street. We are following it, as they use to be just across the street at our present location. From a director's perspective, this will give us much needed space for future expansion and is a safer location, being outside the flood plane we are now in. Should there be another Saxby Gale we could be under ten feet of water.

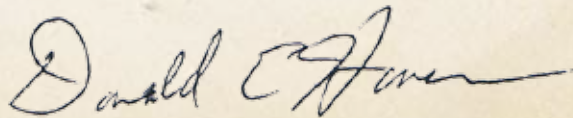
We continue to struggle with our partners in United General. After settling our dispute with Clause 9 of the Shareholders Agreement with an arbitration decision by Judge Creaghan in Oct. 2013, we were still unable to have a resolution passed by the UG Board. That is, to have outstanding shares issued for the years ending Dec. 31, 2008 to and including Dec. 31, 2014. There seems to be some disagreement as to the effect and importance of a supplementary letters patent filed in July of 2008. Efforts continue to have this issue resolved.

The Insurance industry is operating in a much more regulated environment. As a result, our Board and Committees have been busy this year with a lot of housekeeping items. We have reviewed a number of Terms of Reference and reviewed, amended and introduced new policies. We recently introduced a Whistle Blowers Policy, and are actively working on updating our bylaws.

At this time, I would like to thank the Board for their keen interest and due diligence over the past year. We have a small board of six members and the contribution of each one of them is integral to the success of the company. There is nothing better than team approach and team spirit to get things done.

Thank You Board Members, and thank you policyholders.

Sincerely,



2014 President & CEO Report - Darrel Coates

I am pleased to share some of the highlights and accomplishments of another very successful year in this 2014 annual report. Once again, it's both an honor and privilege to be your President & CEO.

We are proud to be a mutual insurer, as such all our policyholders are members. Thank you for your membership in this truly progressive and successful organization as we continue to grow.

Je suis heureux de partager certains des points saillants et les réalisations d'une autre année couronnée de succès dans ce rapport annuel 2014. Une fois de plus, c'est un honneur et un privilège d'être votre président et chef de la direction.

Nous sommes fiers d'être un assureur mutualiste, en tant que telle tout nos assurés sont membres. Merci de votre adhésion à cette organisation progressive et proactive en pleine croissance.

During 2014, we continued to broaden SouthEastern Mutual's distribution channels and enhance our brand. We expanded our geographical trading area by providing insurance services and products through select independent insurance brokers. This strategy complements our existing agency distribution model and has been successful for both SouthEastern Mutual and our key broker partners. Based on this success, we will continue to explore opportunities for further expansion to enlarge our geographic footprint in other regions. This initiative provides an increased spread of risk, especially as weather-related losses continue to increase in frequency and severity and impact the performance of our industry.

Our continued growth in operations and financial performance resulted in the achievement of a number of significant milestones for our organization during 2014. Premiums exceeded \$7.1 million for the first time in our company's history, backed by overall growth of 7.1% and a strong new policy count increase. We approached \$3 million in auto premium and 50% of the written volume in United General. These combined efforts resulted in the company exceeding \$10 million in revenue for our combined operation. Our total assets under management exceed \$20 million, with our member equity exceeding \$15 million for the first time in our history. These significant milestones would not have been possible without the commitment of our staff, agents and broker partners. THANK YOU!

Nos actifs sous gestion dépassent 20 millions de dollars avec notre avoir des membres de plus de 15 millions de dollars pour la première fois dans notre histoire. Ces étapes importantes n'auraient pas été possible sans l'engagement de nos employés, agents et courtiers partenaires. MERCI!

Operationally, we continued to perform well with a 3.6% improvement in operating expenses year over year. We will continue to pursue improvements in these ratios as our long term sustainability and progress is dependent on managing our expenses. This is important so that we may continue to offer our policyholders exceptional service and products at a comparative price point.

Despite being a local and regional insurer, we were not spared the impact of severe weather events this past year. As you can see from the attached report, our claims costs increased significantly last year as a result of an increase in claims, resulting in an underwriting loss for the period. It should be noted that this is only our third underwriting loss in the last ten years, which speaks to the strength of our loss control, underwriting and claims management.

Our Market Capital Test increased to 853% compared to 812% last year, this is well above our internal operating target of 450% and the regulators' threshold of 150%. Our company continues to be well capitalized for future growth opportunities.

These strategies have allowed us to expand our existing operation with the purchase of a newer, modern building that doubles our operating foot print, accommodating our continued growth. This proactive move positions your company to better serve our policyholders as we continue to grow and expand. This is definitely an exciting time in our history.

As our business is built on relationships; success is primarily dependent on people. We are fortunate to be directed by Board members and driven by employees who truly care about our company's reputation and role in the communities we serve and the industry we represent. We are extremely pleased with our staff's ongoing professional development, which allows them to deliver truly exceptional customer service and peace of mind to our policyholders daily.

Nous sommes très heureux avec le développement professionnel continu de notre personnel, ce qui permet à nos employés d'offrir un service à la clientèle exceptionnel et tranquillité d'esprit à nos assurés quotidiennement.

Our history shows that we have persevered through all sorts of economic, climate and industry challenges and have survived for over 76 years. Once again, we are extremely proud to have been recognized as one of the Best Places to Work and a Top 101 Business in Atlantic Canada. We also received an excellence in business award from the local chamber of commerce this year, which is an accomplishment 75 years in the making. I want to personally thank my management team, our agents and staff for all their efforts this past year. Additionally, I would like to also thank the Board of Directors for allowing me the opportunity to be associated with a truly exceptional organization.

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 take pleasure in serving you.

En conclusion, s'il vous plaît accepter l'appréciation de l'ensemble du personnel, les agents et les directeurs de SouthEastern Mutual de votre fidélité continue en tant que membre assurés. Nous apprécions votre confiance en nous en tant que votre fournisseur d'assurance locale et prenons plaisir à vous servir.

Mutually Yours,
Darrel Coates, President & CEO



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, 2014. We expressed an unmodified audit opinion on those financial statements in our report dated March 12, 2015.

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, 2014 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Riverview, NB
March 12, 2015

STEVENSON & PARTNERS
Chartered Professional Accountants

SOUTHEASTERN MUTUAL INSURANCE COMPANY CONDENSED STATEMENT FINANCIAL POSITION - Statement 1

	December 31, 2014	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 162,607	\$ 800,321
Accrued investment interest	53,616	45,144
Premiums receivable	1,390,266	1,327,281
Income taxes recoverable	9,617	-
Deferred premium acquisition costs	666,163	620,291
Investments	12,613,497	11,393,440
Investment in associate	4,403,224	4,208,337
Property, equipment, investment property and intangible assets	776,096	771,951
	\$20,075,086	\$19,166,765
LIABILITIES		
Accounts payable and accrued liabilities	\$ 388,167	\$ 462,968
Reserve for policy claims and liabilities	633,058	556,887
Income taxes payable	-	188,432
Unearned premiums	3,823,972	3,558,704
Agents' future retirement compensation	19,174	96,226
	4,864,371	4,863,217
EQUITY		
General Reserve - Statement 2	14,090,859	13,742,798
Accumulated other comprehensive income - Statement 2	1,119,856	560,750
	15,210,715	14,303,548
	\$20,075,086	\$19,166,765

APPROVED ON BEHALF OF THE BOARD:

Donald Howe - Chairman

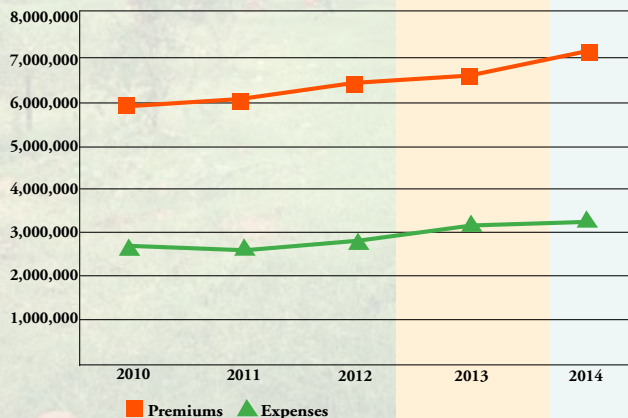
Jack Low - Chair of Audit Finance Committee

SUMMARY STATEMENT OF EQUITY - Statement 2

For the year ended December 31, 2014

	2014	2013
General Reserve		
General Reserve, beginning of year, as previously stated	\$ 14,150,934	\$ 13,446,876
Prior period adjustment	(408,136)	(66,868)
General Reserve, beginning of year, as restated	13,742,798	13,380,008
Net income for the year	348,061	362,790
General Reserve, end of year - Statement 1	\$ 14,090,859	\$ 13,742,798
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of year	\$ 152,614	\$ 100,804
Prior period adjustment	408,136	66,868
Balance, beginning of year, as restated	560,750	167,672
Total other comprehensive income - Statement 3	559,106	393,078
Accumulated other comprehensive income, end of year - Statement 1	\$ 1,119,856	\$ 560,750
Total Adjusted Equity	\$ 15,210,715	\$ 14,303,548

PREMIUM vs EXPENSES 2010 - 2014



SUMMARY STATEMENT OF OPERATIONS - Statement 3

For the year ended December 31, 2014

	2014	2013
Income		
Premiums written	\$ 7,165,105	\$ 6,674,741
Reinsurance premiums	(1,129,795)	(1,183,917)
Change in unearned premiums	(265,268)	(118,805)
Net premiums earned	5,770,042	5,372,019
Service charge revenue	99,321	96,556
Net underwriting revenue	5,869,363	5,468,575
Expenses		
Net claims incurred	2,885,631	2,147,654
Premium acquisition expenses	1,367,132	1,267,478
Operating expenses	1,799,074	1,877,687
Claims, acquisition and other operating expenses	6,051,837	5,292,819
Underwriting income (loss)	(182,474)	175,756
Investment and other items		
Equity income (loss) from associate	141,193	(108,000)
Investment income	418,442	410,734
	559,635	302,734
Income before income taxes	377,161	478,490
Provision for income taxes	(29,100)	(115,700)
Net income for the year	348,061	362,790

SUMMARY STATEMENT OF COMPREHENSIVE INCOME - Statement 4

For the year ended December 31, 2014

	2014	2013
Net income for the year	348,061	362,790
Other comprehensive income:		
Share of other comprehensive income from associate	53,694	51,810
Unrealized gains on available-for-sale financial instruments, net of income taxes	505,106	341,268
	559,106	393,078
Comprehensive income	\$ 907,167	\$ 755,868

SouthEastern Mutual Insurance *Here We Grow Again*



115 Queen Street



378 Coverdale Road



663 Pinewood Road

I'm very pleased to make the following exciting announcement.

SouthEastern Mutual Insurance has been, and continues to be, focused on future growth and expansion. We strive on constantly seeking new ways to enhance your experience with our Company. Our growing base of loyal policyholders, who are also our members, have caused us to revise our growth plans and ensure we have the proper infrastructure in place to maintain the high quality of service you are accustomed to. To accommodate these future growth plans, inclusive of functional space for adequate staffing, a move from our present location is necessary.

An opportunity arose to purchase a newer building that gives us plenty of room to grow, fulfilling our present and future needs, while being a financially sound move. As such, we took advantage of it and are pleased to announce the acquisition of a much larger location, at **663 Pinewood Road in Riverview**, which allows for expansion when the need occurs. The new office building is located across the Riverview fire hall in the growing commercial center of the Town. Expectations are for this area to grow exponentially in the next few years and it is centrally located with easier access to both Findlay & Gunningsville Blvd.

So what's next?

We have listed the 378 Coverdale Road location for sale or lease, allowing SouthEastern to explore our options and finalize an action plan.

Our **"local roots"** date back to 1938 and we have continued to diligently serve Westmorland, Albert and Kent counties since then; while maintaining a strong commitment to community involvement. We should all be proud of the progress we have made as an organization and the growth we have seen, this is the next step in our continued success. This is definitely a team effort by all.

It's business as usual, we will continue to operate out of 378 Coverdale Road. The detailed plan will be developed and shared as we move forward.

Should there be any questions, please contact our CEO, Mr. Darrel Coates at 506-386-9002 or e-mail, Darrel.Coates@semutual.nb.ca. Darrel will be pleased to answer your queries.

Donald Howe,
Chairman of the Board

NOTICE OF ANNUAL MEETING

SouthEastern Mutual Insurance Company will be holding its Annual Meeting of policyholders on Wednesday, April 29th, 2015 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 2014 Audited Financial Statements
- Approval of Bylaw changes
- To elect (2) directors for a three (3) year term
- Appoint auditors for 2014, 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 corporations web-site on or before May 1st, 2015, or a member may obtain copies by sending a written request to the Corporations' Head Office.

SouthEastern Mutual Insurance Company

Signed: Darrel Coates CIP, CRM
President/CEO

Serving policyholders locally since 1938.



AVIS D'ASSEMBLÉE ANNUELLE

La Southeastern Mutual Insurance Company tiendra son assemblée annuelle des assurés le mercredi 29 avril 2015 à 13 h 15, au Moncton Golf & Country Club, au 212 du chemin Coverdale à Riverview (N.-B.).

Un goûter gratuit sera servi le midi.

Le but de la réunion est :

- de recevoir les états financiers vérifiés de 2014;
- d'obtenir l'approbation des modifications aux règlements administratifs;
- d'élire deux (2) directeurs pour un mandat de trois (3) ans;
- de nommer les vérificateurs pour 2014; et
- de traiter d'autres affaires qui pourraient être apportées à la réunion.

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

Une copie des états financiers vérifiés sera disponible sur le site Web de la compagnie le ou avant le 1er mai 2015, ou un membre peut en obtenir un exemplaire en envoyant une demande écrite au bureau chef de la Société.

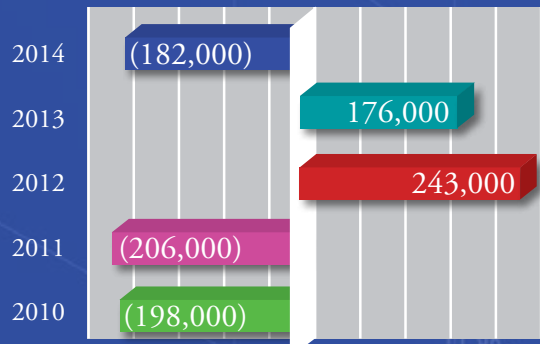
SouthEastern Mutual Insurance Company

Signé : Darrel Coates CIP CRM
Président/PDG

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

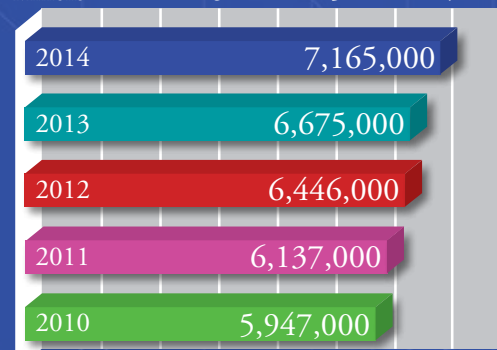
OUR FINANCIAL PERFORMANCE 2010-2014

Thousands 250 200 150 100 50 0 50 100 150 200 250



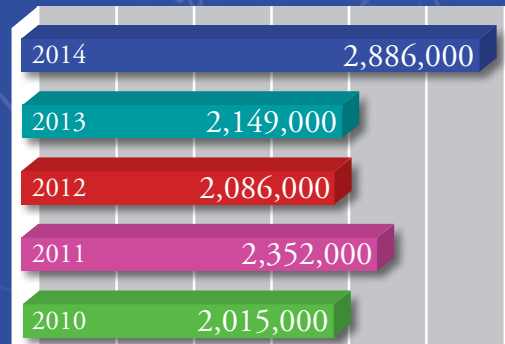
UNDERWRITING INCOME

Millions 1 2 3 4 5 6 7 8



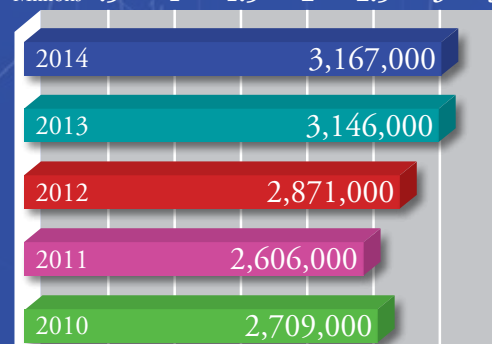
PREMIUMS WRITTEN

Millions .5 1 1.5 2 2.5 3

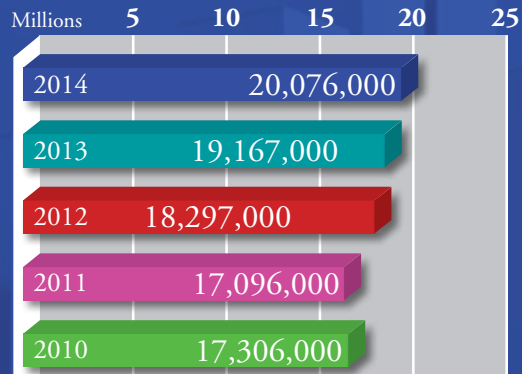


NET CLAIMS

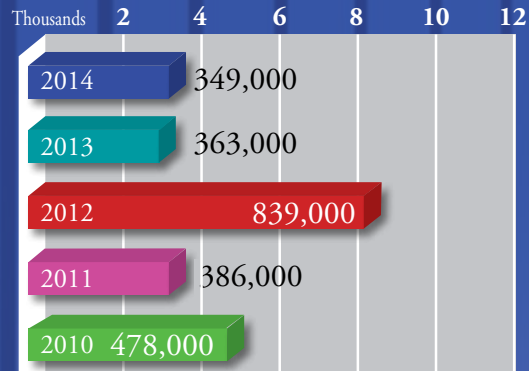
Millions .5 1 1.5 2 2.5 3 3.5



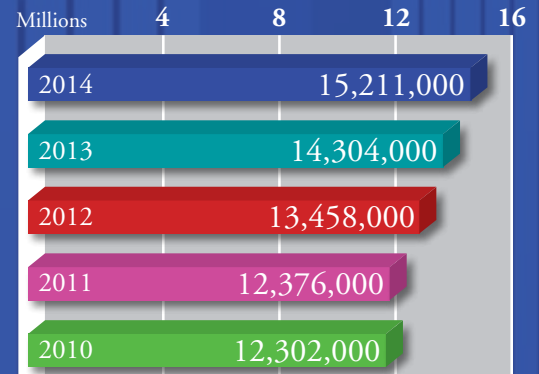
OPERATING EXPENSES



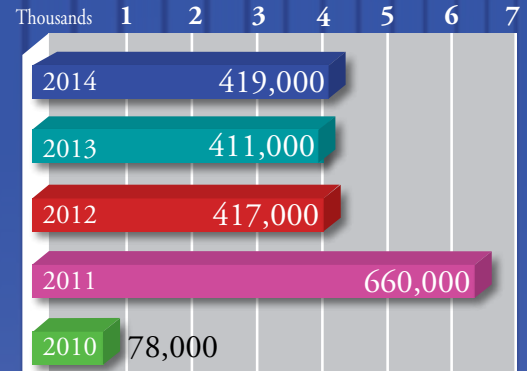
ASSETS



NET INCOME



TOTAL EQUITY



INVESTMENT INCOME

SOUTHEASTERN MUTUAL'S 2014 BOARD AND STAFF

Agents

Andy Bransfield204-7173 Moncton
Angela Daigle523-9403 Richibucto
Ariste Cormierretired in 2015.....Ste. Marie
Chad Crawford.....532-4300Shediac
Christine Wenarchuk...384-5185 Riverview
Denise Doiron.....775-6992Acadieville
Eugene Bastarache743-6700Boucouteche
Garry Evans, CIP859-1811 Moncton
Gary Lounsbury, CIP...756-1102Petitcodiac
Ghislain Vautour523-9403 Richibucto
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

Directors

Larry Boudreau.....Dieppe
Jack Low.....Riverview
Peter WrightRiverview
Robert MoreauGrand Digue

Staff

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

Claims

Donnie Saunders, CIP

Loss Control

Roger Hebert
Gary Bellingier
Bob Nuttall

Officers/Executive Management

Chairman Don Howe
Vice Chairman James Stark
President/CEO Darrel Coates, CIP CRM
VP Operations/Human Resources... Sandra Cloney, CIP



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.*



Tel: 506-386-9002
www.semutual.nb.ca
Serving Your Community For Over 75 Years

CONGRATULATIONS SCHOLARSHIP WINNERS



BEN TRAIL



JOHN ROSSITER



MCKENZIE BALSER



QUENTIN DAIGLE



JENELLE MACISAAC



HALIE WENARCHUK

SOUTHEASTERN
Mutual
Insurance Company

Tel: 506-386-9002

www.semutual.nb.ca



BRIANNA KEITH



C. BROOKE BURGESS



CLAY SELICK



COURTNEY THORNTON



HANNA KRAWCHUK



ALICIA DAIGLE

SouthEastern Mutual is proud to call itself a New Brunswick-based insurance company, giving back to the community for over 76 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 2014 winners of our \$500.00 Scholarships.** *SouthEastern Mutual congratulates them all and we wish them much success in the years to come.*

