SOUTHEASTERN MUTUAL INSURANCE COMPANY SUMMARY FINANCIAL STATEMENTS DECEMBER 31, 2016



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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, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated March 16, 2017.

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, 2016 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Riverview, NB March 16, 2017

Chartered Professional Accountants

Stevenson + Partners

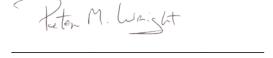
SUMMARY STATEMENT FINANCIAL POSITION

DECEMBER 31, 2016

Statement 1

ASSETS	2016	2015
Cash and cash equivalents Accrued investment interest Premiums receivable Income taxes recoverable Prepaid expenses Deferred premium acquisition costs Investments Investment in associate Property, equipment, investment property and intangible assets	\$ 1,805,510 57,200 1,661,569 - 22,542 816,602 11,833,711 4,242,054 1,918,751 \$22,357,939	\$ 328,346 35,907 1,561,670 85,952 15,575 723,369 11,598,788 4,136,540 2,048,675 \$20,534,822
LIABILITIES		
Accounts payable and accrued liabilities Reserve for unpaid claims, net of reinsurance Income taxes payable Unearned premiums	\$ 374,107 696,802 442,681 4.436,267 5,949,857	\$ 577,716 871,094 - 4,106,522 5,555,332
EQUITY		
General Reserve - Statement 2 Accumulated other comprehensive income - Statement 2	15,200,757 1,207,325 16,408,082	14,159,544 819,946 14,979,490
	<u>\$22,357,939</u>	\$20,534,822





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SUMMARY STATEMENT OF EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

Statement 2

	2016	2015
General Reserve		
General reserve, beginning of year	\$ 14,159,544	\$14,090,859
Net income for the year	1,041,213	68,685
General Reserve, end of year - Statement 1	\$15,200,757	<u>\$ 14,159,544</u>
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of year	ar \$819,946	\$ 1,119,856
Total other comprehensive income - Statement 3	387,379	(299,910)
Accumulated other comprehensive income, end of year - Statement 1	<u>\$ 1,207,325</u>	<u>\$ 819,946</u>



SUMMARY STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016

Statement **3**

Income	2016	2015
Premiums written Reinsurance premiums Change in unearned premiums	\$ 8,384,933 (947,505) (329,745)	\$ 7,713,496 (1,087,713) (282,549)
Net premiums earned	7,107,683	6,343,234
Expenses		
Net claims incurred Premium acquisition expenses Operating expenses	2,652,527 1,499,186 <u>1.719,350</u>	3,329,038 1,400,751 <u>2,044,333</u>
Claims, acquisition and other operating expenses	5,871,063	6,774,122
Underwriting income (loss)	1,236,620	(430,888)
Investment and other items		
Equity income (loss) from associate Service charge revenue Investment income Rental income	(104,664) 121,940 207,778 (24,158)	(14,385) 105,527 387,411 10,320
Impairment of tangible assets	(17,730) 183,166	488,873
Income before income taxes	1,419,786	57,985
Recovery of (provision for) income taxes	(378,573)	10,700
Net income for the year	<u>\$ 1,041,213</u>	\$ 68,685



SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

Statement 4

	2016	2015
Net Income for the year	<u>\$ 1.041,213</u>	\$ 68,685
Other comprehensive income (loss):		
Share of other comprehensive income (loss) from associate	210,179	(252,299)
Unrealized gains (losses) on available-for-sale financial instruments, net of income taxes	<u>177,200</u>	(47,611)
	387,379	(299,910)
Comprehensive income (loss)	<u>\$ 1,428,592</u>	\$ (231, 225)



SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

Statement 5

	2016	2015
Cash flows from operating activities:		
Net income for the year - Statement 2	\$ 1,041,213	\$ 68,685
Items not requiring an outlay of cash	281,258	100,768
Changes in non-cash working capital balances	259,085	402,935
Cash flows from operating activities	<u>1,581,556</u>	<u>572,388</u>
Cash flows from investing activities:		
Additions to property, equipment, investment property	(77.05.4)	(7.705.705)
and intangible assets	(17,954)	(1,385,385)
Investments matured/sold	4,436,128	2,832,795
Purchase of investments	(4.522,566)	(1,839,274)
Cash flows used for investing activities	(104,392)	(391,864)
Increase in cash and cash equivalents	1,477,164	180,524
Cash and cash equivalents, beginning of year	328,346	147,822
Cash and cash equivalents, end of year - Statement 1	<u>\$ 1,805,510</u>	<u>\$ 328,346</u>

The company follows International Financial Reporting Standards (IFRS) in preparing its audited financial statements. Readers are cautioned that these summary 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 663 Pinewood Road Riverview, New Brunswick E1B 5R6 Or www.semutual.nb.ca

