

**SOUTHEASTERN MUTUAL INSURANCE
COMPANY**

SUMMARY FINANCIAL STATEMENTS

DECEMBER 31, 2016



INDEX

INDEPENDENT AUDITORS' REPORT ON SUMMARY

FINANCIAL STATEMENTS 1

SUMMARY FINANCIAL STATEMENTS

Statement 1 - Summary Financial Position 2

Statement 2 - Summary Changes in Equity 3

Statement 3 - Summary Operations 4

Statement 3 - Summary Comprehensive Income 5

Statement 4 - Summary Cash Flows 6



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.

Stevenson + Partners

Riverview, NB
March 16, 2017

Chartered Professional Accountants

SOUTHEASTERN MUTUAL INSURANCE COMPANY

SUMMARY STATEMENT FINANCIAL POSITION

Statement 1

DECEMBER 31, 2016

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,805,510	\$ 328,346
Accrued investment interest	57,200	35,907
Premiums receivable	1,661,569	1,561,670
Income taxes recoverable	-	85,952
Prepaid expenses	22,542	15,575
Deferred premium acquisition costs	816,602	723,369
Investments	11,833,711	11,598,788
Investment in associate	4,242,054	4,136,540
Property, equipment, investment property and intangible assets	<u>1,918,751</u>	<u>2,048,675</u>
	<u>\$22,357,939</u>	<u>\$20,534,822</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 374,107	\$ 577,716
Reserve for unpaid claims, net of reinsurance	696,802	871,094
Income taxes payable	442,681	-
Unearned premiums	<u>4,436,267</u>	<u>4,106,522</u>
	<u>5,949,857</u>	<u>5,555,332</u>
EQUITY		
General Reserve - Statement 2	15,200,757	14,159,544
Accumulated other comprehensive income - Statement 2	<u>1,207,325</u>	<u>819,946</u>
	<u>16,408,082</u>	<u>14,979,490</u>
	<u>\$22,357,939</u>	<u>\$20,534,822</u>

APPROVED ON BEHALF OF THE BOARD:

Peter M. Waight

[Signature]

SOUTHEASTERN MUTUAL INSURANCE COMPANY

SUMMARY STATEMENT OF EQUITY

Statement 2

FOR THE YEAR ENDED DECEMBER 31, 2016

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

SOUTHEASTERN MUTUAL INSURANCE COMPANY**SUMMARY STATEMENT OF OPERATIONS**

Statement 3

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Income		
Premiums written	\$ 8,384,933	\$ 7,713,496
Reinsurance premiums	(947,505)	(1,087,713)
Change in unearned premiums	<u>(329,745)</u>	<u>(282,549)</u>
Net premiums earned	<u>7,107,683</u>	<u>6,343,234</u>
Expenses		
Net claims incurred	2,652,527	3,329,038
Premium acquisition expenses	1,499,186	1,400,751
Operating expenses	<u>1,719,350</u>	<u>2,044,333</u>
Claims, acquisition and other operating expenses	<u>5,871,063</u>	<u>6,774,122</u>
Underwriting income (loss)	<u>1,236,620</u>	<u>(430,888)</u>
Investment and other items		
Equity income (loss) from associate	(104,664)	(14,385)
Service charge revenue	121,940	105,527
Investment income	207,778	387,411
Rental income	(24,158)	10,320
Impairment of tangible assets	<u>(17,730)</u>	<u>-</u>
	<u>183,166</u>	<u>488,873</u>
Income before income taxes	1,419,786	57,985
Recovery of (provision for) income taxes	<u>(378,573)</u>	<u>10,700</u>
Net income for the year	<u>\$ 1,041,213</u>	<u>\$ 68,685</u>

SOUTHEASTERN MUTUAL INSURANCE COMPANY

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

Statement 4

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Net Income for the year	<u>\$ 1,041,213</u>	<u>\$ 68,685</u>
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>	<u>(47,611)</u>
	<u>387,379</u>	<u>(299,910)</u>
Comprehensive income (loss)	<u>\$ 1,428,592</u>	<u>\$ (231,225)</u>

SOUTHEASTERN MUTUAL INSURANCE COMPANY

SUMMARY STATEMENT OF CASH FLOWS

Statement 5

FOR THE YEAR ENDED DECEMBER 31, 2016

	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	<u>259,085</u>	<u>402,935</u>
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 and intangible assets	(17,954)	(1,385,385)
Investments matured/sold	4,436,128	2,832,795
Purchase of investments	<u>(4,522,566)</u>	<u>(1,839,274)</u>
Cash flows used for investing activities	<u>(104,392)</u>	<u>(391,864)</u>
Increase in cash and cash equivalents	1,477,164	180,524
Cash and cash equivalents, beginning of year	<u>328,346</u>	<u>147,822</u>
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

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Riverview, New Brunswick

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Or

www.semutual.nb.ca