

SOUTHEASTERN MUTUAL INSURANCE COMPANY
SUMMARY FINANCIAL STATEMENTS
DECEMBER 31, 2017



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CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated March 15, 2018.

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, 2017 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Stevenson + Partners

Riverview, NB
March 15, 2018

Chartered Professional Accountants

SOUTHEASTERN MUTUAL INSURANCE COMPANY

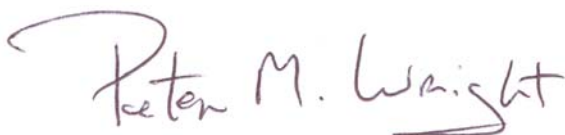
SUMMARY STATEMENT FINANCIAL POSITION

Statement 1

DECEMBER 31, 2017

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 2,507,647	\$ 1,805,510
Accrued investment interest	69,700	57,200
Premiums receivable	1,905,295	1,661,569
Deferred premium acquisition costs	909,417	816,602
Investments	13,927,718	11,833,711
Investment in associate	4,265,382	4,242,054
Property, equipment, investment property and intangible assets	1,552,035	1,918,751
Prepaid expenses	182,765	22,542
	<u>\$25,319,959</u>	<u>\$22,357,939</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 375,573	\$ 374,107
Income taxes payable	74,140	442,681
Reserve for unpaid claims, net of reinsurance	1,583,877	696,802
Mortgage payable on demand	1,214,917	-
Unearned premiums	4,887,933	4,436,267
	<u>8,136,440</u>	<u>5,949,857</u>
EQUITY		
General Reserve - Statement 2	15,557,775	15,200,757
Accumulated other comprehensive income - Statement 2	1,625,744	1,207,325
	<u>17,183,519</u>	<u>16,408,082</u>
	<u>\$25,319,959</u>	<u>\$22,357,939</u>

APPROVED ON BEHALF OF THE BOARD:





SOUTHEASTERN MUTUAL INSURANCE COMPANY

SUMMARY STATEMENT OF EQUITY

Statement 2

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
General Reserve		
General reserve, beginning of year	\$15,200,757	\$14,159,544
Net income for the year	<u>357,018</u>	<u>1,041,213</u>
General Reserve, end of year - Statement 1	<u>\$15,557,775</u>	<u>\$15,200,757</u>
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of year	\$ 1,207,325	\$ 819,946
Other comprehensive income - Statement 3	<u>418,419</u>	<u>387,379</u>
Accumulated other comprehensive income, end of year - Statement 1	<u>\$ 1,625,744</u>	<u>\$ 1,207,325</u>

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

Statement 3

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Income		
Premiums written	\$ 9,188,993	\$ 8,384,933
Reinsurance premiums	(887,073)	(947,505)
Change in unearned premiums	<u>(451,666)</u>	<u>(329,745)</u>
Net premiums earned	7,850,254	7,107,683
Service charge revenue	<u>149,322</u>	<u>121,940</u>
Net underwriting revenue	<u>7,999,576</u>	<u>7,229,623</u>
Expenses		
Net claims incurred	4,282,693	2,652,527
Premium acquisition expenses	1,699,167	1,499,186
Operating expenses	<u>1,791,986</u>	<u>1,719,350</u>
Claims, acquisition and other operating expenses	<u>7,773,846</u>	<u>5,871,063</u>
Underwriting income	<u>225,730</u>	<u>1,358,560</u>
Investment and other items		
Equity loss from associate	(82,931)	(104,664)
Investment income	348,669	207,778
Rental income (loss)	21,356	(24,158)
Impairment of tangible assets	<u>-</u>	<u>(17,730)</u>
	<u>287,094</u>	<u>61,226</u>
Income before income taxes	512,824	1,419,786
Provision for income taxes	<u>(155,806)</u>	<u>(378,573)</u>
Net income for the year	<u>\$ 357,018</u>	<u>\$ 1,041,213</u>

SOUTHEASTERN MUTUAL INSURANCE COMPANY
SUMMARY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 4

	2017	2016
Net Income for the year	\$ <u>357,018</u>	\$ <u>1,041,213</u>
Other comprehensive income:		
Share of other comprehensive income from associate	106,259	210,179
Unrealized gains on available-for-sale financial instruments, net of income taxes	<u>312,160</u>	<u>177,200</u>
	<u>418,419</u>	<u>387,379</u>
Comprehensive income	<u>\$ 775,437</u>	<u>\$ 1,428,592</u>

SOUTHEASTERN MUTUAL INSURANCE COMPANY

SUMMARY STATEMENT OF CASH FLOWS

Statement 5

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Cash flows from operating activities:		
Net income for the year - Statement 2	\$ 357,018	\$ 1,041,213
Items not requiring an outlay of cash	128,940	281,258
Changes in non-cash working capital balances	<u>462,402</u>	<u>259,085</u>
Cash flows from operating activities	<u>948,360</u>	<u>1,581,556</u>
Cash flows from financing activities:		
Proceeds from issue of mortgage	1,220,000	-
Payments on mortgage payable	<u>(5,083)</u>	<u>-</u>
Cash flows from financing activities	<u>1,214,917</u>	<u>-</u>
Cash flows from investing activities:		
Additions to property, equipment, investment property and intangible assets	(358,774)	(17,954)
Proceeds on disposal of property and equipment	625,789	-
Investments matured/sold	2,435,753	4,436,128
Purchase of investments	<u>(4,163,908)</u>	<u>(4,522,566)</u>
Cash flows used for investing activities	<u>(1,461,140)</u>	<u>(104,392)</u>
Increase in cash and cash equivalents	702,137	1,477,164
Cash and cash equivalents, beginning of year	<u>1,805,510</u>	<u>328,346</u>
Cash and cash equivalents, end of year - Statement 1	<u>\$ 2,507,647</u>	<u>\$ 1,805,510</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:

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or www.semutual.nb.ca