

CHAIR'S REPORT TO MEMBERS CONTINUED

continued its governance work with the introduction of new policies to guide its oversight of B of Q Mutual and the further development of our enterprise risk management practices. The Audit and Conduct Review Committees continued with their work and assist the Board executing its responsibilities.

I am pleased to report our policyholders are using a new service we introduced called "BQ ASSIST". It provides free legal assistance and identity theft assistance services.

In summary I believe that the Bay of Quinte Mutual Board, Management and Staff continue to work together with our brokers and

policyholders in today's new world of changing technology and advancement that make Bay of Quinte Mutual Insurance Co. a company for its policyholders today and in the future.

Thank you once again for the opportunity to serve you.

Mutually yours,



Art Wiersma



Bay of Quinte Mutual

INSURANCE CO.

ANNUAL REPORT & NEWSLETTER 2016

retrospective

REVIEW YOUR INSURANCE POLICY

Have you read your insurance policy recently? Over time your insurance needs change so we encourage you to review your policy annually to ensure you have the right insurance coverage and limits to meet your specific needs.

You should review the limit of insurance on your home. Rebuilding costs tend to increase annually and we adjust the limit of insurance on your home in an attempt to keep your limit current. However, it is a good idea to ask your insurance representative to re-calculate the estimated rebuilding cost for your home as this is the best means of ensuring your limit is not too high or too low. If you have renovated your home, then you should review the limit of insurance on your home as your renovations could impact the limit of insurance you need.

Ensure the items you own and want insured are listed on your policy. Have you purchased something and forgot to insure it or disposed of something and still paying insurance on it? When you look at the items insured, also remember to look at the limit of coverage. Is the limit of coverage reflective of the value of the item insured? This is particularly important for items insured for actual cash value. The actual cash value of items can fluctuate up and down. The value of boats, outbuildings, farm machinery and equipment generally decrease over time. However, if you

have new farm machinery or equipment, then the value of the machinery and equipment could be higher due to the value of the Canadian dollar. Another item that has increased in value the past couple of years is livestock. Looking at the limit of coverage will help ensure you receive the appropriate settlement in the event of a claim and are spending your insurance dollars wisely.

Your insurance policy has special limits of insurance that provide a maximum amount of money for certain items should something happen to them. Some common items with special limits of insurance are jewelry, business property, coin and stamp collections, garden tractors and watercraft. Additional insurance can be purchased if the limit of insurance automatically included is not enough to cover a loss to these items.

Do not assume everything will be automatically covered. It is best to know you have the right coverage before something happens. A few minutes with your insurance representative will help avoid disappointment in your insurance coverage or worse yet, an unexpected expense because your coverage is not what you expected it to be. If you have any questions or concerns, be sure to contact your insurance representative.

enter to WIN!

Once again we are pleased to offer you a chance to WIN a discount certificate to be applied against your 2017 - 2018 insurance premiums.

Please read the enclosed information and complete the "tear off" section. Completed entry forms can be returned to us by mail or taken into your insurance representative's office, and they will forward it to us. All entries received before Tuesday, April 11, 2017 will be entered into a draw for one of six discount certificates to be applied to your insurance premium with our company.

1st prize is a \$400 discount certificate, **2nd, 3rd, 4th, 5th,** and **6th** prizes are \$200 discount certificates. The draw will be made at the Board of Directors meeting to be held on Tuesday, April 11, 2017.

**THANK YOU FOR PARTICIPATING,
GOOD LUCK TO YOU AND
CONGRATULATIONS TO THE
2016 WINNERS.**

We are not responsible for lost entry forms, or entry forms that arrive after April 11, 2017. Winners will be notified by mail.

THE BAY OF QUINTE MUTUAL DIFFERENCE

Bay of Quinte Mutual appreciates that you have selected our company to provide you with your insurance protection.

Bay of Quinte Mutual is different than other insurance companies.

When you are insured with Bay of Quinte Mutual, you are more than a policyholder, you are an owner. Being an owner entitles you to have a say in how the company is run because you get to vote on important business matters at our company. Our Directors are policyholders just like you and are elected by other policyholders. This is your guarantee that Bay of Quinte Mutual is committed to the best interests of our policyholders.

We do not have shareholders that expect dividends to be paid. Any profits earned are used to strengthen Bay of Quinte Mutual and returned to our policyholders in the form of lower insurance premiums.

We strive to exceed your needs and expectations. You will receive quick, courteous and knowledgeable service from our team.

Our insurance policies are designed with your needs in mind and allow you to customize your policy to meet your specific

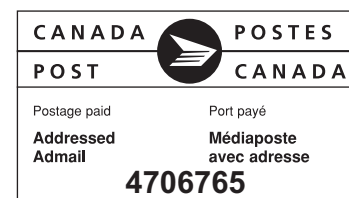
needs. Most companies provide only one limit for personal property. With Bay of Quinte, you are able to select your limit of personal property from five options offering you an opportunity to lower your insurance premium. There are two options on comprehensive policies for sewer, septic tank, drain and sump back-up protection - you can select full limits coverage for an additional premium of \$75 or if you do not require full limits coverage, then you can select \$25,000 coverage for no additional premium. If you do not have detached private structures on your premises, then you can remove that coverage and take advantage of premium savings.

We offer value added services for no additional premium. Loss prevention is an important service we provide to our policyholders. Our Loss Prevention Team is available to visit your home, farm or business. The goal of this service is to help you identify and rectify potential issues so you are safe and avoid future problems. BQ Assist provides legal assistance and identity theft assistance services. You have access to free advice 24 hours a day, 7 days a week from a team of lawyers with a minimum of five years experience. To access BQ Assist, you just need to call 1-877-837-0104.



Bay of Quinte Mutual
INSURANCE CO.

Box 6050, 13379 Loyalist Parkway
Picton, Ontario, K0K 2T0



facebook.com/bayofquintemutualinsurance



@bayofqmutual

UPDATES TO YOUR HOME

If you have replaced your heating system, added or removed auxiliary heat, replaced your roof or updated your plumbing or electrical system, then please let us know. This information is important because it can impact your insurance coverage and premium. We try to keep our information up to date and your assistance is greatly appreciated.

CHAIR'S REPORT TO MEMBERS

I am writing this report on behalf of the Board of Directors of the Bay of Quinte Mutual Insurance Co. It was a great privilege to represent Bay of Quinte Mutual as Board Chair for 2016. Thanks to President Jeff Howell, all Management and Staff for their hard work and continued effort to make Bay of Quinte Mutual the company we have strived to be.

In March Bay of Quinte Mutual as a company in whole was recognized and awarded the "OUTSTANDING ACHIEVEMENT AWARD" by the Ontario Mutual Insurance Association. This was a great honour for our company.

This is my second term as Chair of the Board. I have enjoyed the experiences that come with the position, attending several mutual functions including the National and Canadian Mutual Conventions. I am very grateful that, through this year's annual charity golf tournament, we raised and donated over \$10,000.00 to my charity of choice, "KINGSTON 4 PAWS SERVICE DOGS". This organization trains and places service dogs with children, military and civilians living with autism, seizures, PTSD, mobility issues and other health issues. Our company continued our long standing support of many other local charities.

I am very pleased to report a successful year financially for our company. The year ended much better than we expected with an underwriting profit of \$499,055 and a comprehensive income after tax of \$2,100,405. Throughout most of the year the insurance business was not profitable – in November the insurance business swung from loss to profit. The performance of the investment portfolio improved \$1.5 million over 2015 and contributed \$2,258,350 to our comprehensive income earned in 2016.

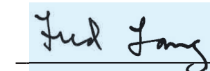
The net claims after reinsurance recoveries in 2016 were \$11.5 million. This year continued to be like last year with a continuation of total loss fires. There were 57 residential, barn and business fire losses resulting in gross claims of \$11.9 million. Of the 57 fire losses, 16 were significant exceeding \$300,000 each. Water related losses were the second largest in dollars during the year at \$2.0 million. I encourage all our policyholders to make that extra time to check for wear and tear of appliances and the condition of their roof. These items do not last forever and will need to be replaced. I would further advise you to contact your insurance representative to check your policies to make sure you have the coverage you require. Don't wait until something happens.

2016 was a very busy year for our Board and team. It marked a year where we finished a number of important projects including the introduction of new residential and farm property wordings and a new residential liability wording. We expanded our broker service with the introduction of some direct mailing services to our mutual policyholders. Susan Fox and Muriel Wager, both long time staff members retired during the year. Their retirements lead to Cathy Miles' role expanding as she became Underwriting Manager over the entire underwriting team and Norman Markland joining our company as Executive Assistant. The Board of Directors reviewed and updated our strategic plans and our three year financial plan. The Board

BALANCE SHEET AS AT DECEMBER 31, 2016

	2016 \$	2015 \$
ASSETS		
Cash	3,136,952	3,403,648
Portfolio investments	42,816,864	40,769,436
Accrued interest	193,628	198,085
Accounts receivable		
Agents and policyholders	6,883,624	6,455,015
Income taxes recoverable		623,157
Reinsurer's share of provision for unpaid claims and adjustment expenses	6,215,999	5,906,396
Deferred policy acquisition expenses	2,438,611	2,410,814
Prepaid expenses	9,277	2,210
Property, plant and equipment	839,005	791,679
Deferred income taxes	83,000	96,000
	62,616,960	60,656,440
LIABILITIES		
Accounts payable and accrued liabilities	769,032	830,415
Due to reinsurer	110,242	127,503
Income taxes payable	322,080	
Provision for unpaid claims and adjustment expenses	12,555,577	13,404,300
Unearned premiums	12,872,848	12,407,446
	26,629,779	26,769,664
POLICYHOLDERS' SURPLUS		
Surplus and resources for protection of policyholders	35,987,181	33,886,776
	62,616,960	60,656,440

APPROVED ON BEHALF
OF THE BOARD

 Director

 Director

STATEMENT OF SURPLUS AND RESOURCES FOR PROTECTION OF POLICYHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 \$	2015 \$
BALANCE - BEGINNING OF YEAR	33,886,776	32,924,742
COMPREHENSIVE INCOME FOR YEAR	2,100,405	962,034
BALANCE - END OF YEAR	35,987,181	33,886,776

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 \$	2015 \$
PREMIUM INCOME		
Gross premiums written	24,603,763	23,772,839
Less reinsurance premiums	(3,470,158)	(3,354,124)
Net premiums written	21,133,605	20,418,715
Increase in unearned premiums	(465,402)	(472,740)
Net premiums earned	20,668,203	19,945,975
Service charges	181,927	177,383
	20,850,130	20,123,358
DIRECT LOSSES INCURRED		
Gross claims and adjusting expenses	14,163,006	16,094,375
Less reinsurer's share of claims and adjustment expenses	(2,679,816)	(4,460,474)
	11,483,190	11,633,901
	9,366,940	8,489,457
EXPENSES		
Net premium acquisition costs		
Policy services	226,665	340,670
Other	4,638,358	4,269,943
Salaries and benefits	1,812,567	1,286,784
Directors and professional fees	251,382	182,190
Travel and education	178,908	182,489
Loss prevention	598,561	593,320
Advertising	99,162	77,710
Office and communications	657,261	594,957
Ontario premium taxes	101,864	97,811
Licences and dues	75,549	76,799
Miscellaneous	56,814	44,733
Building occupancy costs	80,538	88,347
Depreciation of property, plant and equipment	90,256	110,111
	8,867,885	7,945,864
UNDERWRITING INCOME	499,055	543,593
INVESTMENT INCOME	2,258,350	752,441
COMPREHENSIVE INCOME BEFORE TAXES	2,757,405	1,296,034
INCOME TAX EXPENSE		
Current	644,000	322,000
Deferred	13,000	12,000
	657,000	334,000
COMPREHENSIVE INCOME FOR YEAR	2,100,405	962,034

NOTICE OF ANNUAL GENERAL MEETING

The 143rd annual general meeting of the policyholders of the Bay of Quinte Mutual Insurance Co. will be held at:

Huff Estates Winery and Inn

2274 County Road 1

Bloomfield, ON

Thursday March 09, 2017 at 11:00 a.m.

- To receive the financial statements and the auditors' report for the year ending December 31, 2016
- To appoint auditors for the year 2017
- To elect directors

Our keynote speaker at the meeting will be:

Inspector Pat Finnegan

Detachment Commander for the Napanee Ontario Provincial Police Inspector Finnegan will be speaking about keeping yourself safe from cyber threats and telephone scams.

ELECTION OF DIRECTORS:

The directors whose term of office will expire at the annual meeting are:

Zone 2: Mr. Calvin Thomas

Zone 3: Mr. Dalton Arthur

Zone 9: Mr. Richard (Dick) Williams

These gentlemen are all eligible for re-election.

Application for directorship must be received according to By-Law One, article 23 by 11:00 a.m. on February 22, 2017. One director is required for each of zones 2, 3 and 9.

CLARIFICATION OF ZONES:

Zone 2: Wards of Bloomfield, Hallowell, Hillier, Picton and Wellington in the County of Prince Edward

Zone 3: County of Frontenac, City of Kingston and all points East

Zone 9: Townships of Loyalist, Greater Napanee and Stone Mills and Ward of Sophiasburg in the County of Prince Edward

All policyholders are cordially invited. This is the policyholder's meeting and any suggestions that might be of benefit to the company will be welcomed.

If you plan to attend this meeting, please call 1-800-267-2126 to reserve a seat by Monday February 27, 2017.

Name: _____
Address: _____
Phone: _____ Your Policy # and Agent _____
Comments or Questions: _____

VOID
TO BE DRAWN APRIL 11, 2017

We invite your comments and suggestions for improvement of our Company. We are not responsible for lost entry forms, or entry forms that arrive after April 11, 2017. Winners will be notified by mail. Please complete and return this portion. Either present this section to your broker to be forwarded to us or mail to:

Bay of Quinte Mutual Insurance Co. P.O. Box 6050, Picton, Ontario K0K 2T0