

DID YOU KNOW? CONT.

There is rental extension coverage for farm machinery

Included in our all risk coverage for farm machinery is \$2,500 available for the rental or lease of equipment in the event your machinery is damaged or destroyed as a result of an insured loss. Alternatively, this money can be used to hire the work done while your machinery is being repaired or replaced.

All forms of heat must be declared on your insurance policy

Both your primary and auxiliary methods of heat must be declared on your insurance policy. Whether you heat with natural gas, oil or propane or if you have a woodstove, fire place, pellet stove or any other method of auxiliary heat, it must be declared on your insurance policy. If you do not inform us of all methods of heat, then you could put your insurance coverage at risk. Auxiliary heat should never be used while you are not home. Each year we have fire losses reported as a result of secondary heat being used while unattended.

Detached private structures limit of insurance covers all detached private structures

The limit of insurance for detached private structures on your policy covers all of the detached private structures on your premises. If you have more than one, then you should make sure the limit of insurance is adequate to rebuild or replace all of your detached private structures. Please remember that detached private structures does not provide insurance for buildings that were designed and / or used for commercial or agricultural purposes regardless of the current use of the building. If you have any doubt that the coverage in your insurance policy applies to your detached private structures, contact your insurance broker for clarification.

YEAR IN REVIEW

I began last year's report with the statement "what a difference a year can make." That same statement applies to 2013. Our underwriting income improved compared to 2012 however the comprehensive profit after tax deteriorated. If I was to sum up the year, I would say it is a year of firsts for Bay of Quinte Mutual ... in particular for our claims department. 2013 was the most expensive year ever for new claims with gross losses occurring during the year totaling in excess of \$16 million. The turmoil in the financial markets created some firsts as well with there being three months where the market value of the investment portfolio dropped by more than \$100,000 during the month. We have occasionally seen minor drops over the years, but nothing as severe as we experienced this year and the change is noticed more so now that it hits the statement of income each month and impacts the financial position of the company.

Our claims department was very busy this year. There were more than 500 claims reported during the year. Of those 500 plus claims, 58 of them were fire losses which are a record number of fire losses at Bay of Quinte. There were 13 total loss fires and three of the total loss fires were over \$1.5 million. We occasionally have a fire loss in excess of \$1 million but we have never experienced 3 over \$1.5 million in one year. Mother nature was not kind to our mutual policyholders this year as there were two ice storms in our area. The ice storm on April 11 resulted in 78 claims for total losses of greater than \$1.1 million. The second ice storm in December resulted in approximately half the number of losses from the April storm. Water and

wind losses were also significant in 2013 and account for the second and third most expensive losses during the year at \$2.2 million and \$1.1 million respectively.

The financial markets were extremely volatile last year. We are accustomed to some volatility in the equity markets, but the bond markets proved to be equally as chaotic. It only took a few simple words from the Chairman of the US Federal Reserve to cause the bond market to plummet. In two months, the market value of the bond portfolio of Bay of Quinte lost \$950,000. The year ended with the unrealized change in the market value of the investment portfolio reducing the investment income by approximately \$642,000.

Premium growth was modest for 2013 with a 4 % increase over 2012. Policy count increased by 2 % and cancelled business decreased compared to 2012. The insurance environment was very competitive as stock companies were aggressively seeking premium growth and new business. The average 15 % mandated premium reduction of automobile insurance for 2014 will further increase the competitive environment as companies that write automobile insurance seek to replace the premium lost by the mandated premium reductions. Bay of Quinte generally experiences lower growth in that type of business environment and we expect modest premium growth to continue into 2014.

Until November, 2013 was shaping up to be a record year financially. The months of November and December reduced the underwriting results by \$1.1 million and the comprehensive income by \$865,000.

Despite the year of firsts, 2013 was a good year financially and a rewarding year. Protecting the financial assets of our policyholders and providing peace of mind are the reasons for our existence and we are honoured to have been there when our policyholders have needed us.



Bay of Quinte Mutual INSURANCE CO.

ANNUAL REPORT & NEWSLETTER 2013

retrospective

enter to WIN!

Once again we are pleased to offer you a chance to WIN a discount certificate to be applied against your 2014 – 2015 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 agent/broker's office, and they will forward it to us. All entries received before Tuesday, April 8, 2014 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 8, 2014.

THANK YOU FOR PARTICIPATING,
GOOD LUCK TO YOU AND
CONGRATULATIONS TO THE
2013 WINNERS.

We are not responsible for lost entry forms,
or entry forms that arrive after April 8, 2014.
Winners will be notified by mail.

CARBON MONOXIDE DETECTORS MANDATORY

NEW LEGISLATION IN ONTARIO

The Provincial Government has recently passed a bill that will require most homes in Ontario to be equipped with a **carbon monoxide detector**.

The law, similar to the requirement for smoke detectors, will be enforced by local fire departments under the Fire Prevention and Protection Act and is expected to take effect in early 2014.

Homeowners will face a fine of approximately \$200 if their home is not equipped with a working detector.

What is Carbon Monoxide?

Carbon monoxide (CO) is an odourless, colourless gas found in combustion fumes produced by cars and trucks, small gas engines, stoves, lanterns, burning charcoal and wood and gas ranges and heating systems. A leak or lack of proper ventilation can cause sudden illness or death. Working CO detectors are **the most effective** way to detect unsafe carbon monoxide levels in the home.*

WHAT SHOULD YOU DO?

- It is ideal to have a carbon monoxide detector on every level of your home (especially near sources of CO), but if you only have one, it should be placed just outside the sleeping area.
- Carbon monoxide detectors should be installed between knee and chest height on the wall and should not be blocked by furniture, draperies or other obstructions.
- The units have a life span of about 7 years. Check yours to make sure it is up to date.
- They range in price from about \$25 to \$60. Mid-range units have a screen that displays the level of CO in the house.
- A unit with a battery back-up will ensure it continues to work during a power outage.

* Carbon monoxide detectors do not eliminate the need for regular inspection, maintenance and safe use of fuel-burning equipment. Take the time to ensure you are using the equipment properly.

DID YOU KNOW?

You can customize your homeowner package to meet your specific insurance needs.

The homeowner packages at Bay of Quinte can be tailored to your insurance requirements. You are able to select your limit of coverage for your personal property and if you wish to lower the limit from the standard 80 % of the dwelling, then you can save yourself premium. If you do not have detached private structures on your premises, then you are able to remove that coverage and take advantage of premium savings.

Pool collapse coverage is available

Standard insurance coverage for pools does not include the peril of collapse. However, if your pool is in good condition, then coverage for its collapse can be purchased and added to your pool insurance coverage.

Continued on back...



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



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@bayofqmutual

CHAIR'S REPORT TO MEMBERS

As Chair of Bay of Quinte Mutual Board of Directors, it is my pleasure to make this report to the policyholders, for our 140th year. 2013 has again been a good year for our mutual company. We enjoyed a year of growth, both in terms of gross premiums written and policyholder count as well as earning a profit for the year.

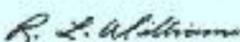
Profit this year amounted to an underwriting profit of \$2.0 million and a comprehensive profit of \$2.3 million. We are fortunate to have made money on the insurance operations in eight of the last ten years and made a comprehensive profit in nine of the last ten years. Gross premiums increased 4 % over 2012 and policy count increased 2%. The bad news this year was the high value of claims. In fact, three claims alone amounted to over \$4.5 million. The good part was that our company was able to help our policyholders when they needed us.

Unfortunately each year there are policyholders who experience a loss that do not possess either the right coverage for the loss or adequate limits of insurance to fully compensate them for the loss. This brings to mind it is always good to have close contact with your insurance agent or broker to ensure that your policy is up to date and meets your specific insurance needs. I cannot stress enough the importance of an annual review of your insurance policy with your insurance agent or broker as a review is the best way to prevent this situation from happening to you.

The Board of Directors continues to focus its efforts on company governance. While this approach means we have had to change some of the ways we operate and manage the company, it may be of interest to you that the directors and staff continue to keep the needs our policyholders front and centre in our minds. A number of policies have been developed to guide how we govern and operate the company. An investment policy outlines the company's investment goals and strategies, a code of business conduct policy and conflict of interest policy guide behavior and a strategic business plan has been developed to focus our efforts. The Board and staff participate each year in a strategic planning meeting with the focus being to improve our performance. Policyholder needs was the focus of the meeting in 2013.

At this time I would like to acknowledge the board members and staff, as to my appreciation for their help making this year as Chair rewarding and successful.

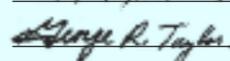
Mutually yours,



RL Williams

BALANCE SHEET

AS AT DECEMBER 31, 2013

	2013 \$	2012 \$
ASSETS		
Cash	2,105,352	2,896,504
Portfolio investments	37,799,490	33,970,939
Accrued interest	238,175	227,905
Accounts receivable		
Agents and policyholders	5,808,373	5,438,328
Reinsurers	124,794	383,518
Other		6,229
Reinsurers' share of provision for unpaid claims and adjustment expenses	5,187,623	2,654,684
Deferred policy acquisition expenses	2,122,132	2,024,087
Prepaid expenses	2,483	2,483
Property, plant and equipment	968,440	908,566
Deferred income taxes	113,000	101,000
	54,469,862	48,614,243
LIABILITIES		
Accounts payable and accrued liabilities	685,948	755,016
Due to reinsurers	97,547	276,949
Income taxes payable	245,199	487,968
Provision for unpaid claims and adjustment expenses	12,604,325	8,986,831
Unearned premiums	11,406,235	10,998,782
	25,039,254	21,505,546
POLICYHOLDERS' SURPLUS		
Surplus and resources for protection of policyholders	29,430,608	27,108,697
	54,469,862	48,614,243
APPROVED ON BEHALF OF THE BOARD		
 Director		
 Director		
	54,469,862	48,614,243

STATEMENT OF SURPLUS AND RESOURCES FOR PROTECTION OF POLICYHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 \$	2012 \$
BALANCE - BEGINNING OF YEAR	27,108,697	24,488,301
COMPREHENSIVE INCOME FOR YEAR	2,321,911	2,620,396
BALANCE - END OF YEAR	29,430,608	27,108,697

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 \$	2012 \$
PREMIUM INCOME		
Gross premiums written	21,938,928	21,099,754
Less reinsurance premiums	(2,965,989)	(3,362,501)
Net premiums written	18,972,939	17,737,253
Increase in unearned premiums	(407,453)	(344,670)
Net premiums earned	18,565,486	17,392,583
Service charges	163,352	154,963
	18,728,838	17,547,546
DIRECT LOSSES INCURRED		
Gross claims and adjusting expenses	14,574,431	11,333,203
Less reinsurers' share of claims and adjustment expenses	(5,257,181)	(2,595,714)
	9,317,250	8,737,489
	9,411,588	8,810,057
EXPENSES		
Net premium acquisition costs		
Policy services	318,041	288,602
Other	3,838,524	3,789,171
Salaries and benefits	1,395,524	1,093,979
Directors and professional fees	166,102	165,594
Travel and education	208,190	241,607
Loss prevention	435,521	420,259
Advertising	82,555	90,613
Office and communications	474,267	527,255
Ontario premium taxes	89,412	85,644
Licences and dues	70,490	66,353
Miscellaneous	86,439	107,683
Building occupancy costs	84,761	89,116
Depreciation of property, plant and equipment and intangibles	134,830	126,653
	7,384,656	7,092,529
UNDERWRITING INCOME	2,026,932	1,717,528
INVESTMENT INCOME	957,653	1,481,868
REFUND OF REINSURANCE PREMIUMS	70,326	
COMPREHENSIVE INCOME BEFORE TAXES	3,054,911	3,199,396
INCOME TAX EXPENSE (RECOVERY)		
Current	745,000	603,000
Deferred	(12,000)	(24,000)
	733,000	579,000
COMPREHENSIVE INCOME FOR YEAR	2,321,911	2,620,396

NOTICE OF ANNUAL GENERAL MEETING

The 140th annual general meeting of the policyholders of the Bay of Quinte Mutual Insurance Co. will be held at:

Demorestville Town Hall

2771 County Road 5
Demorestville, ON
Thursday March 13, 2014 at 11:00 a.m.

- To receive the financial statements and the auditors' report for the year ending December 31, 2013
- To appoint auditors for the year 2014
- To elect directors
- To transact any other business that may properly come before the meeting.

Our keynote speaker at the meeting will be:

Terry Sprague

Mr. Sprague will be speaking on
wildlife survival in the winter.

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 26, 2014. 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 Prince Edward County)

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, March 03, 2014.

Name: **VOID**

Address: _____

Phone: _____

Your Policy #

VOID

and Agent _____

Comments or Questions: _____

TO BE DRAWN APRIL 8, 2014

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 8, 2014. 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