

Coverage enhancements coming in 2018

The Board of Directors approved enhancements to our policy wordings that will be introduced in 2018.

Bylaws coverage in the amount of \$20,000 has been added to our comprehensive and named perils homeowner package policies. Bylaws coverage pays for the increased cost to comply with laws regulating the demolition, construction or repair of a dwelling or detached private structure that is damaged by an insured peril.

Loss mitigation expenses will be included in our sewer, septic tank, drain and sump back-up coverage. If you have an insurance claim that exceeds your policy deductible covered by the sewer, septic tank, drain and sump back-up wording, then we will pay up to \$1,000 for expenses you incur to prevent a future claim. Receipts will be required to receive reimbursement of the money spent to prevent future claims.

Additional rebuilding cost will be available for outbuildings insured with our BQ Agripak package policy. This coverage provides up to an additional 25 % of the limit of insurance on the outbuilding if the limit of insurance is not adequate to repair or replace an outbuilding that is damaged by an insured peril.



FLOOD INSURANCE

We are pleased to announce the introduction of our new water protection coverage for our farm and residential policyholders. This new coverage improves your protection from loss or damage caused by water. It expands our current sewer, septic tank, drain and sump pit coverage to include flood, the sudden and accidental entrance of ground water and surface water and the rising of the water table. Included in the water protection coverage are additional coverages for loss mitigation expenses, exterior sewer line and water service line coverage.

Effective February 01, 2018 all of our policyholders who qualify will have water protection coverage at no charge until the policy renewal date. In order to qualify for the new water protection coverage, you must live in a low risk area, be insured with a comprehensive policy wording, currently have full limits sewer, septic tank, drain and sump pit coverage and have satisfactory claims experience with water damage losses.

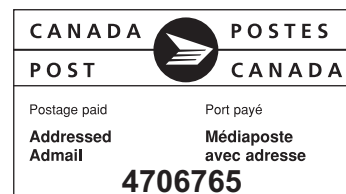
If you qualify for the new coverage, when your policy renews you will see coverage W on your policy declaration page and there will be an additional charge of \$75 for the added insurance protection. If you decide you do not want this added coverage, then please contact your insurance representative and ask for your original coverage to be restored. We will then make the change to your insurance policy and your insurance premium will be reduced by the \$75 charge.

Flood insurance is also available for our commercial policyholders starting February 01, 2018. The policy wording is different than that available to our farm and residential policyholders and it will not automatically be added to commercial policies. If you have interest in adding flood coverage to your commercial policy, please contact your insurance representative.

If you have any questions about the new water protection or flood coverage or if you want to read the wording for all of the details, please contact your insurance representative.



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



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Bay of Quinte Mutual INSURANCE CO.

ENTER TO WIN!!

Once again we are pleased to offer you a chance to WIN a discount certificate to be applied against your 2018 – 2019 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, March 13, 2018 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, March 13, 2018.

**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 MARCH 13, 2018.
WINNERS WILL BE NOTIFIED BY MAIL.

The connected home

The connected home is transforming everyone's lives. Using a smart phone or hub such as Google Home, it is possible to control devices connected to home systems and appliances – computers, televisions, appliances, HVAC systems, thermostats, door locks, garage doors, cameras, light bulbs, switches, power outlets, smoke and carbon monoxide detectors are among the many items that can be controlled by your voice or by a touch of a phone.

While these devices make our everyday lives easier, we need to remember there is risk that comes with the convenience. These devices are typically designed for convenience, not security and like your computer are susceptible to being hacked by others. There are some things you can do to protect your connected home.

Secure your internet router:

- Most routers come with a generic name that identifies the specific brand of device. When a hacker knows the specific brand of device it can make it easier to access it. If you change the name to something random it will make it more difficult to gain access to your internet router.
- Change the default password of your internet router. Use a password that is difficult to guess by making sure it contains upper and lower case letters as well as special characters. Avoid using a password that contains personally identifiable information such as your name or telephone number.

Protect your passwords. Do not share your passwords with others or have them listed in a location that others can easily see.

Disable guest access to your home network.

If possible, update the software in the devices as you do the operating system on your computer or smart phone.



Chair's Report to Members

As 2017 has ended I wish to report to you the financial results and activities of the Bay of Quinte Mutual Insurance Co.

It was a successful year as we realized a bottom line profit of almost \$2.6 million after taxes. Our investment portfolio continued to grow and helped to contribute to the year's profit. Underwriting revenue was down slightly from last year and so were claim costs. Our average claims cost this year was \$28,153 compared to \$42,458 for 2016. In 2017 there were more claims reported than in 2016. The increase in the number of claims was mostly due to water damage, but the total cost was \$1.2 million less. It was from one extreme to another, a very dry 2016 when we experienced many fires and a very wet 2017 when the rain didn't seem to stop. Water levels were so high it was inevitable damage would occur, which it did. The high water levels were aggressive and unpredictable, remaining long after the initial event.

The debate continues - are weather extremes caused by global warming or other reasons? Scientists expect flooding will become more frequent with heavier downpours. We don't know if we will experience this in our area or if it will happen in another part of the country.

The Board approved new water protection coverage in 2017 to be released early in 2018. We also made some policy wording improvements that will be introduced this year. The company is faced with unique challenges. We strive to offer you the best products in the industry while balancing any increase in premium. I would like to remind you that we offer options that allow you to customize your insurance policy to suit your needs. Please speak to your insurance representative about your coverage and options that exist.

The Board of Directors met with Management and Staff for a Strategic Planning Session in the spring. We meet every 3 to 4 years to share ideas and set direction for the company. The goal is to improve the coverage we sell and the service we provide to our members and brokers.

Technology is changing rapidly. Younger generations have never experienced life without computers and cell phones. Their values are different from older generations. We have to adapt to their expectations. In 2017 we developed on line quoting for residential policies and it will be available on our website this year. The use of technology has increased as we transfer more and more information electronically to our business partners. Technology has allowed our company to grow without a significant change in staff requirements.

The Board and Management are dealing with ever changing regulatory requirements. Enterprise Risk Management (ERM) and Own Risk Solvency Assessment (ORSA) are two documents that required much time and effort to complete. The objective of the ORSA document is to ensure adequate capital is available at all times to meet the needs of our policyholders. The ORSA capital determines the capital required to support the business risks identified in the ERM. These documents will be reviewed annually. We have developed a corporate governance framework consisting of many documents and committee mandates. These documents help us with our business decisions. I am pleased to report the Bay of Quinte Mutual Insurance Co. is compliant with all regulatory requirements.

Our support of local organizations continued in 2017. We received many requests for financial aid. A Community Support Fund Committee consisting of three board members reviews these requests and made recommendations for the level of support. 4-H Clubs, Almost Home and several fire departments were supported this year. Our Annual Charity Golf Tournament was held in June at Brighton's Timber Ridge Golf Course. The charity chosen was Sunny Days Day Program, a Brighton based not-for-profit organization providing education, workplace placements, life skills and more to youth and young adults with special needs. Through the generosity of all golfers we raised \$12,400 for Sunny Days Day Program. The Board, Management and Staff were all very pleased to achieve this level of support for the organization. Community involvement is important to us.

On behalf of the Board of Directors, thank you President Jeff Howell, Management and Staff for your expertise, dedication and support. With the support of our brokers and policyholders, we will continue to grow and provide the products and service needed to make our company your number one choice.

It was an honour and privilege to serve as Board Chair in 2017. Thanks to the Board of Directors for their governance and business skills and my appointment as Chair.

Sincerely yours,



George Taylor



TO BE DRAWN MARCH 13, 2018

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 March 13, 2018. Winners will be notified by mail. Please complete and return this portion. Either present this section to our insurance representative to be forwarded to us or mail to:

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

BALANCE SHEET

AS AT DECEMBER 31, 2017

	2017	2016
	\$	\$
ASSETS		
Cash	3,757,378	3,136,952
Portfolio investments	45,054,856	42,816,864
Accrued interest	187,624	193,628
Accounts receivable		
Agents and policyholders	6,955,294	6,883,624
Reinsurer	1,653	
Other	353,585	
Reinsurer's share of provision for unpaid claims and adjustment expenses	5,099,509	6,215,999
Deferred policy acquisition expenses	2,477,699	2,438,611
Prepaid expenses	11,238	9,277
Property, plant and equipment	782,515	839,005
Deferred income taxes	98,000	83,000
	64,779,351	62,616,960
LIABILITIES		
Accounts payable and accrued liabilities	1,004,159	769,032
Due to reinsurer	63,006	110,242
Income taxes payable	196,081	322,080
Provision for unpaid claims and adjustment expenses	12,162,902	12,555,577
Unearned premiums	12,794,129	12,872,848
	26,220,277	26,629,779
POLICYHOLDERS' SURPLUS		
Surplus and resources for protection of policyholders	38,559,074	35,987,181
	64,779,351	62,616,960
APPROVED ON BEHALF OF THE BOARD		
 Director		
 Director		
	64,779,351	62,616,960
STATEMENT OF SURPLUS AND RESOURCES FOR PROTECTION OF POLICYHOLDERS		
	2017	2016
	\$	\$
BALANCE - BEGINNING OF YEAR	35,987,181	33,886,776
COMPREHENSIVE INCOME FOR YEAR	2,571,893	2,100,405
BALANCE - END OF YEAR	38,559,074	35,987,181

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	\$	\$
PREMIUM INCOME		
Gross premiums written	24,441,584	24,603,763
Less reinsurance premiums	(3,771,620)	(3,470,158)
Net premiums written	20,669,964	21,133,605
Decrease (increase) in unearned premiums	78,719	(465,402)
	20,748,683	20,668,203
Net premiums earned	20,748,683	20,668,203
Service charges	176,518	181,927
	20,925,201	20,850,130
DIRECT LOSSES INCURRED		
Gross claims and adjusting expenses	12,939,085	14,163,006
Less reinsurer's share of claims and adjustment expenses	(2,632,602)	(2,679,816)
	10,306,483	11,483,190
	10,618,718	9,366,940
EXPENSES		
Net premium acquisition costs		
Policy services	329,206	226,665
Other	4,531,993	4,638,358
Salaries and benefits	1,517,266	1,812,567
Directors and professional fees	254,883	251,382
Travel and education	182,958	178,908
Loss prevention	560,198	598,561
Advertising	56,192	99,162
Office and communications	1,100,705	657,261
Ontario premium taxes	104,169	101,864
Licences and dues	85,291	75,549
Miscellaneous	55,531	56,814
Building occupancy costs	89,409	80,538
Depreciation of property, plant and equipment	102,047	90,256
	8,969,848	8,867,885
UNDERWRITING INCOME	1,648,870	499,055
INVESTMENT INCOME	1,743,023	2,258,350
COMPREHENSIVE INCOME BEFORE TAXES	3,391,893	2,757,405
INCOME TAX EXPENSE		
Current	835,000	644,000
Deferred	(15,000)	13,000
	820,000	657,000
COMPREHENSIVE INCOME FOR YEAR	2,571,893	2,100,405

NOTICE OF ANNUAL GENERAL MEETING

The 144th annual general meeting of the policyholders of the Bay of Quinte Mutual Insurance Co. will be held at:

Codrington Community Centre
2992 County Road 30, Codrington, ON
Thursday March 08, 2018 at 11:00 a.m.

- To receive the financial statements and the auditors' report for the year ending December 31, 2017
- To appoint auditors for the year 2018
- To elect directors

Our keynote speaker at the meeting will be:

ROB CUNNINGHAM

Park Superintendent of Presqu'ile Provincial Park

Mr. Cunningham will be speaking about the park and how it dealt with the 2017 flooding.

ELECTION OF DIRECTORS:

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

- Zone 5: Mr. Steve Raymond
- Zone 6: Mr. Harry Scanlan
- Zone 8: Mr. Fred Lang

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 21, 2018. One director is required for each of zones 5, 6 and 8.

CLARIFICATION OF ZONES:

- Zone 5: Cities of Belleville and Quinte West
- Zone 6: Cities of Peterborough and Kawartha Lakes, Municipality of Trent Hills, Township of Stirling-Rawdon, County of Peterborough and all points West and North
- Zone 8: Municipality of Tweed and Township of Tyendinaga

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 26, 2018.

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

VOID