

PRESIDENT/CHAIRMAN'S BOARD REPORT FOR 2016

Before I begin my Report, I would like to advise our members present that in late 2016, former Company President Peter MacIntosh passed away 6 months shy of his 100th birthday. Peter was a Company Director from 1975 to 1998 and Company President from 1988 to 1997. Would you please stand and honor Peter with a moment of silence for his outstanding contribution to our Company. Thank you. It is now my pleasure to present my Chairman's Report on behalf of your Board of Directors.

Our financial results were severely impacted by the Sydney flood in October as well as many serious fire losses during the fourth quarter of 2016. Our Company was very fortunate to have a tremendous first 9 months in 2016 that allowed us to end the year with a slight profit. It was a very up and down year for claims that was almost completely opposite from 2015. Our Claims Manager, Brian Morgan, will provide you with greater detail in his report.

I'm happy to report that our investments had a modest recovery in 2016 from the significant writedowns of 2015. Our Auditor, Ryan Armstrong and our Company Manager Bill Chisholm will provide greater financial details in their reports.

As in every Board Chairman's report, you are advised as to our Board and Committee activity for the year. Your Board met four (4) times during 2016; your Audit Committee met four (4) times; your Executive Committee and your Conduct Review Committees met twice; your Nominating Committee met once and; your Human Resources Committee did not meet. Our Underwriting & Rates Committee which is a staff committee with two (2) directors that are members met four (4) times during the year. An ongoing priority of your Company is to support the communities we serve in whatever way we can. We have always felt one of the best ways to support the different communities is by pledging monetary support to our area Hospital Foundations. In late 2016, your Company pledged \$ 50,000. to the St. Martha's Regional Hospital Foundation Endowment Fund campaign. This is the fifth current Hospital Foundation pledge for your Company. The other four (4) pledges include the Guysborough Memorial Hospital Foundation (\$ 20,000.); Cumberland Health Authority (2nd pledge - \$ 20,000.); Inverness Hospital Foundation (2nd pledge - \$ 20,000.) and ; the Sacred Heart Hospital Charitable Foundation in Cheticamp (\$ 20,000.).

Other significant supports include being a presenting sponsor for the Antigonish Highland Games; the major sponsor for the Eastern Nova Scotia Exhibition; the major sponsor for the Antigonish Farmers' Mutual Junior B Bulldogs and; our annual seven (7) scholarships of \$ 1,000. that go to high school graduates within our service area to help further their education. Most recently, your Board pledged \$60,000. over four (4) years to the Positive Action for Keppoch development. Your Board and Management feel very fortunate that we are able to provide quality insurance products to our communities we serve but also give back to those communities. We; therefore, feel very proud in being recognized by our local community and region in winning the People's Choice for the best insurance company for the third consecutive year as well as receiving the Antigonish Chamber of Commerce Excellence in Business Award in the Fall of 2015.

In conclusion, I would like to thank our Manager, staff, and agents for their ongoing commitment to serving our Policyholders. I'd also like to thank your Board of Directors for their contribution, guidance, and support during 2016 and over my three (3) years as your Company President.

Respectfully submitted <> Sid Taylor, Company President