

STATEMENT OF NATURE AND TERMS OF AMALGAMATION

TO: THE SUPERINTENDENT OF INSURANCE (NEW BRUNSWICK)

RE: THE MERGER OF CARLETON MUTUAL INSURANCE COMPANY AND FUNDY MUTUAL INSURANCE COMPANY

Carleton Mutual Insurance Company is a Florenceville-Bristol based mutual insurer that insures property owners in the Province of New Brunswick. It has been operating since 1937 and insures an average of 2,550 policyholders at any given time, who are the company's owners, representing an average of \$760,000,000 of insured property. The company is managed by its board of six directors, and has a staff of five, with two agents. The company is reinsured by Farm Mutual Re, is one of four equal voting shareholders of United General Insurance Corporation and as of December 31, 2016 had an equity value of just over \$3,000,000.

Fundy Mutual Insurance Company is a Sussex based mutual insurer that insures property owners in the Province of New Brunswick. It has been operating since 1940 and insures an average of 4,100 policyholders at any given time, who are the company's owners, representing an average of \$2,160,000,000 of insured property. The company is managed by its board of nine directors, and has a staff of nine, with 4 brokers. The company is reinsured by Farm Mutual Re, is one of four equal voting shareholders of United General Insurance Corporation and as of December 31, 2016 had an equity value of just over \$13,500,000.

Following a period of discussion and investigations, each of these companies has determined that it is in the best interests of their policyholders to merge the companies by amalgamation, in order to continue as one company under the name Carleton-Fundy Mutual Insurance Company. The merger will only take place if approved by the Superintendent of Insurance, and the policyholders of each of the companies. If merged, it is expected that the merged company will have an average of 6,650 policyholders at any given time, representing an average of \$2,920,000,000 worth of insured property, and will have an equity value of just over \$16,991,000. The merged company will be managed by a board of nine directors, will retain all staff, agents and brokers employed by the individual companies, and will be the largest voting shareholder of United General Insurance Corporation.

Carleton-Fundy Mutual Insurance Company will be a larger, stronger company than its predecessors. It will take over all of the policies of insurance, contracts and other liabilities of its predecessors, and will continue to serve the same communities, with plans to expand to serve new ones. The merger is expected to result in steady growth in written premiums, total income and surplus. It is also expected to result in a greater geographic spread of risk and lowering expenses, such as staffing costs and management fees. Certain costs can also be lowered through eliminating duplication, such as costs respecting technology, business succession planning, training, development and policy creation.

If all required approvals are obtained, the merger will be effective and Carleton-Fundy Mutual Insurance Company will begin business on January 1, 2018.