



Co-operators General Insurance Company

Management's Discussion and Analysis

For the first quarter ended March 31, 2017

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May 1, 2017

This Management's Discussion and Analysis (MD&A) comments on Co-operators General Insurance Company's operations and financial condition for the first quarter ended March 31, 2017.

Unless otherwise stated or the context otherwise indicates, in this MD&A, "Co-operators General", "we", "us" and "our" refers to the Consolidated Co-operators General Insurance Company including its subsidiaries: The Sovereign General Insurance Company (Sovereign), COSECO Insurance Company (COSECO), L'Équitable, Compagnie d'assurances Générale (L'Équitable), Co-operators Investment Limited Partnership (CILP) and Co-operators Insurance Agencies Limited (CIAL).

Co-operators General's parent company is Co-operators Financial Services Limited (CFSL) and its ultimate parent is The Co-operators Group Limited (CGL), a Canadian co-operative with 44 members.

The information in this MD&A should be read in conjunction with the following documents:

- our unaudited condensed consolidated interim financial statements and accompanying notes for the first quarter ended March 31, 2017;
- our 2016 Annual Report and Annual Information Form

These documents are available on SEDAR at www.sedar.com. References to "Note" refer to the notes to the unaudited condensed consolidated interim financial statements.

Except as otherwise noted, all figures in this MD&A are stated in Canadian dollars for the quarter ended March 31, 2017 and are based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, "Interim Financial Reporting". The financial results presented in this MD&A are unaudited.

We use certain financial performance measures which do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. They should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. Such measures are defined in our 2016 Annual Report in the *Key Financial Measures (Non-IFRS)* section, or in the same section in this document when disclosed for the first time.

The information in this MD&A contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed below or in our Annual Information Form. Please read the cautionary note which follows.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information, including statements regarding the operations, objectives, strategies, financial situation and performance of Co-operators General. These statements, which appear in this MD&A (including the documents incorporated by reference herein), generally can be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "would", "should", "could", "trend", "predict", "likely", "potential" or "continue" or the negative thereof and similar variations. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information. In addition, this MD&A may contain forward-looking statements and information attributed to third party industry sources. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the

possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information in this MD&A speak only as of the date of this MD&A.

Forward-looking statements and information in this MD&A include, but are not limited to, statements with respect to: our growth expectations; the impact of changes in governmental regulation on our company; possible changes in our expense levels; changes in tax laws; and anticipated benefits of acquisitions and dispositions.

With respect to forward-looking statements and information contained in this MD&A, we have made assumptions regarding, among other things: growth rates and inflation rates in the Canadian and global economies; the Canadian and U.S. housing markets; the Canadian and global capital markets; the strength of the Canadian dollar relative to the U.S. dollar; employment levels and consumer spending in the Canadian economy; and impacts of regulation and tax laws by the Canadian and provincial governments or their agencies. Some of the assumptions we have made are described in our 2016 Annual Report.

Although we believe that the expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, levels of activity, performance or achievements. Consequently, we make no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements and information. Some of the risks and other factors, some of which are beyond our control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this MD&A and the documents incorporated by reference herein include, but are not limited to: our ability to implement our strategy or operate our business as we currently expect; our ability to accurately assess the risks associated with the insurance policies that we write; unfavourable capital market developments or other factors which may affect our investments; the cyclical nature of the property and casualty insurance industry; our ability to accurately predict future claims frequency; the frequency and severity of weather related events; climate change; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; our reliance on advisors to sell our products; our ability to successfully pursue our acquisition strategy; actions to be taken in connection with the sale of L'Union Canadienne, Compagnie d'assurances to Roins Financial Services Limited; our participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; our ability to maintain our financial strength ratings; our ability to alleviate risk through reinsurance; our ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); our reliance on information technology and telecommunications systems; breaches or failure of information system security and privacy, including cyber terrorism; our dependence on key employees; and general economic, financial and political conditions.

Readers are cautioned that the foregoing list of factors is not exhaustive. For further information, please refer to our 2016 Annual Report, which outlines in detail certain key factors that may affect our future results. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. We are not under any duty to update any of the forward-looking statements after the date of this MD&A to conform such statements to actual results or to changes in our expectations except as otherwise required by applicable legislation.

SUMMARY OF KEY FINANCIAL DATA AND RESULTS OVERVIEW

Three months ended March 31 unless otherwise stated

(in millions of dollars, except for ROE, EPS and ratios)

1st quarter	2017	2016	2015
Key financial data			
Direct written premium (DWP)	540.3	519.5	489.1
Net earned premium (NEP)	609.3	588.5	550.5
Net income	34.6	39.3	22.2
Total assets ¹	5,706.9	5,854.5	5,303.2
Total liabilities ¹	4,118.3	4,275.6	3,844.6
Shareholders' equity ¹	1,588.6	1,578.9	1,458.6
Key success indicators			
Direct written premium growth	4.0%	6.2%	3.4%
Net earned premium growth	3.5%	6.9%	4.7%
Earnings per common share (EPS) ²	\$1.55	\$1.78	\$0.98
Return on equity (ROE)	9.9%	12.4%	6.9%
Combined ratio - excluding Market Yield Adjustment (MYA) ³	102.5%	95.6%	98.2%
Minimum Capital Test (MCT) ¹	235%	227%	225%

¹ Balance sheet data and MCT results for 2016 and 2015 are as at December 31

² All of the common shares of CGIC are owned by CFSL

³ The combined ratio for 2016 has changed as a result of a reclassification of commission revenue that was previously netted with commission and general expenses

Co-operators General reported net income after tax of \$34.6 million for the three months ended March 31, 2017, as compared to net income of \$39.3 million in the same quarter of 2016. Our return on equity for the quarter was 9.9% versus 12.4% in the first quarter of 2016. Earnings per common share in the quarter was \$1.55 compared to \$1.78 in the same quarter of the prior year.

Our underwriting loss of \$15.1 million for the first quarter deteriorated from our underwriting gain of \$25.8 million in the same period of 2016. This was the result of an increase in current accident year claims across all lines of business, except farm, partially offset by continued premium growth mainly in our auto and home lines of business. As a result of the underwriting loss, net income decreased to \$34.6 million, which was partially offset by improved investment results. Net investment income and gains increased \$33.1 million compared to the same period last year, driven primarily by unrealized preferred share gains. The MYA had a \$4.6 million unfavourable impact on net income before tax as a result of a decrease in the discount rate and an increase in the undiscounted net claims.

FINANCIAL PERFORMANCE

DIRECT WRITTEN PREMIUM AND NET EARNED PREMIUM

\$ millions	Q1 2017	Q1 2016	% change
Direct written premium	540.3	519.5	4.0%
Net earned premium	609.3	588.5	3.5%

DWP improvements during the first quarter were attributable to growth in policy and vehicle counts in all lines of business paired with higher average home and farm premiums. In the first quarter, DWP increased by 4.0% or \$20.8 million to \$540.3 million. NEP increased during the first quarter by 3.5% or \$20.8 million compared to the same period last year. The increase in NEP during the quarter is seen throughout all geographic regions and product lines, with the exception of the commercial line of business.

Refer to Note 10 of our unaudited condensed consolidated interim financial statements for the period ended March 31, 2017 for a reconciliation of DWP to NEP.

NEP by line of business

\$ millions	Q1 2017	Q1 2016	% change
Auto	289.7	281.2	3.0%
Home	172.8	161.8	6.8%
Commercial	107.6	108.1	(0.5%)
Farm	30.4	28.7	5.9%
Other	8.8	8.7	1.1%
Total	609.3	588.5	3.5%

The auto line of business continued to contribute to the increase in NEP throughout the quarter, increasing 3.0% over the same quarter of 2016. Growth in the auto line of business was driven primarily by an increase in the vehicles in force. During the first quarter, the home line of business was the largest contributor to our NEP growth, increasing by \$11.0 million over the same quarter of 2016. This was the result of an increase in policies in force and higher average premiums, mainly in the West and Ontario. The commercial line of business saw an increase in policies in force for the first quarter compared to the same period of the prior year. However, this was entirely offset by lower earned premiums driven by lost business towards the end of 2016, and led to a decrease in NEP of \$0.5 million compared to the same period of the prior year. Rate adjustments in the Western region and increased policies in force contributed to the increase in NEP in the farm line of business of \$1.7 million.

NEP by geographic region

\$ millions	Q1 2017	Q1 2016	% change
West	230.0	228.5	0.7%
Ontario	294.0	279.3	5.3%
Quebec	25.8	23.9	7.9%
Atlantic	59.5	56.8	4.8%
Total	609.3	588.5	3.5%

Growth in the West NEP was 0.7% and continues to be hampered by the regional economic conditions in Alberta. The NEP increase of \$1.5 million was driven by rate adjustments in the home and farm lines of business combined with an increase in policies in force in the home and commercial lines of business. NEP growth of 5.3% in Ontario was driven by an increase in policies and vehicles in force in the home, commercial and auto lines of business along with rate adjustments in the home line of business. We continue to see policy growth in Quebec, resulting in an increase in NEP of \$1.9 million over the same quarter of the prior year, mainly as a result of an increase in policies and vehicles in force in the home and auto lines of business. The increase in Atlantic NEP of 4.8% was attributable to policies and vehicles in force in the commercial and auto lines of business partially offset by rate decreases in the auto line of business.

NET INVESTMENT INCOME AND GAINS

\$ millions	Q1 2017	Q1 2016	change
Interest income	19.7	20.2	(0.5)
Dividend and other income	9.1	6.9	2.2
Investment expenses	(1.5)	(1.0)	(0.5)
Net investment income	27.3	26.1	1.2
Net realized gains	10.6	2.6	8.0
Net foreign exchange gains	3.4	13.3	(9.9)
Change in fair value	21.5	(11.6)	33.1
Impairment losses	-	(0.7)	0.7
Net investment gains	35.5	3.6	31.9
Net investment income and gains	62.8	29.7	33.1

Net investment income and gains increased by \$33.1 million in the current period as compared to the first quarter of 2016 driven primarily by unrealized preferred share gains. Dividend income increased by \$1.6 million as a result of a shift in the asset mix, which increased the weighting of preferred shares in the portfolio and reduced the weighting of bonds and mortgages, in line with yield enhancement initiatives.

The \$8.0 million favourable change in net realized gains was caused by a \$15.7 million increase in realized common share gains, offset by a \$7.7 million decrease in realized bond gains compared to the first quarter of the prior year. Unrealized equity gains continued to build in the first quarter of 2017, resulting from normal portfolio turnover. The bond portfolio was repositioned in the current period in order to reduce overall duration which resulted in \$3.6 million in realized bond losses, compared to \$4.1 million in realized gains in the first quarter of 2016.

Included within net foreign exchange gains and change in fair value are, respectively, period-to-period fair value movements of our U.S dollar foreign exchange forward contracts and preferred share holdings. The U.S. dollar foreign exchange forwards are used to hedge the currency exposure of our U.S. equity portfolio. Net foreign exchange gains were \$3.4 million and decreased \$9.9 million in the current period as compared to the first quarter of 2016 when the Canadian dollar appreciated 6.6% against the U.S. dollar. The \$33.1 million favourable change in fair value was primarily caused by an improvement in the preferred share market. During the current quarter the preferred share index increased by 6.2% in contrast to a decline of 6.9% in the first quarter of 2016. Impairment losses were \$nil in the first quarter of the current year as a result of overall strength in global equity markets since the U.S. presidential election.

OTHER COMPREHENSIVE INCOME

\$ millions	Q1 2017	Q1 2016
Other comprehensive income	25.7	3.4

Other comprehensive income was \$25.7 million in the first quarter of 2017 as compared to \$3.4 million for the same period of 2016.

Other comprehensive income before tax was \$34.9 million in the first quarter of 2017. Foreign and Canadian equity market appreciation during the quarter resulted in unrealized gains on stocks of \$25.7 million while declining credit spreads during the current quarter led to unrealized gains on bonds of \$21.4 million. Offsetting this was the reclassification adjustment for realized gains and losses included in net income. Strength in equity markets and portfolio rebalancing resulted in \$15.4 million in equity realized gains while a reduction of duration in the bond portfolio resulted in realized losses of \$3.2 million.

EXPENSES

Claims and adjustment expenses – Loss ratio

\$ millions, except ratios	Q1 2017	Q1 2016	change
Undiscounted net claims and adjustment expenses	414.2	367.7	46.5
Effect of MYA	4.6	5.6	(1.0)
Net claims and adjustment expenses	418.8	373.3	45.5
Loss ratio (excluding MYA)	68.0%	62.5%	5.5 pts
Loss ratio (including MYA)	68.7%	63.4%	5.3 pts

During the quarter, an increase in the frequency of current accident year claims within the home and auto lines of business, combined with an increase in the severity of current accident year claims in the commercial line of business, drove the increase in undiscounted net claims and adjustments expenses of \$46.5 million or 12.6%.

Unpaid claims and adjustment expenses are discounted using the portfolio yield of the bond and commercial mortgage portfolios with consideration provided for the Government of Canada 5 year bond rate plus a credit spread. The portfolio yield on bonds and commercial mortgages decreased in the quarter, which decreased the discount rate. This had a negative impact to MYA and net income before taxes of \$4.6 million in the first quarter as compared to a \$5.6 million negative impact for the same quarter of 2016. Recorded in net investment income and gains are offsetting net investment gains related to Co-operators General's asset liability management strategy of \$1.3 million.

Loss ratio by line of business

% excluding MYA	Q1 2017	Q1 2016	change
Auto	77.0	76.7	0.3
Home	65.5	51.3	14.2
Commercial	57.8	42.7	15.1
Farm	46.2	63.2	(17.0)
Other	19.8	52.7	(32.9)
Total	68.0	62.5	5.5 pts

In the first quarter, we experienced a deterioration in our loss ratio in the auto, home and commercial lines of business, which was partially offset by improvements in our farm and other lines of business.

The auto line of business deteriorated by 0.3 percentage points as compared to the first quarter of 2016, primarily resulting from an increase in the frequency of current accident year claims, partially offset by less unfavourable claims development in Ontario. The home loss ratio deteriorated by 14.2 percentage points primarily as a result of windstorms in the Ontario and Atlantic regions during the current period, compared to less severe winter weather in the same period of the prior year. Excluding the impacts of the windstorms, the home loss ratio deteriorated by 7.1 percentage points driven by an increase in the frequency of current accident year claims. The commercial line of business experienced an increase in the severity of current accident year claims combined with more unfavourable claims development, which led to a deterioration of the loss ratio by 15.1 percentage points. A decrease in the severity of current accident year claims, which was primarily the result of a large single fire loss included in the first quarter of the prior year, led to a 17.0 percentage point improvement in the loss ratio of the farm line of business. Given the size of the NEP for the farm line of business, fluctuations in claims severity for a relatively few number of claims have a significant impact. The other loss ratio improved 32.9 percentage points over the same quarter of the prior year, which was mainly the result of a decrease in the severity within one of our specialty lines of business.

Loss ratio by geographic region

% excluding MYA	Q1 2017	Q1 2016	change	
West	56.5	52.9	3.6	
Ontario	70.6	70.5	0.1	
Quebec	101.7	61.8	39.9	
Atlantic	85.2	60.5	24.7	
Total	68.0	62.5	5.5	pts

The Western region's loss ratio deteriorated 3.6 percentage points as a result of more unfavourable claims development across all lines of business, combined with an increase in the severity of current accident year claims in the commercial line of business and frequency of claims in the auto line of business. This was partially offset by a decrease in the severity of current accident year claims in the farm line of business. The Ontario region's loss ratio was relatively in line with prior year. The loss ratio would have seen an improvement, but was impacted by an increase in the frequency of current accident year claims as a result of windstorms during the current period. Excluding the windstorms, we experienced an increase in the frequency of current accident year claims in the home line of business, partially offset by less unfavourable claims development in the auto line of business. In Quebec, an increase in the severity of auto, commercial and home claims, led to a deterioration in the loss ratio of 39.9 percentage points. Given the size of our NEP in Quebec, fluctuations in claims severity for a relatively few number of claims have a significant effect on the loss ratio. The Atlantic loss ratio deteriorated by 24.7 percentage points driven by an increase in the frequency of current accident year claims in the home line of business primarily as a result of the current period windstorms. Excluding the impacts of the windstorms, the Atlantic loss ratio also deteriorated, which was the result of an increase in the severity of current accident year claims in the home and commercial lines of business.

Other operating expenses – Expense ratio

%, except total other operating expenses (\$ millions)	Q1 2017	Q1 2016	change	
Total other operating expenses	210.2	195.0	15.2	
Components of expense ratio				
Premium and other taxes	3.3	3.1	0.2	pts
Net commissions and advisor compensation	18.0	17.6	0.4	pts
General expenses	13.2	12.4	0.8	pts
Expense ratio	34.5	33.1	1.4	pts

Other operating expenses are comprised of premium and other taxes, net commissions and advisor compensation and general expenses. These expenses have increased by \$15.2 million in the quarter resulting in an expense ratio of 34.5%, which is a 1.4 percentage point increase over the same quarter last year. The increase was the result of a 0.8 percentage point increase in general expenses, which is largely driven by an increase in information technology system initiatives. The 0.4 percentage point increase in net commissions and advisor compensation is the result of higher distribution staffing levels and related costs.

Income taxes

Refer to Note 6 of our unaudited condensed consolidated interim financial statements for the period ended March 31, 2017 for our income tax reconciliation between the statutory tax rate and our effective tax rate.

FINANCIAL CONDITION

\$ millions, except ratios	As at March 31, 2017	As at December 31, 2016	% change
Assets			
Invested assets	4,288.9	4,270.9	0.4%
Reinsurance ceded contracts	181.9	236.6	(23.1%)
Intangible assets	71.1	70.5	0.9%
Other assets	1,165.0	1,276.5	(8.7%)
Liabilities			
Insurance contracts	3,710.2	3,818.7	(2.8%)
Retirement benefit obligations	112.3	111.1	1.1%
Other liabilities	295.8	345.8	(14.5%)
Shareholders' equity	1,588.6	1,578.9	0.6%

Our balance sheet remains strong at the end of the first quarter of 2017. The value of our invested assets exceeds insurance contracts by 15.6%, compared to an excess of 11.8% as at December 31, 2016. Our MCT ratio of 235% at March 31, 2017 also denotes our strong financial condition, as discussed in our *Capital* section.

Invested assets increased \$18.0 million and insurance contract liabilities decreased \$108.5 million from December 31, 2016. Invested assets increased as a result of the re-investment of invested asset earnings. Insurance contract liabilities decreased as a result of lower unearned premiums, which is typical for the first quarter, combined with a decrease in unpaid claims and adjustment expenses since December 31, 2016. Reinsurance ceded contracts decreased by \$54.7 million as we continue to settle amounts arising from the Fort McMurray event in Q2 2016.

Co-operators General has a high quality, well diversified investment portfolio consisting primarily of high quality bonds, equities and commercial mortgages. The bond portfolio is \$2,441.4 million or 56.9% of our total invested assets. Our investment in bonds is diversified both geographically and by sector, with a large portion invested in Canadian government debt instruments. The equity portfolio makes up \$1,147.6 million or 26.8% of our total invested assets and consists largely of publicly traded common and preferred stocks diversified by industry sector and issuer. Our equity portfolio is 78.4% weighted to Canadian stocks.

We adhere to a conservative investment policy and strategy that is based on prudence in accordance with regulatory guidelines, and in a broad sense, premium cash flows and claims settlement patterns by product line. This is achieved by investing in a diversified mix of securities and by shifting between asset classes as trends in the market evolve. The credit quality of our portfolio remains high with 86.3% rated A or higher and 98.0% of our bonds are considered investment grade, rated BBB or higher.

KEY FINANCIAL MEASURES (NON-IFRS)

We measure and evaluate the performance of the consolidated operations using a number of financial measurements. These measurements help the reader understand business volumes, the quality of risk underwriting, management reserving practices, and the financial strength and financial leverage of Co-operators General.

These measures are non-IFRS measurements, but are derived from elements of the IFRS consolidated financial statements, and are consistent with financial measures used in the P&C insurance industry. Detailed definitions of the measures used can be found within the *Key Financial Measures (Non-IFRS)* section of our 2016 Annual Report.

UNDERWRITING RESULTS

	Q1	Q1
\$ millions, except ratios	2017	2016
Net earned premium, before reinstatement premiums	608.6	588.5
Reinstatement premiums expense (recovery)	(0.7)	-
Net earned premium, as reported	609.3	588.5
Undiscounted net claims and adjustment expenses (excluding MYA)	414.2	367.7
Loss ratio (excluding MYA)	68.0%	62.5%
Other operating expenses	210.2	195.0
Expense ratio	34.5%	33.1%
Underwriting gain (loss)	(15.1)	25.8
Combined ratio (excluding MYA)	102.5%	95.6%

CLAIMS DEVELOPMENT

Our 2016 Annual Report provides a summary of our unpaid claims and adjustment expense provision and revised estimates of prior year net unpaid claims and adjustment expense provisions relative to their original valuation as at December 31.

RETURN ON EQUITY

Return on equity is the annualized ratio of net income to the average of opening and closing shareholders' equity excluding accumulated other comprehensive income (AOCI).

	Q1	Q1
\$ millions, except ratios	2017	2016
Net income	34.6	39.3
Shareholders' equity excluding AOCI at March 31	1,435.2	1,350.0
Shareholders' equity excluding AOCI at December 31 of prior year	1,451.3	1,310.7
ROE	9.9%	12.4%

CAPITAL

MINIMUM CAPITAL TEST

	March 31,	December 31,
	2017	2016
MCT	235%	227%

Co-operators General's MCT of 235% at March 31, 2017 represents \$413.0 million of capital in excess of our 170% internal minimum compared to an excess of \$368.9 million at December 31, 2016. The MCT is impacted by various factors including interest rates, invested asset mix and the results of our operations.

SHARE CAPITAL

Our capital includes Class E, Series C Preference Shares, which trade on the Toronto Stock Exchange (TSX) under the trading symbol CCS.PR.C.

DIVIDENDS

Dividends declared on preference shares were \$1.3 million in the first quarter ended March 31, 2017, compared to \$1.3 million declared in the same quarter last year. Dividends declared on common shares were \$50.0 million during the quarter ended March 31, 2017 compared to no dividends declared in the comparative period ended March 31, 2016.

EARNINGS PER SHARE

	Q1 2017	Q1 2016
\$ millions, except share data and EPS		
Net income	34.6	39.3
Less: dividends on preference shares	1.3	1.3
Net income available to shareholders	33.3	38.0
Weighted average number of outstanding common shares ¹	21,458,185	21,376,383
Earnings per common share	\$1.55	\$1.78

¹ All of the common shares of CGIC are owned by CFSL

SELECTED QUARTERLY INFORMATION

(in millions of dollars except for EPS and ratios)

	2017 1st qtr	2016 4th qtr	2016 3rd qtr	2016 2nd qtr	2016 1st qtr
Direct written premium	540.3	639.1	691.0	722.6	519.5
Net earned premium	609.3	620.6	614.8	576.5	588.5
Net income (loss)	34.6	128.8	16.3	(39.1)	39.3
Other comprehensive income (loss)	25.7	(50.5)	6.0	20.8	3.4
Key statistics					
Earnings (loss) per common share	\$1.55	\$5.84	\$0.71	(\$2.00)	\$1.78
Loss ratio (excluding MYA)	68.0%	51.2%	77.2%	81.0%	62.5%
Expense ratio ¹	34.5%	34.3%	32.0%	33.3%	33.1%
Combined ratio ¹	102.5%	85.5%	109.2%	114.3%	95.6%

	2015 4th qtr	2015 3rd qtr	2015 2nd qtr	2015 1st qtr
Direct written premium	614.9	650.9	681.0	489.1
Net earned premium	593.1	586.0	567.4	550.5
Net income (loss)	103.3	(21.4)	58.2	22.2
Other comprehensive income (loss)	(13.0)	(24.7)	(45.3)	63.0
Key statistics				
Earnings (loss) per common share	\$4.69	(\$1.07)	\$2.57	\$0.98
Loss ratio (excluding MYA)	58.7%	72.5%	61.3%	65.1%
Expense ratio	33.4%	31.5%	32.7%	33.1%
Combined ratio	92.1%	104.0%	94.0%	98.2%

¹ The combined ratio for 2016 has changed as a result of a reclassification of commission revenue that was previously netted with commission and general expenses

The quarterly results reflect the seasonality of our business. Premiums are generally written in annual renewal cycles, often in the second quarter, and extreme weather conditions historically impact the loss ratio in the first and third quarters.

The timing of claims can be difficult to predict due to uncontrollable factors, such as governmental regulatory actions, weather, or changes in estimates related to investment provisions. Results are also affected by more predictable factors such as the timing of major expenditures, changes in estimates related to claims reserves, and purchase and sale decisions made with respect to our investment portfolio.

OUTLOOK

GENERAL BUSINESS AND ECONOMIC CONDITIONS

In the course of setting our strategic priorities and objectives for 2017 we made assumptions about the general business and economic environment in 2017 and beyond. These assumptions are outlined in detail in our 2016 Annual Report, and we continue to expect them to materialize through 2017. There have been no material changes in our assumptions. We consult with our investment manager, Addenda Capital Inc., in creating and monitoring these assumptions.

PROPERTY AND CASUALTY INDUSTRY

Trends and environmental factors, as well as our strategic responses, are consistent with those discussed in our 2016 Annual Report. An update on recent developments is as follows below:

Saskatchewan provincial sales tax (PST)

The Saskatchewan government's recent budget announced an increase of 1% to the existing 5% PST applied to the cost of supplies and certain services acquired in Saskatchewan effective March 23, 2017. The government also announced the 6% PST would now be applied to all insurance premiums for property and risk located in Saskatchewan effective July 1, 2017. This is an increased cost to our business in this region, which in turn impacts the ultimate amount consumers pay.

EMERGING LEGISLATION AND REGULATORY EVENTS

Emerging legislation and regulatory events are detailed in our 2016 Annual Report and an update is provided below:

Ontario auto reform

We are awaiting the impacts of the changes made to the minor injury definition in Ontario. We have no further information on this item and continue to await the government's decision on this additional reform.

Ontario Marshall Report

On April 11, 2017, the Ontario government released the final report "Fair Benefits, Fairly Delivered: A Review of the Auto Insurance System in Ontario", written by David Marshall, Special Advisor to the Minister of Finance. The report outlines 35 recommendations intended to strengthen consumer protection, improve health outcomes for those injured in collisions and reduce insurance costs. We are in the process of reviewing the report and the potential impact on cost savings that will benefit consumers.

RELATED PARTY TRANSACTIONS

Co-operators General has ongoing transactions with related parties primarily consisting of product distribution services, management and advisory services and reinsurance. There have been no material changes in our ongoing related party transaction arrangements during the period ended March 31, 2017. Please refer to our 2016 Annual Report for further details.

RISK MANAGEMENT

Effective risk management is vital to making sound business decisions. In our on-going efforts to optimize the organizational risk profile, we have identified and continuously assess key risks relative to their potential impact on our corporate strategy, competitive position, operational results and financial condition. Risks, and the practices used to manage risk, are discussed in our 2016 Annual Report and an update is included below.

For 2017, our catastrophe maximum limit increased by \$150.0 million to \$1.5 billion while our retention will remain at \$70.0 million. The net retained amount of \$70.0 million represents approximately 4.9% of our capital. For the purpose of capital management, we define capital as shareholders' equity excluding AOCI.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

No changes were made to our internal control over financial reporting during the first quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

OTHER ACCOUNTING MATTERS ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". The unaudited condensed consolidated interim financial statements should be read in conjunction with our 2016 Annual Report.

The accounting policies used in our first quarter unaudited condensed consolidated interim financial statements are consistent with those applied in our audited consolidated financial statements for the year ended December 31, 2016. IFRS future accounting pronouncements, as well as their estimated impact, are described in Note 4 of our audited consolidated financial statements for the year ended December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of our unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statement and the reported amounts of revenues and expenses during the period. The preparation of our unaudited condensed consolidated interim financial statements also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the 2016 Annual Report within the notes for the respective account balances.

The estimates used for the unaudited condensed consolidated interim financial statements for the period ended March 31, 2017, are consistent with those used in the 2016 Annual Report. As discussed in our 2016 Annual Report, we make estimates for the amount of unpaid claims and timing of future claims based on assumptions that reflect the expected set of economic conditions and planned course of actions. Uncertainty exists on reported claims in that all information may not be available at the reporting date. In addition claims may not be reported to us immediately; therefore, estimates are made as to the cost of the claims incurred but not yet reported, a value which can take years to determine.

For further information, please refer to our 2016 Annual Report and the notes to our unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2017.

CORPORATE DIRECTORY

CORPORATE OFFICE

Co-operators General Insurance Company
130 Macdonell Street
Guelph, ON N1H 6P8
Telephone: 519-824-4400
Fax: 519-824-0599
service@cooperators.ca
www.cooperators.ca

TRANSFER AGENT AND REGISTRAR

Computershare
100 University Ave, 8th Floor
Toronto, ON M5J 2Y1

INVESTOR RELATIONS

P. Bruce West
Executive Vice-President, Finance and Chief Financial Officer
130 Macdonell Street
Guelph, ON N1H 6P8

Andrew Yorke
Vice-President, Corporate Finance Services
130 Macdonell Street
Guelph, ON N1H 6P8
Telephone: 519-767-3095
Fax: 519-763-5152
andrew_yorke@cooperators.ca