

134th
ANNUAL REPORT
2009



Peel Mutual
Insurance Company

Established 1876

103 Queen Street West
Brampton, Ontario L6Y 1M3
www.peelmutual.com

NOTICE OF ANNUAL MEETING

The Annual Meeting will be held at
PEEL JUNIOR FARMERS HALL
BRAMPTON FAIR GROUNDS
12942 Heart Lake Road, Caledon, Ontario
WEDNESDAY, MARCH 10, 2010
at 2:00 p.m.

PURPOSES:

1. To receive and approve the Annual Financial Statements.
2. To elect three Directors for a three year term. The Directors whose terms have expired are Harry Brander, David Jackson, and Ron Orr. Eligible for re-election are Harry Brander, David Jackson, and Ron Orr. Notice of intention to stand for election or re-election as a Director must be filed with the Secretary of the Company at least seven days in advance of the Annual Meeting, being by 2:00 p.m. on March 3, 2010.
3. To appoint auditors and authorize the Directors to fix the remuneration of such auditors.
4. To present the amendment to bylaw 2.05 Method of Giving Notice:
"Notice of every annual or special meeting of the members of the Corporation (together with the annual statement in the case of an annual meeting) shall be **made available to each member in the manner prescribed from time to time by the Corporations Act.**"
5. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Eligible voters must register by 2:00 p.m. on the date of the meeting.

DATED at Brampton, this 21st day of January, 2010

BY ORDER OF THE BOARD

Brian D. Bessey
General Manager/Secretary

OFFICERS AND DIRECTORS

PRESIDENT

Bill Morley.....Minesing

VICE-PRESIDENT

Ronald Orr.....Bradford

GENERAL MANAGER/SECRETARY

Brian D. Bessey.....Belwood

TREASURER/CONTROLLER

Karen M. Byrne, BA, CIP, CGA.....Cambridge

DIRECTORS

Harry Brander.....Norval

Joanne Currie.....Inglewood

David Jackson.....Caledon

Harold M. Parker.....Minesing

Dennis Rankin.....Caledon

John Sanderson.....Mount Albert

George Wood, D.V.M.....Caledon

MESSAGE TO POLICYHOLDERS

On behalf of the Board of Directors of Peel Mutual Insurance Company, it is my privilege to present our 134th Annual Report

Every year has different challenges in any given line of business; 2009 was no different for the insurance industry. While 2008 levied an unprecedented number of claims on the insurance industry, the negative influence was further compounded by deterioration of the financial market resulting in the write down of some investments. In addition to an already negative year of performance, December 28, 2008 produced a windstorm across Ontario of catastrophic nature. 2009 became a year of recovery from difficult times.

Gross Written Premium increased by a modest 5.9% over the previous year. Claims and other expenses decreased by 7.2% but still insufficient to produce a break even result to achieve our Mission Statement, "insurance at cost". The property line of business has returned to profitability with a loss ratio of 56% while the automobile product is clearly our nemesis with a 107% loss ratio. We are not alone in this result. Based on IBC statistics, for every premium dollar received for automobile insurance the insurance providers are paying out \$1.24. It is important for policyholders to understand that the automobile policy in Ontario is a legislated product. Premiums are determined by the amount of dollars required to support the benefits provided. The Financial Services Commission of Ontario reviews and approves any rate changes for the protection of the consumer. For this line of business to reach the breakeven point, there must be controls on the cost of services provided and rate adequacy for benefits paid.

Investment income strengthened considerably from \$264,000 last year to just over \$2.9 million in 2009. While our underwriting results remain negative, there has been a vast improvement over 2008 producing a modest bottom line profit of \$126,772. Our Net Earned Premium ratio remains at 0.99:1; still within our business plan and considered to be very strong by our regulators.

As you can see from our financial statement, Peel Mutual Insurance Company has maintained its financial strength during tough times and is financially positioned to go forward and do well in the future to protect your assets. Peel Mutual has been a leader in the mutual insurance industry by implementing leading edge technology to serve our policyholders more efficiently and working diligently to fulfill our Mission Statement, "to provide insurance at cost" to you, our policyholders and owners.

It has been my pleasure to serve as President of your Board of Directors for 2009, and on behalf of the Board I extend my appreciation to the dedicated staff at Peel Mutual who work diligently every day to fulfill our Mission Statement, and to you our policyholders for your continued support of Peel Mutual Insurance Company.

Bill Morley, President

MISSION STATEMENT

Peel Mutual Insurance Company, owned by its policyholders, is committed to providing those owners, through its agents and brokers, with quality insurance products at cost, delivered and serviced by a dedicated staff.

**AUDITOR'S REPORT ON SUMMARIZED
FINANCIAL STATEMENTS
TO THE MEMBERS OF PEEL MUTUAL INSURANCE COMPANY**

The accompanying summarized balance sheet and statement of earnings and surplus are derived from the complete financial statements of **PEEL MUTUAL INSURANCE COMPANY** as at December 31, 2009 and for the year then ended on which we expressed an opinion without reservation in our report dated January 20, 2010. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

Woodstock, Ontario
January 20, 2010

BDO Canada LLP
CHARTERED ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

BALANCE SHEET

As at December 31, 2009

	2009	2008
ASSETS		
Cash	\$ 3,892,566	\$ 4,311,623
Amounts Receivable	10,982,828	8,459,690
Income Tax Recoverable	-	3,100,534
Prepaid Expenses	94,593	92,772
Provision for Reinsurance Recovery on Unpaid Claims	16,848,609	14,573,657
Deferred Policy Acquisition Costs	2,540,054	2,384,576
Future Income Tax	-	125,000
Investments	50,506,140	45,343,375
Capital Assets	2,345,151	2,450,399
	\$ 87,209,941	\$ 80,841,626
LIABILITIES		
Accounts Payable	\$ 1,075,274	\$ 949,808
Income Tax Payable	507,813	-
Future Tax Payable	10,000	-
Provisions for Unpaid Claims	44,301,132	41,085,586
Unearned Premiums	15,881,282	14,832,201
	61,775,501	56,867,595
MEMBERS' SURPLUS		
Members' Surplus	24,296,281	24,169,509
Accumulated Other Comprehensive Income (Loss)	1,138,159	(195,478)
	25,434,440	23,974,031
	\$ 87,209,941	\$ 80,841,626

On behalf of the Board



Director

Director

The complete audited Financial Statement is available upon request.

STATEMENT OF EARNINGS AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2009

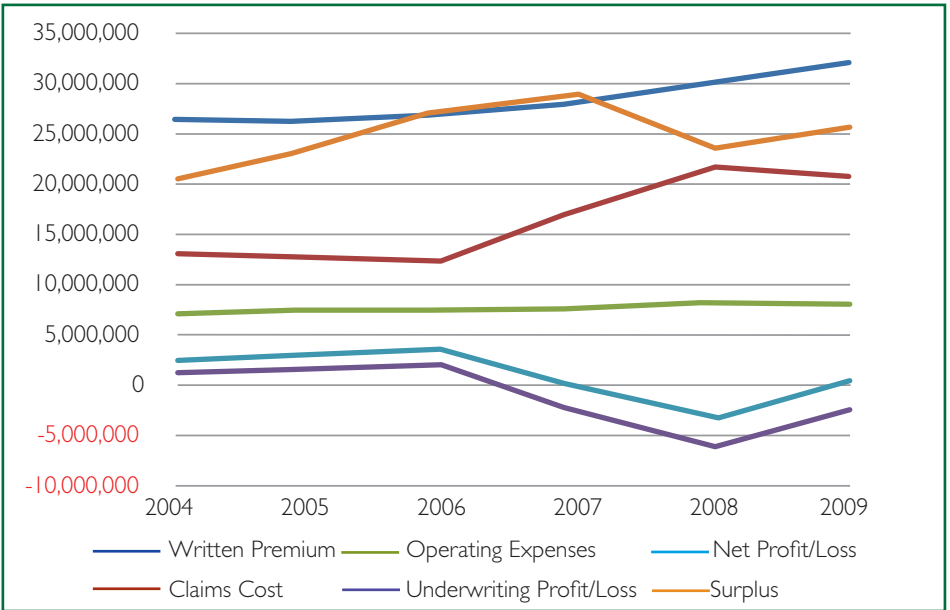
	2009	2008
Gross Premiums Written	\$ 31,883,280	\$ 30,090,936
Net Reinsurance Ceded	5,725,974	4,978,619
Net Premiums Written	26,157,306	25,112,317
Change in Unearned Premiums	(1,049,081)	(1,057,695)
Net Premiums Earned	25,108,225	24,054,622
EXPENSES		
Claims and Adjusting Expenses	19,462,743	21,847,020
Commissions	5,224,237	4,740,462
Premium Taxes	59,451	57,688
Other Underwriting and General Expenses	3,120,584	3,391,699
	27,867,015	30,036,869
Underwriting Loss	(2,758,790)	(5,982,247)
Investment Income	2,963,514	264,669
Earnings Before Income Taxes	204,724	(5,717,578)
Provision For (Recovery Of) Income Taxes		
Current	794,928	(3,098,780)
Future	(716,976)	508,000
	77,952	(2,590,780)
NET Earnings (Loss) for the Year	126,772	(3,126,798)
Surplus - Beginning of Year	24,169,509	27,296,307
Accumulated Other Comprehensive (Loss) Income	1,138,159	(195,478)
Surplus – End of Year	\$ 25,434,440	\$ 23,974,031

The complete audited Financial Statement is available upon request.

SUMMARY OF EXPERIENCE FOR LAST TEN YEARS

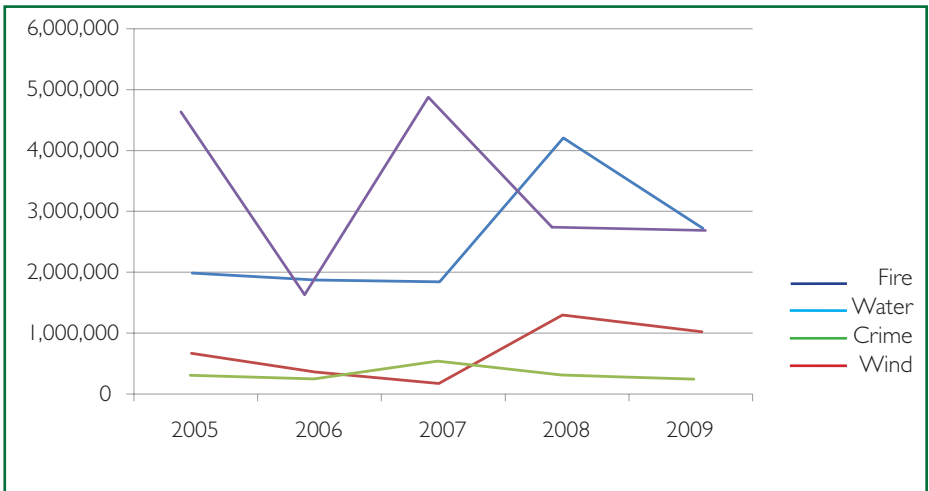
	Net Premiums Earned	Net Claims Incurred	Net Earnings	Surplus
2009	25,108,225	19,462,743	126,772	25,434,440
2008	24,054,622	21,847,020	(3,126,798)	23,974,031
2007	22,311,548	16,958,222	189,932	28,627,983
2006	21,574,842	12,161,257	3,542,198	27,056,805
2005	21,244,261	12,781,949	2,948,730	23,514,607
2004	21,746,700	13,147,600	2,387,923	20,565,877
2003	19,388,800	13,678,626	826,782	18,177,954
2002	16,142,257	8,989,395	1,742,226	17,351,172
2001	12,822,132	10,451,487	(325,423)	15,608,946
2000	11,214,865	8,201,014	396,114	15,934,369

PEEL MUTUAL 5 YEAR DEVELOPMENT 2005 - 2009



Net Profit/Loss, Underwriting Profit/Loss and Surplus have taken a positive direction in 2009. Written Premium continues to grow modestly; Claims Cost decreased while Operating Expenses remain rather flat.

CLAIMS BY LOSS TYPE 2005 - 2009



Losses due to wind and water declined noticeably in 2009; crime reduced slightly while fire losses remain constant throughout the year.

THE YEAR IN CLAIMS

Loss Ratios by Line of Business – 2009 Compared to 2008

(Earned Premium; excluding IBNR and lines of business not written directly by Peel Mutual)

LINE OF BUSINESS	LOSS RATIO 2009	LOSS RATIO 2008
Automobile	107%	89%
Commercial Property	12%	110%
Farm Property	56%	63%
Residential Property	61%	96%
Liability	-14%	56%
All Lines of Business	79%	85%

The above chart shows the profitable and unprofitable (red) lines of business. Overall results show improvement from 2008. Automobile, our largest line of business suffered considerable deterioration while Commercial showed significant improvement. It must be remembered Commercial is our smallest line and results can be volatile.

CORPORATE SPONSORSHIPS

Peel Mutual Insurance Company was incorporated in 1876. As a strong member of the Brampton and the Ontario business community, we are proud supporters of selected organizations which contribute positively to communities. The following is a list of organizations to which we provide ongoing sponsorship:

- William Osler Health Centre Foundation
- 4-H Ontario and Peel 4-H Club
- Local fairs and farm related functions
- SickKids Foundation

www.peelmutual.com

Peel Mutual's website contains a wealth of information about the company, including:

- Annual reports
- Code of Business Conduct
- Contact information for your agent or broker
- Privacy Policy
- Insurance information
- Career information

We encourage you to visit our website. If you have suggestions to improve it, let us know by emailing info@peelmutual.com

CONTACT INFORMATION

Claim Reporting

To report a claim, contact your agent or broker. If they are not available, Peel Mutual can be contacted 24 hours a day, 7 days a week at 1-800-268-3069.

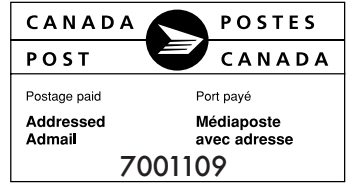
Ombudsman

The Government of Ontario requires that every insurance company operating in the province has an "Insurance Ombudsman." If you disagree with a business practice of Peel Mutual Insurance Company, please contact:

Brian Bessey, Peel Mutual Insurance Company Ombudsman
103 Queen Street West, Brampton, Ontario L6Y 1M3
Telephone: (905) 451-2386 or 1-800-268-3069
Email: bbessey@peelmutual.com

PEEL MUTUAL INSURANCE COMPANY

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