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NI 51-102

ANNUAL INFORMATION FORM

CO-OPERATORS GENERAL INSURANCE COMPANY

March 30, 2017

CO-OPERATORS GENERAL INSURANCE COMPANY

ANNUAL INFORMATION FORM

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PRESENTATION OF INFORMATION

In this Annual Information Form (AIF), "Co-operators General", "we", "us", "our" and "the Company" refers to the Co-operators General Insurance Company and its subsidiaries on a consolidated basis. "CGIC" refers to the Co-operators General Insurance Company on a non-consolidated basis.

Unless otherwise indicated, all information in this AIF is presented as at and for the year ended December 31, 2016, and amounts are expressed in Canadian dollars. Financial information is presented in accordance with International Financial Reporting Standards (IFRS). Those sections of the 2016 Management's Discussion & Analysis (MD&A) and the 2016 audited consolidated financial statements referred to in the table of contents are incorporated herein by reference.

Co-operators General is not required to issue a management information circular. Certain information that would normally be included in a management information circular under NI 51-102F5, NI 51-102F6, NI 52-110, and NI 58-101 is included in this document.

This AIF, the 2016 MD&A and the 2016 consolidated financial statements for Co-operators General may be found on www.sedar.com or can be obtained upon request from the secretary of CGIC, 130 Macdonell Street, Guelph, Ontario N1H 6P8.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This AIF 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 AIF (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 AIF 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 AIF speak only as of the date of this AIF.

Forward-looking statements and information in this AIF 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 AIF, 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 the *Outlook* section of our MD&A on page 17.

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 AIF 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 and severity including 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 2012 sale of L'Union Canadienne, Compagnie d'Assurance L'Union Canadienne to Roins Financial Services Limited (RSA Canada); 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. The forward-looking statements and information contained in this AIF 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 AIF to conform such statements to actual results or to changes in our expectations except as otherwise required by applicable legislation.

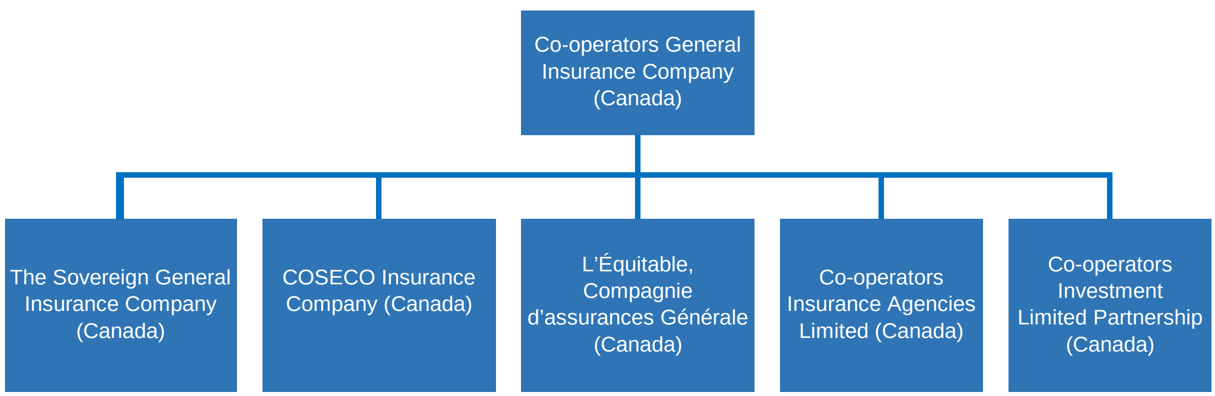
CORPORATE STRUCTURE

Co-operators General was continued under the Insurance Companies Act (Canada) in 1992. The Company is licensed to write most major classes of property and casualty (P&C) insurance, in all provinces and territories in Canada.

Co-operators Financial Services Limited (CFSL) owns all of the voting shares of CGIC. CFSL is wholly-owned by The Co-operators Group Limited. “CGL” and “The Co-operators Group” refers to The Co-operators Group Limited. Further details regarding the number of voting shares and rights can be found in our 2016 audited consolidated financial statements in Note 16 on pages 38 to 41.

CGIC was formed as a result of the amalgamation on February 17, 1983 of two predecessor general insurance companies, Co-operative Fire and Casualty Company and Co-operators Insurance Association. Co-operators General or its predecessors have been carrying on business since 1946. The principal and registered office of CGIC is 130 Macdonell Street, Guelph, Ontario N1H 6P8.

INTERCORPORATE RELATIONSHIPS



Co-operators General holds 100% of the voting rights attached to all the outstanding voting shares or partnership interests of each of its subsidiaries.

DESCRIPTION OF OUR BUSINESS

GENERAL

Co-operators General is a leading Canadian private sector P&C insurer and one of the largest private sector P&C insurers in Canada based on direct written premiums. Co-operators General carries on business through CGIC and its subsidiaries, The Sovereign General Insurance Company (“Sovereign”) and COSECO Insurance Company (“COSECO”).

Our principal business is to provide home, automobile, farm and commercial insurance products to individuals and commercial clients. Personal lines, consisting of home and automobile policies, represented 75% (2015 - 75%) of direct written premiums in 2016. Automobile policies represented 63% (2015 - 63%) of Co-operators General’s personal lines direct written premiums in 2016. We achieve diversification of insurance risks by insuring a large number of relatively small risks spread across all regions of Canada and in various lines of business.

Our products are distributed through our 2,753 licensed insurance representatives throughout Canada. Approximately 48% (2015 - 47%) of our business is written in the province of Ontario. We also distribute automobile and home insurance through employee and association groups and personal and commercial insurance through independent brokers.

Co-operators General insures approximately 766,000 homes, more than 1.2 million vehicles, 38,000 farms and 218,000 businesses across all regions of Canada. At December 31, 2016, Co-operators General had 2,697 employees.

CGIC also distributes life and wealth management products for Co-operators Life Insurance Company (CLIC), an affiliate of Co-operators General and a subsidiary of CFSL. In addition, the CUMIS Group Ltd., which is 73% owned by CLIC, furthers the group of companies’ multi-channel strategy with access to 300 credit unions with more than 5.5 million credit union members in both the P&C insurance sector and the life insurance sector. Other significant associated companies include Addenda Capital Inc. (Addenda), Federated Agencies Limited, HB Group Insurance

Management Ltd. (HB Group) and Premier Manager Holdings Corporation (PMHC).

For additional information regarding our business and strategies including, but not limited to, the general development of the business, discussion of competitive conditions, business cycles, risk factors, additional business descriptions and our financial results, see our 2016 MD&A and the 2016 audited consolidated financial statements.

GOVERNMENT REGULATION

Each of CGIC, Sovereign, and COSECO is a federal P&C insurance company continued under the Insurance Companies Act (Canada) and licensed to carry on P&C insurance business in all of the provinces and territories of Canada.

CGIC, Sovereign and COSECO are subject to regulation and supervision in the jurisdictions in which they carry on business. Insurance regulators oversee matters relating to, among other things, licensing and examination, insurer solvency, capital adequacy, corporate governance practices, outsourcing arrangements, adequacy of the provision for unpaid claims, rate setting in respect of automobile insurance in certain provinces, claims and trade practices, policy forms, limitations on the nature and amount of certain investments, mandated participation in shared insurance markets, financial reporting, transactions with related parties and the amount of dividends that may be paid. Insurance legislation specifies the minimum capital levels that may be held by P&C insurance companies. The level of required capital is determined in accordance with regulations that assign risk weightings to various types of assets and liabilities and to other factors. On an annual basis, insurance companies are required to file their financial statements with the insurance regulators as well as any other information which regulators may, from time to time, request. The regulators examine insurance companies to ensure their compliance with applicable legislation and to confirm their financial condition.

INDUSTRY RANKING

Co-operators General's provincial and territorial ranking based on the most recent available statistics (2015 direct written premiums as reported in *2016 Canadian Underwriter Statistical Issue*) was as follows:

Province/Territory	Ranking
Alberta	4th
British Columbia	7th
Manitoba	7th
Northwest Territories	5th
Nova Scotia	6th
New Brunswick	5th
Newfoundland	4th

Province/Territory	Ranking
Nunavut	13th
Ontario	7th
Prince Edward Island	2nd
Quebec	16th
Saskatchewan	3rd
Yukon Territory	3rd

Rankings for 2016 are unavailable at this time; however, we do not foresee major changes in our market position.

DIVIDENDS

The following table provides the dividends declared by class of shares:

$ thousands	**2016**	2015	2014
Preference Shares			
Class A, series A	**328**	343	363
Class A, series B	**3,066**	2,747	2,537
Class B	**1**	1	1
Class D, series A	**69**	69	69
Class D, series B	**213**	213	213
Class D, series C	**216**	216	216
Class E, series C	**5,000**	5,000	5,000
Class E, series D	**-**	-	4,169
Class F, series A	**916**	916	916
Class G, series A	**37**	37	37
Common shares	**-**	169,500	-
Total	**$9,846**	$179,042	$13,521

The Company and its affiliates manage capital at a consolidated level to optimize return on capital. Capital management includes declaring dividends to the parent company. All dividends must be approved in advance by the Board of Directors and 15 days prior notice must be given to the Office of the Superintendent of Financial Institutions before payment. Further information regarding dividend terms can be found in our 2016 consolidated financial statements in Note 16 on pages 38 to 41.

As at December 31, 2016, our publicly issued preferred shares consist of Class E preference shares, Series C which are listed on the TSX and trade under the symbol CCS.PR.C. On June 30, 2014, CGIC redeemed the Class E preference shares, Series D which were listed on the TSX and traded under the symbol CCS.PR.D.

For the Class E shares only, 7 trading days prior notice must be given to the TSX before the Record Date.

DESCRIPTION OF CAPITAL STRUCTURE

Description of terms and designations of each class of authorized security and material characteristics are provided in our 2016 consolidated financial statements in Note 16 on pages 38 to 41.

RATINGS

Rating agencies issue several types of ratings. A Financial Strength Rating (FSR) provides guidance to policyholders of an insurance company’s ability to meet its obligations to policyholders. An Issuer Credit Rating (ICR) provides guidance to investors of a company’s ability to meet its senior obligations. A Preferred Share Rating (PSR) provides guidance to investors on the credit worthiness of the preferred shares issued by a company.

Our ratings from approved rating organizations are described below. A security rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

A.M. Best

Company	Rating Type	Current Rating	Outlook	Date of Most Recent Report
Co-operators General	FSR	A-	Stable	October 21, 2016
Co-operators General	ICR	a-	Stable	October 21, 2016
Sovereign	FSR	A-	Stable	October 21, 2016
Sovereign	ICR	a-	Stable	October 21, 2016

The FSR rating of A- is in the second highest of seven categories of A.M. Best's FSR scale and represents A.M. Best's opinion that a company has an excellent ability to meet its ongoing insurance obligations.

The ICR rating of a- is in the third highest of nine categories of A.M. Best's ICR scale and represents A.M. Best's opinion that a company has an excellent ability to meet its ongoing senior financial obligations.

Dominion Bond Rating Service (DBRS)

Company	Rating Type	Current Rating	Outlook	Date of Most Recent Report
Co-operators General	PSR	Pfd-2 (low)	Stable	December 13, 2016
Co-operators General	FSR	A (low)	Stable	December 13, 2016
Co-operators General	ICR	A (low)	Stable	December 13, 2016

The PSR rating of Pfd-2 (low) is in the second highest of six categories in DBRS's PSR scale and represents DBRS's opinion that a company's protection of dividends and principal is substantial, but earnings, the balance sheet and coverage ratios are not as strong as higher rated insurers.

The FSR rating of A (low) is in the third highest of ten categories in DBRS's FSR scale and represents DBRS's opinion that a company has good financial strength, has substantial capacity for the payment of policyholder obligations and any qualifying negative factors are considered manageable. Under DBRS's rating methodology, the FSR is also the ICR.

Standard & Poor's (S&P)

Company	Rating Type	Current Rating	Outlook[1]	Date of Most Recent Report[1]
Co-operators General	FSR	A-	Positive	March 3, 2017
Co-operators General	ICR	A-	Positive	March 3, 2017
Co-operators General	PSR	P-2	n/a	March 3, 2017

[1] On March 3, 2017 S&P published a press release upgrading the Outlook from Stable to Positive.

The FSR rating of A- is in the third highest of ten categories in S&P's FSR scale and represents S&P's opinion that a company has strong financial security characteristics but is more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated insurers.

The ICR rating of A- is in the third highest of ten categories in S&P's ICR scale and represents S&P's opinion that a company has strong capacity to meet its financial commitments; however, adverse economic conditions or changing circumstances are somewhat more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation compared to obligor's in higher categories.

The PSR rating of P-2 corresponds to a BBB rating on S&P's global scale and is in the fourth highest of eight categories in S&P's PSR scale and represents S&P's opinion that a company has adequate capacity to meet its financial commitments; however adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

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MARKET FOR SECURITIES

2016 Trading Price and Volume Chart

	Class E Series C TSX symbol: CCS.PR.C		
Month	Low $	High $	Shares #
January	20.25	22.97	29,359
February	20.55	22.62	25,194
March	20.97	21.93	167,276
April	21.66	22.69	59,417
May	22.31	23.20	47,614
June	22.75	23.50	65,870
July	23.25	24.61	71,055
August	24.20	24.91	54,485
September	24.26	24.80	95,245
October	24.34	24.85	36,781
November	22.79	24.60	37,770
December	22.39	23.30	62,148

SALES OF UNLISTED SECURITIES

Information on the issuance and redemption of unlisted securities during the year is provided in our 2016 consolidated financial statements in Note 16 on pages 38 to 41.

EXECUTIVE OFFICERS

The following are the Executive Officers of Co-operators General as at December 31, 2016.

Executive Officer Name and Municipality of Residence	Position
ROBERT WESSELING[1] Guelph, Ontario	President and Chief Executive Officer
PAUL HANNA Guelph, Ontario	Executive Vice-President, Member Relations, Governance and Corporate Services
FRANK LOWERY Toronto, Ontario	Senior Vice-President, General Counsel and Associate Secretary
RICK MCCOMBIE Guelph, Ontario	Executive Vice-President and Chief Client Officer
CAROL POULSEN Burlington, Ontario	Executive Vice-President and Chief Information Officer
BRUCE WEST Waterloo, Ontario	Executive Vice-President, Finance and Chief Financial Officer

[1] Kathy Bardswick retired from her position as President and Chief Executive Officer on November 30th, 2016. Robert Wesseling was appointed President and Chief Executive Officer effective December 1, 2016.

Each of the executive officers of Co-operators General has been engaged in his or her principal occupation or has held an occupation with the same employer for more than five years.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of carrying on our business, we become the subject of claims and are involved in various legal proceedings. We are not currently involved in any material legal proceedings, nor are we aware of any pending or threatened proceedings, that we believe would have a material adverse effect upon our financial condition or results of operations. We believe we have established adequate reserves in respect of legal proceedings to which we are a party.

There were no actions taken against the Company by regulators during the year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material transactions with directors or executive officers or a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of Co-operators General's outstanding voting securities other than transactions with CGL and subsidiaries of CGL as described below under *Material Contracts*.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for our Class E preference shares, Series C is Computershare Trust Company, at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

Except as described below, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into in the most recently completed financial year, or before the most recently completed financial year but that are still in effect.

The Company entered into an Inter-company Services Agreement dated January 1, 2016 (replacing the January 1^{st} 2013 agreement, amended in 2014 and 2015) whereby it receives management and executive services from its ultimate parent company CGL. CGL and CFSL incur among other things, the direct costs for the Board of Directors, governance, senior executives, legal, compliance, enterprise risk management, member relations and co-operative business development, sustainability and citizenship, audit, tax, finance, strategic planning, financial accounting services, corporate actuarial, corporate reinsurance, communications, marketing, human resources, information technology, enterprise procurement and other corporate services. The management fee charges are structured on a cost-recovery basis and allocated among the subsidiaries of CGL through various allocation methods that take into consideration factors such as consumption, cost drivers and time spent. This is an annually renewable contract. In addition to those services described above, in the normal course of business, we obtain other services from related companies that are under the common ownership of our ultimate parent, CGL. Details of these management fees can be found in the *Related Party Transactions* section of our 2016 MD&A, on page 16.

On June 5, 2012 the Company entered into a Share Purchase Agreement ("SPA") with RSA Canada whereby the Company sold all of its shares in L'Union Canadienne to RSA Canada. The SPA was amended three times by the (i) Consent, Amendment and Agreement made as of August 20, 2012, (ii) Amending Agreement made as of August 30, 2012, and (iii) Amendment Agreement made as of September 30, 2012. The transaction contemplated by the SPA closed on October 1, 2012. As part of this transaction, the Company, as reinsurer, and L'Union Canadienne, as cedant, entered into a quota share reinsurance agreement whereby CGIC assumed, subject to the terms and conditions of this reinsurance agreement, 100% of any and all liability that may accrue to L'Union Canadienne as a result of (i) certain claims relating to the aggregate or other materials coming from either the Carrière B&B Inc. quarry or the Carrière Maskimo Inc. quarry located in Trois-Rivières, and (ii) the class action claim related to the January 1998 ice storm in Quebec.

Copies of these agreements are available on SEDAR.

INTEREST OF EXPERTS

Co-operators General's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditor's report dated February 15, 2017 in respect of Co-operators General's consolidated financial statements which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of changes in shareholders' equity, income, comprehensive income and cash flows for the years then ended, and the related notes. PricewaterhouseCoopers LLP has advised that they are independent with respect to Co-operators General within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Co-operators General's appointed actuary on February 15, 2017 was Lisa Guglietti, Fellow, Canadian Institute of Actuaries, who has prepared an appointed actuary's report dated February 15, 2017, included in the audited consolidated financial statements of Co-operators General for the year ended December 31, 2016. The appointed actuary's report is in respect of Co-operators General's policy liabilities for its balance sheet as at December 31, 2016 and their change in statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods. Lisa Guglietti's interest in CGIC's securities of any class represents less than one per cent of the outstanding securities of the same class. On March 8, 2017 Lisa Guglietti stepped down as the appointed actuary. Dan Vanderploeg, Fellow, Canadian Institute of Actuaries, was appointed to the position on an interim basis while management completes recruitment activities. Dan Vanderploeg's interest in Co-operators General securities of any class represents less than one percent of the outstanding securities of the same class.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness of independent directors to Co-operators General under any program except routine indebtedness.

SHARE PURCHASES

A share purchase plan is available to provide interest free loans to eligible employees on their 1st, 5th, and 10th year anniversary and every five year anniversary thereafter with the Company to purchase Class A Preference Shares, Series B. The loans are repayable from the proceeds of the dividends payable on the shares and from payroll deductions and are typically repaid over a period of eight to ten years. The purchased shares are held by Co-operators General as security on the loan until the loan has been fully repaid. The amount of the loan made available to each employee is based on salary and years of service.

OTHER

There are two components to the home relocation plan provided to employees. It is comprised of the housing differential loan and the home equity advance loan.

Housing Differential Loan

This loan is available to assist employees who are moving to a community with increased housing costs. An interest free loan of up to $25,000, for a maximum term of five years, may be used to help bridge the excess costs. The loan, which is provided by a third party, is guaranteed by the ultimate parent, CGL. On default of the loan, CGL would settle with the company for which the employee worked. Any such loans are to be approved by the business unit executive vice-president and reported to the Senior Vice-President Human Resources and Workplace Services. Loans in excess of $25,000 are exceptions approved by the President and Chief Executive Officer due to the higher cost of housing in certain locations. The outstanding amounts are listed in the table below.

Home Equity Advance Loan

An equity advance is available only to executive officers, district managers and directors who participant in the guaranteed home sale plan. Any such loans are to be approved by the Senior Vice-President Human Resources and Workplace Services. A cash advance of up to ninety-five percent of the equity in the old location property for purposes of a new home purchase is available. The equity is based on the higher of the sale price to an outside buyer or guaranteed plan price, less any remaining mortgage principal, liens or advances. The advance is interest free for up to ninety days for the deposit, down payment, land purchase and/or construction of a new home. All advances are re-paid upon the sale of the property.

SUMMARY OF INDEBTEDNESS

The following table summarizes the aggregate indebtedness to Co-operators General and its subsidiaries of current executive officers and employees of Co-operators General, its affiliates or its subsidiaries. This indebtedness consists of a preferred share purchase plan, a housing differential loan or a home equity advance loan. If employment ends and there are amounts outstanding, the full amounts are to be repaid in full by the individual.

Aggregate Indebtedness at Feburary 28, 2017		
Purpose	To the company or its subsidiaries $	To another entity $
Share purchases	14,905,590	Nil
Other	Nil	440,116

Loans to executive officers of greater than $50,000 during 2016 are listed in the table below. No amounts were forgiven in 2016.

Name and principal position	Involvement of the company or subsidiary	Largest amount outstanding during 2016	Amount outstanding as at February 28, 2017	Financially assisted securities purchased during 2016	Security for indebtedness
		$	$	Number of shares	
Share purchases:					
Kathy Bardswick, President and Chief Executive Officer[1]	Company	91,924	65,445	2,200	Shares
Rick McCombie, Executive Vice-President and Chief Client Officer	Company	105,898	92,981	1,465	Shares

[1] Kathy Bardswick retired from her position as President and Chief Executive Officer on November 30th, 2016.

EXTERNAL AUDITOR

PricewaterhouseCoopers LLP is the independent auditor of Co-operators General.

CORPORATE GOVERNANCE

OVERVIEW

CGL, the ultimate parent of Co-operators General, is a Canadian co-operative with 43 member organizations. Co-operators General is governed by the Insurance Companies Act (Canada) which defines requirements of our governance including measures on related party conduct, compliance and independence. National Instrument 52-110 provides additional specific guidance for independence requirements for Audit Committees. Co-operators General complies in all significant respects with the applicable rules and legislation.

BOARD OF DIRECTORS

The Board of Directors (board) is composed of 23 directors, all but one of whom are independent of Co-operators General. The one non-independent director, the President and Chief Executive Officer, is required by the Insurance Companies Act (Canada) to be on the board.

The 22 independent directors are also the directors of the Board of Directors of Co-operators General's ultimate parent company CGL.

As a matter of policy, the board holds in-camera sessions without management in attendance in conjunction with every board meeting. There were 12 such sessions without management in attendance in 2016. The board also has in place a policy that allows individual directors and board committees to independently engage external advisors.

The Chairperson and Vice-Chairperson of CGL's board are elected from its directors and are independent. John Harvie was elected as the Chairperson of the CGL board and is also the Chairperson of Co-operators General. Mr. Harvie regularly attends board committee meetings to keep current on all Co-operators General issues. Johanne Charbonneau was elected as the Vice-Chairperson of the CGL board and is also the Vice-Chairperson of Co-operators General.

At CGL's Annual General Meeting (AGM) held in April of each year, there may be some change in CGL's directors and therefore in Co-operators General's directors. Board committee membership is established after each AGM and committees remain in place until the following AGM.

The committees in place as of December 31, 2016 are: Audit, Corporate Governance and Conduct Review, Risk and Compensation, and Sustainability and Citizenship. In addition, the CGL Board has a Member and Co-operative Relations Committee which is not reflected in the Co-operators General table below.

The following are the directors of Co-operators General as at December 31, 2016:

Director name and municipality of residence	Date of election	Expiry of term	Principal occupation
DON ALTMAN(S) Toronto, Ontario	April 2013	April 2017	Retired
PHIL BAUDIN(S*) Vancouver, British Columbia	April 2013	April 2017	Retired
DENIS BOURDEAU Embrun, Ontario	April 2009	April 2017	Farmer
DANIEL BURNS(A) Vancouver, British Columbia	April 2007	April 2017	Lawyer and Entrepreneur
LOUIS-H. CAMPAGNA(S) Québec, Québec	April 2015	April 2017	Firefighter
JOHANNE CHARBONNEAU(R) Vice-Chairperson, Board of Directors Ottawa, Ontario	April 2013	April 2017	Retired
GILLES COLBERT(A) Unity, Saskatchewan	April 2015	April 2017	Retired
HAZEL CORCORAN Calgary, Alberta	April 2016	April 2017	Executive Director, Canadian Worker Co-operative Federation
ROGER HARROP(R) Fergus, Ontario	April 2012	April 2017	Farmer
JOHN HARVIE(R) Chairperson, Board of Directors Moncton, New Brunswick	April 2011	April 2017	Retired
GERI KAMENZ(A) Spencerville, Ontario	April 2014	April 2017	Farmer
RÉJEAN LAFLAMME(CG*) Gatineau, Québec	April 2010	April 2017	Consultant with Tango RJ Consultant Inc.
DENIS LAVERDIÈRE Paquetville, New Brunswick	November 2008	April 2017	Executive Vice-President, Distribution, la Fédération des caisses populaires acadiennes
JIM LAVERICK(A) Spruce Grove, Alberta	April 2011	April 2017	Retired
MICHAEL MAC ISAAC(CG) Inverness, Nova Scotia	April 2014	April 2017	Retired
EMMET MCGRATH(A*) Burnaby, British Columbia	April 2013	April 2017	Retired
BOB PETRYK(R) Calgary, Alberta	April 2016	April 2017	Managing Director, Petwin Capital Group
COLLETTE ROBERTSON(CG) Regina, Saskatchewan	April 2014	April 2017	Retired
DAVE SITARAM(CG) Bowmanville, Ontario	April 2013	April 2017	Retired
JOCELYN VANKOUGHNET(S) Carman, Manitoba	April 2014	April 2017	Farmer

Director name and municipality of residence	Date of election	Expiry of term	Principal occupation
ROBERT WESSELING[1] Guelph, Ontario	December 2016	April 2017	President and Chief Executive Officer, CGL
JACK WILKINSON Belle Vallee, Ontario	April 2007	April 2017	Farmer
ALEXANDRA WILSON(R*) Ottawa, Ontario	April 2000	April 2017	CEO, The Agency for Co-operative Housing

[1] Kathy Bardswick retired from her position as President and Chief Executive Officer on November 30th, 2016.
Robert Wesseling was appointed to the position of President and Chief Executive Officer effective December 1, 2016.

(A) Audit Committee
(R) Risk and Compensation Committee
(CG) Corporate Governance and Conduct Review Committee
(S) Sustainability and Citizenship Committee
* Denotes committee chairperson

Each of the directors of Co-operators General has been engaged in his or her principal occupation or has held an occupation with the same employer for more than five years.

ATTENDANCE RECORD OF DIRECTORS

The following is a summary of the attendance record of Co-operators General's directors at board meetings in 2016. In instances when a director's responsibilities changed during the year, their attendance is expressed over the number of meetings he/she was eligible to attend. The Member and Co-operative Relations Committee attendance is not included in the table below as it is a CGL board specific committee only.

Name	Board 7 meetings	Audit Committee 6 meeting	Corporate Governance and Conduct Review Committee 5 meetings	Risk and Compensation Committee 5 meetings	Sustainability and Citizenship Committee 4 meetings
Dave Abel[1]	2/2				1/1
Don Altman	7				3/3
Kathy Bardswick[2]	5/6	1		4	1
Phil Baudin	7				4
Denis Bourdeau	7				
Daniel Burns	6/7	5/6			
Louis-H. Campagna	6/7				4
Johanne Charbonneau	6/7			4/5	
Gilles Colbert	7	6			
Hazel Corcoran[3]	5/5				
Albert De Boer[1]	2/2			1/1	
Roger Harrop	7			5	
John Harvie[4]	7	3	5	5	3
Geri Kamenz	7	6			
Réjean Laflamme	7		4/5		
Denis Laverdière	7				
Jim Laverick	7	5/6			
Michael Mac Isaac	6/7		5		
Emmet McGrath	6/7	6			
Bob Petryk[3]	4/5			4/4	

Name	Board 7 meetings	Audit Committee 6 meeting	Corporate Governance and Conduct Review Committee 5 meetings	Risk and Compensation Committee 5 meetings	Sustainability and Citizenship Committee 4 meetings
Collette Robertson	7		5		
Dave Sitaram	6/7		5		
Jocelyn VanKoughnet	7				4
Robert Wesseling[5]	1/1		1		1
Jack Wilkinson	7				
Alexandra Wilson	7			5	

[1] Served as Director until April 2016.

[2] Kathy Bardswick attended one Audit Committee meeting and four Risk and Compensation Committee meetings, but is not a member of the Risk and Compensation Committee or the Audit Committee. Kathy Bardswick retired as President and Chief Executive Officer, CGL effective November 30, 2016.

[3] Elected director in April 2016.

[4] John Harvie is the chairperson of Co-operators General and a member of the Risk and Compensation Committee. Mr. Harvie regularly attends other committee meetings to keep current on all Co-operators General issues.

[5] Robert Wesseling was appointed President and Chief Executive Officer, CGL effective December 1, 2016. Mr. Wesseling attended one Corporate Governance and Conduct Review Committee meeting and one Sustainability and Citizenship Committee meeting, but is not a member of the Corporate Governance and Conduct Review Committee or Sustainability and Citizenship Committee.

No directors are directors of other reporting issuers in Canada or elsewhere, other than the following:

- Daniel Burns is a director of Accend Capital Corporation.
- Emmet McGrath is a director of Central 1 Credit Union and UEX Corporation.

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for setting the broad direction of Co-operators General by:

- Participating in developing and giving final approval to the core values and mission of Co-operators General and monitoring performance;
- Approving the process for selecting the President and CEO and appointing the President and CEO and Secretary; and
- Representing Co-operators General to a variety of external constituencies.

The Board of Directors is responsible for:

- Ensuring the financial viability of Co-operators General;
- Ensuring that Co-operators General is a good corporate citizen;
- Ensuring that Co-operators General maintains a leadership role within the insurance industry;
- Ensuring that Co-operators General provides a leadership role in the co-operative movement;
- Monitoring the operations of Co-operators General;
- Regularly reviewing the work of the board and its committees; and
- Communicating with CGL member organizations, policyholders, management, regional committees, corporate secretaries of members, other co-operatives and industry and government.

The Board of Directors communicates with and receives feedback from CGL members, shareholders, policyholders, staff, management and other interested persons at or by virtue of:

- Annual or special general meetings of the companies;
- Regional committee and Annual General Meetings of the members of The Co-operators Group Limited;
- Community Advisory Panel meetings;
- Annual reports by the Senior Vice-President Human Resources and Workplace Services to the Board as well as other management reports;
- Co-operators General's resolution process;

- Participation in industry advisory bodies, groups or organizations;
- Communications from the Office of the Superintendent of Financial Institutions for Canada and other regulatory bodies or officials; and
- Membership in the Canadian Co-operative Association, provincial co-operative associations, the International Co-operative and Mutual Insurance Federation and its affiliated or related organizations.

The Board of Directors acknowledges responsibility for the stewardship of Co-operators General, including:

1. Responsibility for:
    - To the extent feasible, satisfying itself as to the integrity of the President and CEO and other senior managers within the group of companies and that the CEO and other senior managers create a culture of integrity throughout the organization;
    - Adopting a strategic plan and a planning process which involves a four year plan which is reviewed and approved at least annually, which takes into account, among other things, the risks and opportunities of Co-operators General;
    - The identification of the principal risks of Co-operators General's business, and ensuring the implementation of appropriate systems to manage these risks;
    - Succession planning;
    - Adopting a communications policy for Co-operators General;
    - Co-operators General's internal control and management information systems; and
    - Developing Co-operators General's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to Co-operators General.
2. Responsibility to act on behalf of the shareholders of Co-operators General and in the interests of the users of its services, including on behalf of the shareholders and policyholders and staff of Co-operators General and to direct Co-operators General's activities in order to help attain its corporate mission.
3. Responsibility to meet Co-operators General's legal obligations and responsibilities.

Co-operators General, its shareholders and policyholders expect directors sitting on the Board of Directors to:

- Regularly and diligently attend board meetings unless incapacitated or for other good reason they are not able to attend;
- Read and, through more formal study, become familiar with Co-operators General and the industry;
- Be aware of and familiar with their responsibilities as directors under the Insurance Companies Act (Canada) and provincial insurance companies acts as well as any other relevant or applicable legislation;
- Serve on board committees and to represent Co-operators General in other organizations;
- Participate in board discussions and decision-making, keeping in mind the welfare of the respective organizations, CGL members and shareholders, as the case may be, and those whom they serve including co-operatives, credit unions, shareholders and policyholders;
- Analyze operational and financial reports, seek pertinent information and ask discerning questions;
- Be alert to the need for new services and products and to monitor environmental change;
- Provide an avenue that policyholders may follow to communicate suggestions and/or concerns;
- Act in a manner which recognizes that a director has no power in his or her own right, other than acting as a reasonably diligent director would in discharging his or her fiduciary duty to Co-operators General and other than as may be vested in him or her by resolution of the board;
- Participate in delegate orientation;
- Share the responsibility of the board with respect to communicating with CGL members, shareholders and policyholders;
- Be accountable to CGL delegates and members in the region from which the director was elected;
- Represent the Co-operators General board in that region; and
- Where applicable, to act as a policyholder director and with a view to representing the best interests of said policyholders.

BOARD CONTROL OF SIGNIFICANT DECISIONS

The board oversees the activity of management and in some cases, particularly where mandated by the Insurance Companies Act (Canada), exercises management functions for Co-operators General. Any matter required by law to be reviewed by the board and major decisions, such as significant investment transactions, including the Investment Policy of Co-operators General and potential acquisitions, joint ventures, financings, divestitures, or other significant business arrangements, must be submitted to the board for prior approval. The board has a manual that sets out the respective roles of the various committees of the board as well as the obligations of directors. The board also maintains a set of board policies setting out board oversight or governance of management and the board's operating practices.

The board reviews the financial statements, participates actively in developing the strategic business plans for Co-operators General each year and monitors Co-operators General's progress in achieving its financial and business plans throughout the year. It also actively participates in the four year planning process and the monitoring and evaluation of each four year plan as it unfolds.

POSITION DESCRIPTIONS

Co-operators General has written position descriptions for the Chairperson and the Vice-Chairperson of the board and for the chairperson of the Audit Committee, which are set out in the Board Manual. All are elected by the board.

The chairperson(s) of the Corporate Governance and Conduct Review, Risk and Compensation, and Sustainability and Citizenship committees are also elected directly by the board and can hold no other position on board standing committees. There are no written position descriptions for these chairpersons, but the Terms of Reference of each committee set out the expectations of all of the members of these committees, including the chairperson.

The board has a written position description for the CEO. It has also adopted a board policy (the Delegation of Power to Manage to the President and CEO Policy) which sets out the authority to manage delegated to the CEO by the board. The board conducts a formal annual review of the performance of the CEO. The results of this review are discussed in an annual in-camera meeting that commences without the participation of the CEO and completes with the CEO in attendance.

DIRECTOR TERM LIMITS AND OTHER MECHANISMS OF BOARD RENEWAL

Directors are elected as directors of CGL for a three-year term. Directors of CGL also serve as directors of Co-operators General; CGIC directors are elected for a one year term. The director terms for CGL are staggered to ensure continuity on the Board and minimize turnover in any one year. There have been no term limits adopted for the directors of either CGL or Co-operators General as the current nomination and election process has been effective in generating director turnover and board renewal. Director tenure is measured and reported on a yearly basis to the board and member organizations. The average number of years of service for the current directors is six years. Various tools (e.g., Director Skills Matrix) and processes (e.g., CGL Democratic Structure Review and governance assessments) are in place to assess board effectiveness and renewal. The number of directors per region is set out in Ordinary By-law No. 1 of CGL. Directors are elected through the following process:

- CGL members appoint two delegates within their region as their representatives at Regional and Annual General Meetings;
- Delegates in each region nominate director candidates, which determines 15 of the 22 directors. The remaining 7 directors are nominated by the Credit Union Centrals, four of which are nominated by Central 1 Credit Union.
- In order to be nominated as a director, persons need to be nominated at a region meeting, and have served as a delegate, an alternate delegate or a director of The Co-operators for at least one full year, and attended two region meetings within a twelve month period, or have previously served as a director of CGL;
- Directors are elected from the nominees at the Annual General Meeting of CGL by the CGL members as represented by their appointed delegates; and
- As a wholly owned subsidiary, CGIC's parent elects the directors of CGL and the CEO as its directors each year. The Insurance Companies Act (Canada) requires the CEO to be a director of Co-operators General.

ORIENTATION AND CONTINUING EDUCATION

As reported above, the directors of CGIC are effectively chosen by the CGL members. Depending on how long they have served as delegates to CGL before being elected to the board, they may not at first have significant knowledge of the insurance industry.

Educational development begins when potential directors are delegates. Delegates meet three times a year, at two regional meetings and at the AGM. At each of these meetings there are presentations and education sessions with respect to Co-operators General and its business and progress in the period up to the time of the meeting.

Once elected, directors come to the head office for a two day New Director Orientation session. This session involves presentations from representatives of all key areas in Co-operators General and involves a complete review of Co-operators General's structure, governance, business and the role of directors. A second orientation session is held mid-year to provide the new directors with additional education and information.

On an ongoing basis, the board and its committees are provided a range of educational sessions on topics germane to Co-operators General. Formal board education days are also offered throughout the year. In addition, two of the board's meetings each year are reserved for board/management seminars to provide educational content, discuss and determine annual and long-term strategy, and perform the annual governance assessment.

In 2013, the board implemented a Director Development Program (DDP). All directors participate in this customized competency-based program to support their ongoing learning and development and enhance governance performance.

The Launch event and Knowledge of the Business: P&C modules were delivered in 2013. In 2014 two additional modules of the DDP were delivered: Knowledge of the Business: Life Insurance, and Strategic Thinking and Decision Making. In 2015 an additional three modules were delivered: Risk Governance; CEO Performance/Compensation and Succession Planning, and Audit, Compliance and Regulatory Frameworks. The Financial Governance module was delivered in 2016 and the DDP concluded later in the year with the program's capstone module, a Board Simulation.

The Corporate Secretary, under the guidance of the Corporate Governance and Conduct Review Committee, regularly provides the board with information as to conferences and educational sessions on topical issues of interest to directors of insurance companies. The board, by policy, has also allocated up to $18,000 per director per three year term (on the CGL board) to be used towards their continuing education as it applies to their role as a director.

Each director works with the Chairperson to identify their own areas of need for development and is expected to apply their educational budget towards this development. In 2016, directors completed a total of 96 days of individual training and development activities. Additional educational presentations are provided throughout the year by internal subject matter experts or external contractors at both Board and Committee meetings.

ETHICAL BUSINESS CONDUCT

Co-operators General is a member of a co-operative group of companies. Co-operatives follow a set of principles adopted by the International Co-operative Alliance encompassed in the 'Statement on Co-operative Identity'. These principles include such things as one member, one vote, concern for community and co-operative education. Ethical business conduct has been a cornerstone of doing business for Co-operators General since its very beginnings.

The board has adopted a number of policies relating to director conduct including the Code of Conduct, Director's Access to Corporate Opportunities Policy, and human resource policies applicable to directors. Similar policies are in place with respect to staff. The Senior Vice-President Human Resources and Workplace Services reports annually to the board on experience under, compliance with, and maintenance of staff ethics policies. A copy of any of these policies can be obtained by writing to the Corporate Secretary at The Co-operators Group, 130 Macdonell Street, Guelph, Ontario, N1H 6P8.

Co-operators General's ethics policies include a procedure for the handling of confidential and/or anonymous complaints relating to accounting, auditing or internal control issues. Staff who wish to submit a complaint or concern can do so by calling or utilizing the e-Web reporting system called ConfidenceLine. Employees may raise bona fide concerns without reprisal. Individuals are assured that all information they provide will be treated in a confidential, discreet manner. Concerns will be properly investigated, on a case-by-case basis.

The board's Corporate Governance and Conduct Review Committee is responsible for fulfilling certain requirements of the Insurance Companies Act (Canada), particularly those relating to self-dealing, the maintenance and monitoring of the Board Conduct Policy, and for ensuring that conflicts of interest are identified and dealt with.

Directors and officers are required annually to file a statement disclosing any interests or involvements thatthey may have in entities or transactions in which Co-operators General may be involved. These are reviewed by Co-operators General's General Counsel who reports on any issues raised to the Corporate Governance and Conduct Review Committee, which then reports to the board.

Directors also have confidential access to independent legal advice at company expense with respect to issues involving their role as directors, particularly conflicts of interest and they are advised and do regularly use such counsel.

The Access to Corporate Opportunities Policy prohibits the offering of corporate opportunities to directors unless such opportunities have already been offered to an identifiable market, such opportunities are on market terms and conditions and other requirements with respect to diligence, form and transparency have been complied with.

No material change report was filed in 2016 that pertains to the conduct of a director or an executive officer which constitutes a departure from this code.

With a few minor exceptions, the Insurance Companies Act (Canada) requires that directors who have a conflict of interest in a transaction in which Co-operators General is involved declare that interest and not participate in any meeting where that issue is being discussed. The Conflict of Interest Declaration Notice is included in all board reports to remind directors of their obligations. Directors have declared conflicts of interest and absented themselves from a meeting when and as required.

CGL publishes an annual Integrated Report which reviews the activities of CGL's companies, including Co-operators General. Under the Insurance Companies Act (Canada), Co-operators General is required to publish an Accountability Report which is a part of the Integrated Report.

The Chief Compliance Officer of CGL makes compliance reports to the Corporate Governance and Conduct Review Committee. The Chief Compliance Officer solicits feedback from various roles across The Co-operators group of companies to prepare reports on compliance. Although the reports are exceptions-based, in the process of doing this review any major divergence from regulations, industry guidelines, company policy, including ethical business conflict, is identified and reported on.

REPRESENTATION OF WOMEN ON THE BOARD AND AMONG EXECUTIVE OFFICERS

BOARD OF DIRECTORS

One of the co-operative principles we operate under is democratic control. The diversity of our board is a product of this democratic control and reflects the nature of our member organizations. The Board of Directors believes it is important to articulate and communicate the desired skills, knowledge, experience and attributes of members serving on its board and board committees. A Director Skills Matrix was adopted by the board in 2013 and is shared with our membership to guide their nomination and election of candidates to serve on The Co-operators board. The Company recognizes and values diversity, including gender, age, ethnicity, culture, and geographic representation.

Following an education session on the subject of board diversity in 2014, in 2015 the board considered the level of representation of women on the board and initiated a consultation process with its member organizations to raise awareness and gain commitment for various proposals to increase the representation of women on the board and within The Co-operators governance structure. In 2016, the board implemented a Representation of Women on the Board policy, establishing a target to achieve at least 30% women directors by 2020 and 50% women directors longer term. As the pool from which The Co-operators Directors are nominated and elected is the delegate body, The Co-operators has set a further goal to achieve 50/50 gender balance within the delegate pool. The policy requires the Company to communicate its goals and expectations to our member organizations through the annual Delegate Appointment and Director Nomination processes. Members are asked to appoint at least one woman of its two delegates and are asked to consider our goals when nominating and electing individuals to serve on our Board of Directors. The policy also requires the Company to support the development of a pipeline of candidates by seeking to identify and implement programs and initiatives to promote and support the advancement of women within our governance structure.

The Corporate Governance & Conduct Review Committee is responsible for implementing The Co-operators Representation of Women on the Board policy, related strategies and objectives and for overseeing the Company's compliance with this policy. The Corporate Governance & Conduct Review Committee will consult with the Member & Co-operative Relations Committee on related matters and will report to the Board at least annually on the organization's compliance and progress.

Currently, 5 of the 23 CGIC board member positions are held by women, which represents 22% of the Co-operators General directors. This is consistent with the previous year.

Representation of women within the delegate pool increased from 27% in 2015 to 32% in 2016. Although representation of women on the board remains unchanged from prior year, the 2016 Director Nomination process (for candidates to serve on the Board for the 2017-2020 term) resulted in four women (50%) out of a total of eight nominees.

EXECUTIVE OFFICERS

The Company does not have specific policies or targets in place regarding the representation of women among its executive officers. Policies or targets have not been adopted because a candidate's eligibility for a position is based on a number of factors focused on knowledge and skills specifically required for the job. The Company reports annually to the Board of Directors regarding the development of senior management, succession plans and processes in place for key management positions. Part of the metrics used for this report includes the number of women in the general succession planning pool, as well as the number of women in senior leadership positions. Currently, 13 out of 42 executive positions are held by women, which represent 31% of the executive team.

DIRECTOR COMPENSATION

Directors of Co-operators General are compensated as directors of CGL, excluding the CEO who receives no compensation acting as a director. Co-operators General has a management agreement with CGL with respect to a number of services provided, including the services of directors. In 2016, 60.9% of the total management fees paid to CGL were paid by Co-operators General. The Inter-company Services Agreement covering these management fees is discussed in the *Material Contracts* section.

The Risk and Compensation Committee of the board is responsible for compensation matters and it reviews the director compensation plan periodically in accordance with the compensation policy of the board.

BOARD OF DIRECTORS COMPENSATION PHILOSOPHY

A skilled and dedicated board is essential to the effective governance of The Co-operators group of companies. In compensating the Chairperson and members of the board for their service, the Company wishes to:

- Offer a compensation package that, taken as a whole, is competitive within the Canadian marketplace for multi-line insurance companies and co-operatives of similar size and scope of business to that of The Co-operators; and
- Maintain consistency with the Company's philosophy for the compensation of its executives and other employees.

PRINCIPLES

The following principles will guide the development of the Company's Director Compensation Plan:

- Our compensation practices should motivate directors to keep the long-term interests of the Company in the forefront at all times;
- Compensation should put service before personal gain, while being sufficient to attract directors of appropriate skill and experience;
- Compensation should vary with the responsibility, expected time commitment and potential risk associated with different positions within the board. Accordingly, the Chair of the board, chairs of board committees and members of boards of directors of subsidiary companies will receive additional compensation;
- Compensation should promote full attendance at board and committee meetings, while recognizing that the core responsibilities of a director and risks assumed do not vary directly with the time spent attending meetings. Accordingly, cash compensation will take the form of a fixed retainer, supplemented by a per diem fee for attendance at meetings and other approved activities;
- Compensation should recognize that directors come from widely varying distances to attend meetings. Accordingly, fees will be paid for travel time;
- Directors should be fully reimbursed for reasonable out-of-pocket expenses incurred in the performance of their duties as directors; and
- Members of the board should be encouraged to higher performance through continuous learning and development. Accordingly, financial support will be available for approved activities.

PROCESS

In its capacity as the board's compensation committee, the Risk and Compensation Committee will:

- Review this statement from time to time and recommend changes, as appropriate, for the board's consideration;
- Every three years, conduct or cause to be conducted a deliberative and objective review of the Director Compensation Plan; and
- Recommend, for the board's approval, periodic adjustments to all forms of director compensation.

Director compensation will be disclosed to the appropriate regulators and, as required, to the general public.

CURRENT COMPENSATION

In 2014 a comprehensive review of the directors' compensation was completed, with the assistance of a major consulting firm. A survey was conducted of competitor peer organizations consisting of insurance companies, co-operatives and credit unions. Adjustments to the board's rates of compensation were implemented effective January 1, 2015 to reflect the survey findings. The next regularly scheduled compensation review will be conducted in 2017. A comprehensive review of CEO compensation is performed at the same time as the director compensation review.

Current compensation paid to directors (other than the CEO) as of December 31, 2016 by CGL:

- The Chairperson receives an annual retainer of $90,000;
- All other directors receive an annual retainer of $28,000;
- The chairperson of the Audit Committee receives an additional annual retainer of $12,000;
- The chairperson of the Risk and Compensation Committee receives an additional annual retainer of $10,000;
- The chairperson(s) of other standing board committees (Corporate Governance and Conduct Review, and Sustainability and Citizenship) receive an additional annual retainer of $8,000; and the chairperson(s) of the CGL board committee, Member and Co-operative Relations, receives an additional annual retainer of $8,000; and
- All directors receive a per diem of $750 a day, for board meetings, board committee meetings, or other approved functions attended by the director on behalf of CGL or its subsidiaries.

Name	Directors' compensation fees earned[1] $	Share-based awards and other compensation[2] $	Total[5] $
Dave Abel[3]	19,506	-	19,506
Don Altman	50,500	-	50,500
Phil Baudin	74,625	-	74,625
Denis Bourdeau	53,875	-	53,875
Daniel Burns	68,125	-	68,125
Louis-H. Campagna	56,500	-	56,500
Johanne Charbonneau	71,125	-	71,125
Gilles Colbert	58,375	-	58,375
Hazel Corcoran[4]	37,369	-	37,369
Albert De Boer[3]	19,881	-	19,881
Roger Harrop	59,125	-	59,125
John Harvie	173,250	-	173,250
Geri Kamenz	61,000	-	61,000
Réjean Laflamme	67,875	-	67,875
Denis Laverdière	59,875	-	59,875
Jim Laverick	64,375	-	64,375
Michael Mac Isaac	58,750	-	58,750
Emmet McGrath	81,250	-	81,250
Bob Petryk[4]	39,244	-	39,244
Collette Robertson	52,375	-	52,375
Dave Sitaram	61,000	-	61,000
Jocelyn VanKoughnet	63,625	-	63,625
Jack Wilkinson	90,475	-	90,475
Alexandra Wilson	78,875	-	78,875

[1] The table includes per diems but does not include any amounts paid as reimbursement for expenses.

[2] Co-operators General does not use shares, share options , or other share-based compensation methods, other non-equity incentive plan compensation, pension benefits or any other compensation to compensate its directors.

[3] Served as a director until April 2016.

[4] Elected as a director in April 2016.

[5] Amounts disclosed represent total compensation by CGL. In 2016 60.9% (2015 - 67.9%, 2014 - 68.6%) of the amount allocated to CGL's subsidiaries was attributed to Co-operators General for services rendered. Refer to the Inter-company Services Agreement discussed in the *Material Contracts* section for details.

BOARD COMMITTEES

All board committees are comprised of independent directors. In line with governance best practices, the board conducted a review of its committee structure in 2012, ensuring that our committees support our key areas of focus and reflect the future requirements of the organization. The committees were revised in April 2013. The following are brief summaries of some of the key responsibilities of the board committees at Co-operators General (excluded is the Member and Co-operative Relations Committee, as it is a CGL board specific committee) as defined by the terms of reference which have been adopted for that committee:

CORPORATE GOVERNANCE AND CONDUCT REVIEW COMMITTEE

The Corporate Governance and Conduct Review Committee develops and recommends policies and practices to (a) maintain high standards and best practices in corporate and co-operative governance and (b) enhance governance effectiveness through board and director performance (education and assessment) programs. On behalf of the board, the committee provides oversight to the Company's compliance function; carries out responsibilities with respect to the Self-Dealing provisions of the Insurance Companies Act; and, deals with any other matters mandated by, or arising from, the

Act, as amended. In addition, it deals with matters involving conflicts of interests and the conduct of related parties to The Co-operators. The committee also reviews and advises management on the Board of Directors budget.

RISK AND COMPENSATION COMMITTEE

The Risk and Compensation Committee oversees The Co-operators group of companies' Enterprise Risk Management Program, including identification of key risks, risk appetite, risk management policies, risk measurement and assessment, risk monitoring and reporting and program compliance. The committee provides advice on strategic issues linked to the top risks and discharges the board's responsibilities in relation to lending and investment programs. The committee ensures that the Company's responsibilities related to The Co-operators Retirement Plan are fulfilled; develops compensation programs for the Board of Directors and President and CEO, for the board's approval; administers the CEO compensation and performance management programs; and ensures that effective management succession plans are in place.

SUSTAINABILITY AND CITIZENSHIP COMMITTEE

The Sustainability and Citizenship Committee provides oversight of the sustainability performance of the Co-operators group of companies. It reviews and recommends policies, strategies and annual plans to advance toward the sustainability vision, and monitors strategy and policy implementation and stakeholder engagement. The committee advises the board on the sustainability impact of key decisions, as well as emerging sustainability issues, risks and opportunities. It also provides oversight of The Co-operators Foundation programs.

AUDIT COMMITTEE

The responsibilities of the Audit Committee are discussed in detail under the heading *Audit Committee Information*.

ASSESSMENT OF PERFORMANCE OF DIRECTORS AND OFFICERS

The board conducts annual performance reviews to assess the effectiveness of individual directors, the Board of Directors, Chairperson of the board, board committees, the President and CEO and the Executive Vice-President, Member Relations, Governance and Corporate Services.

BOARD OF DIRECTORS EVALUATION

Policy: Annually the board will conduct a formal review of the board's performance as a "board"; individual director performance as "directors"; Chairperson of the board performance and the performance of standing board committees. In 2016, however, the board did not complete a formal review of its performance in pursuit of conducting an evaluation of its governance processes instead.

Procedures:

- The annual board evaluation process will be conducted in the fourth quarter of each year. All directors and senior management (those regularly in attendance at board meetings) will participate in the process;
- The annual board evaluation process will be a key agenda item at the December board/management seminar, and as such, an appropriate amount of time will be dedicated to this item on the agenda;
- In conjunction with the annual board evaluation process, the board and senior management will participate in an action-planning session to discuss the annual evaluation results and deal with issues/opportunities requiring attention as a result of the review;
- A formal action plan to address the issues/opportunities will be identified and adopted by the board;
- The annual board evaluation process and associated action planning session will be facilitated by a resource determined by the Corporate Governance and Conduct Review Committee; and
- The Member Relations, Governance and Corporate Services area will be responsible for working with the Corporate Governance and Conduct Review Committee to facilitate the annual review/action planning process.

INDIVIDUAL DIRECTOR ASSESSMENT

Policy: Annually, individual directors, who have served on the board for one full year, participate on a peer-to-peer basis in an Individual Director Assessment (IDA) program. The purpose of this program is to measure and assess the contributions and effectiveness of directors. The assessment focuses on key performance criteria as identified by the board.

Procedures:

- IDAs are distributed in August each year;
- Each director completes a self-assessment and assesses the performance of all of his/her peers. The President and CEO and executive vice-presidents regularly in attendance at the Board of Directors meetings also participate in the IDA process for the purpose of providing feedback on each directors' effectiveness;
- A confidential summary of the results, inclusive of comparison information including high, low and median scores for the entire director group, as well as any comments, is produced for each director. A copy of each director's report is

also shared with the Chairperson of the board;

- It is recommended that directors discuss their feedback report with the Chairperson of the board; the annual debrief meetings are considered optional, either at the director's request or at the request of the Chair. Directors should take the information into consideration when developing their annual, individual training and development plan; and
- Individual director meetings with the Chairperson of the Board should be scheduled in conjunction with regularly scheduled board and committee meetings throughout the October to February timeframe. It is suggested that on average, 30 minutes should be set aside for each meeting. The Corporate Secretary supports the scheduling of such meetings.

CHAIRPERSON OF THE BOARD EVALUATION

Policy: The annual Chairperson evaluation process will consider the role, responsibilities, desired competencies, personal qualities and behaviors for the position and will provide the Chairperson with feedback on his/her effectiveness in the role.

Procedures:

- The annual Chairperson of the board evaluation process will be conducted in August each year, to co-ordinate with the annual IDA process. It is understood that the incumbent will have served one term in the role as chairperson, prior to participating in the evaluation process;
- All directors who have served on the board for a period of one year or more will have the opportunity to participate in the process. The President and CEO and executive vice-presidents regularly in attendance at the Board of Directors meetings also participate in the process for the purpose of providing feedback on the chairperson's effectiveness;
- The evaluation is completed utilizing an online survey tool;
- A confidential summary of the results, inclusive of prior year comparison information, as well as any comments, is produced for the Chairperson of the board; and
- The Chairperson of the board is to discuss his/her evaluation results report with the Corporate Governance and Conduct Review Committee at their first regularly scheduled meeting following receipt of the report and will take the information into consideration when developing his/her annual individual training and development plan.

COMMITTEE EVALUATION

In 2014, a board committee evaluation process was established whereby each committee performs a self-assessment and the board assesses the effectiveness of each committee. The results of each committee's self-assessment are shared with the respective committee. The results of the board's assessment of committee effectiveness are shared with the whole board.

As a best practice, board committees establish a Reference Guide and Annual Workplan to guide the focus of their committee work to achieve their role and responsibilities as set out in their respective Terms of Reference.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company, is, or has been in the last ten years, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order or similar order or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, (a) while that person was acting as a director, chief executive officer or chief financial officer or (b) after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer. Further, to the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or has a receiver, receiver manager or trustee appointed to hold their assets.

DEMOCRATIC STRUCTURE REVIEW

The Co-operators Group Limited, the ultimate parent of Co-operators General, has a regularly scheduled review of its democratic structure every ten years. This would normally include a review of key governance issues of The Co-operators Group Limited and its subsidiaries such as Co-operators General Insurance Company. Among other things it also normally focuses on board size and effectiveness. The board may also at any time commence a Democratic Structure Review outside of the ten year time-frame as well as review the structure or operations of the subsidiary boards, including Co-operators General. The next Democratic Structure Review is scheduled for 2020.

AUDIT COMMITTEE INFORMATION

TERMS OF REFERENCE

Throughout these terms of reference “Company” means CGL or all of the companies for which the committee serves as Audit Committee, including Co-operators General, as the context requires. “Board of Directors” means the board of directors of CGL and “board of directors” means the board of each of the companies for which the committee serves as the Audit Committee.

MANDATE

- The Audit Committee of the Board of Directors assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the board. The committee's purpose is to oversee the accounting and financial reporting processes of the Company, the audits of the Company's financial statements, the qualifications of the public accounting firm engaged as the Company's independent auditor to prepare or issue an audit report on the financial statements of the Company, and the performance of the Company's internal audit function and independent auditor. The committee reviews and assesses the qualitative aspects of financial reporting to shareholders, and other key stakeholders and compliance with significant applicable legal, ethical, and regulatory requirements. The committee is directly responsible for the appointment (subject to member approval), compensation, retention, and oversight of the independent auditor. Management, on the other hand, is responsible for the preparation, presentation and integrity of the interim and annual financial statements and related disclosure documents. Management is also responsible for maintaining appropriate accounting and financial reporting policies and systems of internal controls and procedures that are in compliance with accounting standards, applicable laws and regulations and that provide reasonable assurances that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly; and

- The committee serves as the Audit Committee of CGL, CFSL, CGIC, CLIC, Sovereign, L’Équitable and COSECO. It will fulfill a monitoring role with respect to the other subsidiaries and affiliates within CGL.

RESPONSIBILITIES

The committee shall perform the duties set out in this charter and shall perform such other duties as may be necessary or appropriate under applicable law or stock exchange rules, or as may be delegated to the committee by the board from time to time, including such duties as are specified in the Company’s Board Guidelines.

Chair

The chair of the committee is charged with the leadership role of overseeing and monitoring the financial well-being of The Co-operators group of companies. In this role, the chairperson leads the Audit Committee in fulfilling its obligations as required by the organization and the regulators. A complete list of duties and responsibilities is set forth in The Co-operators Group Audit Committee Terms of Reference.

COMPOSITION AND APPOINTMENT

- The Audit Committee consists of five members of the Board of Directors of The Co-operators Group Limited. Members of the committee must meet any other qualifications for Audit Committee members established by law or by any authority having regulatory power over the Company, including the independence requirements of National Instrument 52-110 and of the Insurance Companies Act (Canada), as amended from time to time;
- Members of the committee will be elected each year at the first meeting of the Board of Directors following the AGM of the Company. The board may appoint members to fill any vacancies that arise during the year. At no time shall the committee comprise fewer than three members;
- The chairperson of the Audit Committee will be elected from among board members who have been nominated for the position and hold the qualifications identified in the role of the chairperson of the Audit Committee document. These attributes include: being independent-minded, able to provide leadership, having no direct or indirect material relationship with the Company, have management experience, financial management training and knowledge of various components of the organization;
- If the chairperson of the committee is not present at any meeting of the committee, one of the members of the committee who is present at the meeting shall be chosen by the committee to preside at the meeting;
- In electing other members to the committee, the board will choose people who it believes:
    - Are independent and financially literate within the meaning of the Ontario Securities Commission

Multilateral Instrument 52-110;
  - Have an inquiring attitude, objectivity and sound judgment;
  - Possess a general understanding of the Company's business and are prepared to take the necessary instruction and to review the necessary material to deepen that knowledge and understanding; and
  - Are willing to devote the necessary time to becoming familiar with the Company and preparing for and attending meetings.
- Each member of the committee must have the ability to read and understand a set of financial statements that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements;
- The effectiveness of the committee will be strengthened if at least one member has experience in financial management or accounting; and
- Members of the committee must declare in a timely manner any relationship to the Company that may interfere or be perceived to interfere with the exercise of their independence from the Company and its management.

MEETINGS

- The committee will meet at least four times each year or more frequently as may be required to fulfill its mandate. Three members of the committee shall constitute a quorum for the transaction of business. The Chief Financial Officer (CFO), other members of management and the external and internal auditors will attend meetings of the committee as may be required to provide information and to answer inquiries;
- The committee will reserve time to meet privately with each of the external and internal auditors at each of its regular meetings and, as necessary, with management. The committee will also meet privately with the appointed actuary annually at the meeting where the annual financial statements are approved to discuss these statements and the annual return filed by the actuary in accordance with the requirements of the Insurance Companies act (Canada);
- The chairperson of the committee or any member of the committee may call a special meeting of the committee with reasonable notice; and
- Notice of the time and place of every meeting shall be given in writing to each member of the committee at least 48 hours prior to the time fixed for such meeting.

ACCESS TO INFORMATION

The committee shall have access to any information, documents and records that are necessary in the performance of its duties and the discharge of its responsibilities.

FINANCIAL REPORTING

The Audit Committee will review with management and the external auditors:

- The appropriateness of the Company's accounting and financial reporting;
- Any significant changes to the Company's accounting and financial reporting as such changes are recommended by management or the external auditors;
- The accounting treatment of significant risks and uncertainties or significant business developments;
- Any material relevant proposed changes in accounting standards, policies or regulations;
- Key estimates and judgments of management that may be material to the Company's financial reporting;
- Significant auditing and financial reporting issues discussed during the fiscal period and the method of resolution;
- Review with management at least annually the approach and nature of financial information to be disclosed to rating agencies; and
- The report of the Company's disclosure committee.

The committee will review with management and the external auditors and approve or, if appropriate, recommend for approval by the board before the following information is disclosed to the public or regulators, as applicable:

- The annual audited consolidated financial statements, together with the report of the external auditors and the appointed actuary, of the appropriate companies;
- The annual MD&A and certifications provided by the CEO and CFO for Co-operators General;
- The annual earnings press release for Co-operators General;
- The interim unaudited consolidated financial statements of Co-operators General and accompanying MD&A and earnings press release;
- Other returns of the Company as the Superintendent of Financial Institutions for Canada may specify;
- Any prospectuses and registration statements; and
- Review and recommend for approval the Company's disclosure policy and the disclosure controls that have been adopted

by the Company to confirm that material information about the Company that is required to be disclosed under applicable law or stock exchange rules is disclosed on a timely basis.

OTHER REPORTING

- Review legal and regulatory matters that may have a material effect on the financial statements, related Company financial compliance policies and programs, and reports received from regulators;
- Receive periodic reports from management on current and potential litigation involving the Company that is out of the course of ordinary business;
- Receive periodic reports from management on the valuation of investments, goodwill and intangible assets;
- Review all external actuarial peer reviews of the Appointed Actuary's Report and Financial Condition Report prepared by external actuary. Approve external actuary engaged to perform peer reviews;
- Receive and approve the AIF; and
- Receive the annual reports of the appointed actuaries and statutory returns prepared by him/her.

INTERNAL CONTROLS

In overseeing the Company's internal control procedures and management's reporting on them, the committee will:

- Require the management of the Company to design, implement and maintain appropriate internal control procedures (including controls related to the prevention, identification and detection of fraud);
- Review, evaluate and approve the procedures noted above;
- As required, meet with the Vice-president, Audit Services and other management as required to discuss the effectiveness of the Company's internal control procedures and the status of identified control weaknesses;
- Review management's assessment of the operating effectiveness of the Company's internal controls over financial reporting contained in the interim and annual filings under applicable securities laws;
- Review certification on the review of internal control over financial reporting required under applicable securities laws;
- Review reports from management and the Chief Risk Officer as to the existence of any significant deficiencies and material weaknesses in the operation of the Company's internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and any fraud involving management or other employees who have a significant role in the Company's internal controls and any significant changes in internal control over financial reporting that are disclosed in regulatory filings;
- Review management's recommendations for rectifying such deficiencies and weaknesses and review, as appropriate, the implementation of such recommendations;
- Review, as required, correspondence relating to inquiries or investigation by regulators concerning internal controls;
- Review management's assurance reporting that controls and procedures are in place which confirms that the Company is in compliance with certain regulations and policies as described, and has appropriately filed documents and remitted amounts as required;
- Review such investments and transactions that could adversely affect the well-being of the Company as the internal auditor or any officer of the Company may bring to the attention of the committee; and
- Ensure procedures are established for the receipt and retention of and reasonable attempts to resolve complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential and anonymous submission from employees of the Company respecting accounting, auditing or internal control matters.

EXTERNAL AUDITORS

The external auditors report to the board and the Audit Committee. The committee has the authority to communicate directly with the external auditors. The committee shall evaluate and be responsible for the Company's relationship with the external auditors, including an assessment of their independence. Specifically, the committee will:

- Review and propose the approval of appointment, reappointment, remuneration or removal of the external auditor of the Company to the members, shareholders and policyholders as the case may be. In a year where the external audit is sent to proposal, the Audit Committee will play an active role in reviewing all audit firm proposals and will have the full and final responsibility for the selection of the external audit firm. The committee will also agree to the scope and terms of the audit engagement and approve the engagement letter;
- Periodically assess the auditor's continuing performance and qualifications;
- Perform a formal assessment of the external audit engagement at least once every 5 years;
- Review the terms of the external auditors engagement, the annual audit plan and the appropriateness and

reasonableness of the proposed audit fees and make recommendations to the board as appropriate;

- Satisfy itself that the audit plan is risk based and covers all relevant activities over an appropriate cycle and that the work of the external and internal auditors is coordinated;
- Review the scope and results of the audit conducted by the external auditors with the external auditors, the Vice-President, Audit Services and management, including:
    - The degree of cooperation the external auditors received from management; any problems experienced by the external auditors in conducting the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
    - The existence of problems or potential problems related to accounting and/or auditing matters and any accounting errors;
    - The appropriateness and quality of all critical accounting policies and practices used by the Company and the selection of new policies and practices (including those policies for which management is required to exercise discretion or judgment); and
    - Any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the external auditors preferred treatment, as well as any other material communications with management.
- Meet regularly with the external auditors without management present to review and ask the external auditors to report on any audit problems and difficulties including any significant disagreements, unresolved issues as well as management's response thereto and consultations with management, as well as any other matters the external auditors believe the committee should be aware of in order to exercise its responsibilities;
- Oversee the resolution of any disagreements between the external auditors and management;
- Review all material correspondence between the external auditors and management related to audit findings;
- Evaluate the external auditors' audit performance, taking into account management's evaluation of such performance;
- Review the reports of the external auditors;
- Establish criteria for the types of non-audit services that an external auditor can and cannot provide, including rules stipulating when advance approval by the Audit Committee is required for new contracts and will annually, review the procedures for approval of non-audit services by external auditors;
- Approve non-audit related services to be provided by the external auditor and consider proposals for specific non-audit assignments as required by the Procedures for Approval of Audit and Non-Audit Services by External Auditors;
- Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
- Require the external auditors to confirm annually, in writing, that they are independent in accordance with applicable independence rules; and
- Evaluate any concerns raised by OSFI or other stakeholders about the external auditors' independence. The committee shall be notified of the concerns the Company receives from its stakeholders, review the basis for the concerns and, in consultation with the external auditors and senior management, determine whether action is required to address them. The committee will oversee the implementation of any remediation plans.

INTERNAL AUDITORS

To provide for the independence of the Audit Services' department, the Vice-President, Audit Services will report functionally to the Audit Committee and administratively to the Executive Vice-President Finance and CFO of The Co-operators Group Limited. The Vice-President, Audit Services has the right of direct access to the CEO and the chair of the Audit Committee should the need arise. In overseeing the internal audit function, the committee will:

- Review periodically the Internal Audit charter, audit coverage, planned areas of audit focus, staffing/resources, and organizational structure of the internal audit function and, if appropriate, recommend changes;
- Review and approve the planned areas of audit focus and the annual audit plan;
- Review the reporting relationship and independence of the Vice-President, Audit Services and ensure there are no restrictions or limitations on the functioning of the Internal Audit department; in support of best practice, the Vice-President, Audit Services will confirm his/her independence annually;
- Review the quarterly report of the Vice-President, Audit Services, together with management's response to any identified weaknesses, including reports on internal controls over various risk categories;
- Review and concur on the replacement, reassignment, or dismissal of the Vice-President Audit Services; and
- Review the results of periodic Quality Assessment Reviews performed by Audit Services, including those conducted by an external party/validator at least once every 3 years.

OVERSIGHT OF THE CHIEF FINANCIAL OFFICER AND VICE-PRESIDENT, AUDIT SERVICES

The committee oversees the CFO and internal audit function in the Company. Specifically, the committee:

- Discusses with management (i.e., with the CEO and CFO respectively) the appointment of the CFO and Vice-President, Audit Services, and his or her compensation and other terms of employment;
- Approves the CFO's and Vice-President, Audit Services' mandate and annual budget;
- Holds periodic discussion with management on the performance of the CFO and Vice-President, Audit Services; and
- Through discussion with management, satisfies itself that succession plans are in place to ensure that a temporary replacement for the CFO or Vice-President, Audit Services will be available if needed and that a pool of qualified candidates exists for consideration for permanent appointment to the position.

AUTHORITY

The Audit Committee shall have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants, or others to assist in the conduct of any investigation. The chairperson of the committee will inform the Chairperson or, as appropriate, the Vice-Chairperson of the Board of Directors whenever such action is taken.

REPORTING TO THE BOARD OF DIRECTORS

- The committee will report on its actions and activities at the next meeting of The Co-operators Group's Board of Directors, making such recommendations to the board as it deems appropriate; and
- The committee will report annually on its composition and mandate to the members and shareholders of the Company through the AIF.

COMMITTEE DEVELOPMENT

- The committee will receive education and training as necessary to enable it to fulfill its mandate effectively. Not less than one day a year will be devoted to this activity;
- The committee will review these Terms of Reference annually to ensure their continued conformance with statutes, regulations and guidelines of regulatory bodies as may be applicable to the Company and with best practices of audit committees and will recommend any changes it deems necessary to the Board of Directors; and
- The Board of Directors will assess the committee's performance at such regular intervals as it deems appropriate for the assessment of board committees.

AUDIT COMMITTEE MEMBERS

The five members of the Audit Committee as of the date of this AIF are all independent and financially literate. Their qualifications and education are outlined below:

Emmet McGrath (Chairperson)

Emmet McGrath joined The Co-operators board in April 2013. He is the chairperson of the Audit Committee and also served on the recent CEO Search Committee in 2016. Previously, he served in the capacities of alternate delegate and delegate to The Co-operators representing Central 1 Credit Union from May 2011 to April 2013.

Emmet is currently a member of the board of Westminster Savings Credit Union and chairperson of their Audit and Risk Committee. He is also on the board of Central 1 Credit Union and is a member of the Audit and Finance Committee and Chair of the Risk Review and Investment and Loan Committee. Emmet is a director of UEX Corporation where he is chair of the Audit Committee.

Emmet is a Certified Professional Accountant; he has completed the Certified Director Designation from the Institute of Corporate Directors and the Credit Union Director Achievement Program.

Emmet held a career in public accounting for over 30 years and was partner at KPMG LLP for over 20 years; his most recent position was chief financial officer at Lincoln Mining Corporation.

Daniel Burns

Daniel Burns joined The Co-operators board in April 2007. He is a member of the Audit Committee and also served on the recent CEO Search committee in 2016. He was formerly the chairperson of the Sustainability and Conduct Review Committees and also served as a member of the Executive Committee. Previously, Daniel was a delegate to The Co-operators representing Central 1 Credit Union from May 2005 to April 2007.

Daniel serves as director of the Canadian Co-operative Association and is chairperson of the World Council of Credit Unions. He is also chair of the Canadian Central's National Legislative Affairs Committee. Daniel is the former chairperson of Central

1 Credit Union and Credit Union Central of Canada.

Daniel is a lawyer, accountant and entrepreneur. Daniel is the CEO of BNW Travel Management Ltd. Daniel is a member of the Law Society of British Columbia and the Certified Management Accountants and Chartered Professional Accountants of Ontario.

He is a graduate of the University of Western Ontario, receiving a Bachelor of Arts in Economics degree; University of British Columbia, Juris Doctor (Law); The University of Toronto, Master of Business Administration; and the University of St. Gallen, Switzerland, Executive Master of Business Administration and holds the Certified Director Designation from the Institute of Corporate Directors.

Gilles Colbert

Gilles Colbert joined The Co-operators board in April 2015 and is a member of the Audit Committee. Previously, Gilles served as a delegate to The Co-operators representing Credit Union Central of Saskatchewan (SaskCentral) from September 2012 to April 2015.

Gilles is currently on the board of directors of SaskCentral where he chairs the Audit and Risk Committee and is a delegate for Unity Credit Union.

Gilles was in the credit union system for 30 years. He was the General Manager at Unity Credit Union for 16 years prior to retirement in 2000.

Geri Kamenz

Geri Kamenz joined The Co-operators Board of Directors in April 2014. He is a member of the Audit Committee. Previously, Geri served in the capacities of alternate delegate and delegate to The Co-operators representing the Ontario Federation of Agriculture from June 2007 to April 2014.

Geri stepped down as chairperson of the Ontario Farm Products Marketing Commission effective December 31, 2016, having served in the position for over 8 years as the longest serving chairperson in the history of the Commission. Prior to that, he served as president of the Ontario Federation of Agriculture from 2006 - 2008.

Geri owns and operates a first generation multiple enterprise farm business. Geri was formally educated as an Aviation Engineering Technologist and pilot, having served in the Canadian Armed Forces and in commercial flying before pursuing a career in agriculture.

Jim Laverick

Jim Laverick joined The Co-operators Board in April 2011. He is a member of the Audit Committee and also served on the recent CEO Search Committee in 2016. He formerly served as a member of the Risk and Compensation, Executive and Investment Policy committees. Previously, Jim served as a delegate to The Co-operators representing United Farmers of Alberta (UFA) Co-operative Limited from May 2008 - April 2011.

Jim is on the board of Addenda Capital Inc., a subsidiary of The Co-operators. Jim has been a member of the UFA board of directors since 2008 and was chairperson from 2010 - 2014. He has also served as a director of the Canadian Co-operative Association along with several other co-operative boards.

Jim joined The Co-operators in 1970 and over a 38-year career held a variety of positions of increasing responsibility, retiring in June 2007 as Vice-President, Western Region. Jim holds a Chartered Life Underwriter designation.

PRE-APPROVAL POLICIES AND PROCEDURES FOR NON-AUDIT SERVICES

While it is recognized that the external auditor may have the necessary skills and expertise to provide non-audit services to Co-operators General, a policy has been designed to ensure that the provision of such non-audit services does not impair the auditor’s independence.

TAX SERVICES

It is expected that in normal circumstances the external auditor will be able to provide tax services to Co-operators General without impairing his or her independence. Accordingly, the Audit Committee may grant pre-approval to those tax services that have been historically provided by the external auditor and that are consistent with the Chartered Professional Accountants of Ontario (CPAO) rules on auditor independence, provided that the Audit Committee is satisfied that the service will not impair the auditor’s independence.

OTHER SERVICES

The Audit Committee may grant either specific or general pre-approval to those other services that it believes will not impair the independence of the auditor and that are consistent with the CPAO rules on independence.

Each year the Audit Committee will determine those services that may be provided over the course of the year by the external auditor and pre-approve those services. The term of any such pre-approval will be 12 months, unless in its decision the Committee specifically provides for a different period.

All requests for additional services to be provided by the external auditor will be submitted for pre-approval to the Audit Committee, if the service fee will exceed $200,000. The chairperson of the Audit Committee will be notified if the service fee will exceed $100,000. Notwithstanding the individual engagement approval limits, once total non-audit engagement fees are expected to exceed $500,000 in the aggregate for a particular calendar year, specific pre- approval must be obtained and a revised limit may be established at the Committee's discretion.

EXTERNAL AUDITOR SERVICE FEES

PricewaterhouseCoopers LLP is the auditor of Co-operators General.

Co-operators General's fees paid to PricewaterhouseCoopers LLP relating to services were as follows:

	2016	2015
Audit fees related to the audit year	**$819,158**	$797,600
Audit-related fees related to the audit year	**56,600**	41,300
Tax fees related to services rendered during the year	**-**	-
Other products and fees	**36,297**	38,132
Total	**$912,055**	$877,032

Audit-related fees:

- 2016 and 2015 fees are for translation services and project work.

Other fees:

- 2016 and 2015 amounts include fees for software used by insurers to complete regulatory returns, ancillary services related to income benefit replacement claims and business interruption claims and fees for external peer reviews of DCAT reports.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

In accordance with the requirements of applicable Canadian securities legislation, we have included the required information on all forms of compensation paid in respect of the individuals who were, at December 31, 2016, the CEO, the CFO and the three most highly compensated executive officers whose total salary and bonus was in excess of $150,000 per annum. These executive officers are referred to as the Named Executive Officers (NEOs).

The NEOs and other senior officers of the Company are employed and compensated by Co-operators General's ultimate parent CGL. Subsidiaries of CGL, including CGIC and its subsidiaries, pay a management fee to CGL for the services of these senior officers as well as other management and administration services. The Inter-company Services Agreement for management fees is discussed in the *Material Contracts* section.

Compensation amounts noted in this section are gross amounts paid to NEOs and not directly attributable to services rendered to Co-operators General. In 2016 60.9% (2015 - 67.9%, 2014 - 68.6%) of the amounts allocated to CGL's subsidiaries was attributed to Co-operators General for services rendered by Robert Wesseling, Kathy Bardswick, Bruce West, Carol Poulsen and Paul Hanna. For Rick McCombie and Robert Wesseling (the amounts related to his previous position), 100% of amounts allocated to CGL subsidiaries was attributed to Co-operators General. Refer to the Inter-company Services Agreement discussed in the *Material Contracts* section for details.

Co-operators General's publicly listed shares are preferred shares. The market price of these shares varies primarily with market interest rates, not the performance of the Company, except to the degree that the Company performance affects its credit quality. Because of the nature of its publicly listed shares, Co-operators General does not use its shares, share options, or other share-based compensation methods to compensate its senior officers.

COMPENSATION APPROACH

The executive compensation program is designed to reward both short-term and long-term performance. The compensation program is aligned with our business strategy, mission, vision and values. In addition, the program balances our co-operative nature with the desire to be competitive within the insurance industry. The program is aligned with our long term strategic focus.

The approach adopted for the compensation program is to pay at market-median for similar positions within insurance companies and financial institutions for executive positions other than the CEO. In the case of the CEO, dependent on the incumbent's experience and achievements, total cash compensation when target performance is achieved will fall between the 40th and 60th percentile of the amount paid for similar positions by competitor insurance companies and like-sized co-operative organizations in Canada. This is accomplished by conducting benchmark reviews for base salary and incentive pay using survey data which is published on an annual basis and conducting custom surveys as required.

The Risk and Compensation Committee assists the board in meeting its obligations respecting CEO compensation. The Committee develops for the board's approval and administers the CEO Compensation Plan.

Annually, the committee recommends for the board's approval:

- Any adjustment to the CEO's base salary;
- Targets and strategic initiatives for inclusion in the CEO's short-term incentive plan;
- Targets for inclusion in the CEO's long-term incentive plan for the following three years; and
- Payments due under the CEO's short-term and long-term incentive plans.

The CEO is responsible for determining the compensation of the executive officers. The Risk and Compensation Committee retains the right to oversee the compensation of senior management in conjunction with the CEO. There were no items on which the Risk and Compensation Committee dissented with respect to the CEO's compensation or the compensation of executive officers of the Company in 2016.

COMPENSATION PHILOSOPHY

CGL's compensation philosophy is aligned with the overall strategic business plan and encompasses the following criteria:

- Attract and retain executives with the skills and vision needed to lead the Company to success;
- Ensure that the executive's leadership is consistent with the Company's business strategy and its mission, vision and values;
- Promote a pay-for-performance culture in which superior performance results in superior rewards and below- target performance results in lower or no rewards;
- Motivate executives to strive equally for the Company's operational soundness, its financial success and its long- term sustainability;
- Encourage executives to take risks that are commensurate with the Company's risk appetite and key to the execution of its strategy;
- Provide executives with a market-competitive compensation plan, including salary, incentives, benefits and perquisites, while maintaining reasonable equity and consistency with the compensation provided to the Company's other executives and employees; and
- Provide an income and continuing benefits, commensurate with his or her years of service, upon the executive's retirement from the Company.

In addition, the compensation program is based on a balanced scorecard approach and compensation decisions at The Co-operators are guided by these core principles:

- Total cash compensation when target performance is achieved will be at or near the 50th percentile of the amount paid for similar positions by competitor insurance companies and like-sized co-operatives;
- A significant portion of the executives' total compensation is at risk and depends on the Company's short-term and long-term performance;
- Where appropriate, performance may be assessed in relation to the competition and to the degree of risk the Company assumes in seeking results;
- Annual base salary increase are in line with the average market adjustment awarded to the Company's other executives and employees;
- Short-term incentives are meant to encourage and reward the achievement of the company's annual objectives. They are payable only if a minimum financial-performance threshold is met;
- Long-term incentives serve as a retention vehicle and encourage the alignment of the CEO's/executives' interest with the Company's long-term performance against its strategic goals;
- Perquisites provided to the executives are modest in kind and nature; and

- Retirement benefits offered reflect base salary and years of service, without consideration for variable compensation paid.

The following describes the different compensation components, which together provide compensation packages that meet the objectives of the company's compensation philosophy:

1. Base Salary - market-competitive fixed rate of pay to attract and retain executives with experience, competencies and skills required to achieve strategic and organizational goals.
2. Short-term Incentive Plan (STIP) - annual cash reward with target awards established as a percentage of base salary or eligible earnings to motivate executives to achieve superior short-term organizational and individual performance through corporate, business unit and individual goals.
3. Long-term Incentive Plan (LTIP) - annual cash reward with target awards established as a percentage of base salary or eligible earnings based on our success in achieving long-term targets. The plan incorporates financial and market performance, as well as a more holistic assessment of the health of the organization through employee and member engagement.
4. Pension Plan - the pension plan is designed to provide the NEOs with competitive benefits and a retirement income, in order to attract and retain executives with the experience, competencies and skills required to achieve strategic and organizational goals.

ORGANIZATION CULTURE AND BENCHMARKING

The Co-operators is an organization that takes a conservative approach to pay. We provide financial security to our employees through our pay program and our pension program as well as protection for their health and well-being with our benefits programs. Pay is one component of the employee value proposition. Our approach for all positions is to benchmark against insurance companies for core insurance roles including management and support roles and to benchmark against all industries for non-core insurance roles.

BASE SALARY

The Company has adopted a traditional pay-for-performance system, integrating its base pay salaries with individual performance. For executives other than the CEO, salary ranges are designed such that a successful performer meets the market-median with high performers having an opportunity to exceed the market depending on their level of performance. In the case of the CEO, base salary is viewed as a component of the total compensation package as discussed in the *Compensation Philosophy* section above. When determining base salaries the goal is to keep the Company from underpaying and risk losing talent to competitors, and overpaying and wasting investment dollars. The actual position in the salary range is based on individual levels of contribution and performance. Movement within a salary range is the result of an assessment of contribution, performance, skills, competencies and potential. These assessments will normally take place once a year and, together with market adjustment, help management decide how quickly to move employees through the scale. Salary increases are linked to our performance management plan and measurable outcomes of individual contribution and performance.

BENCHMARKING

Multiple surveys are completed and analyzed on a regular basis for base salary and annual incentive pay. The data to benchmark against is available, stable and comparable to our industry. Criteria for benchmarking include insurance and financial services industry participants with operations in Canada that are reasonably similar in size, in terms of revenue. In addition, for the CEO, the criteria includes co-operatives with operations within Canada. We review our benchmark positions, as determined by the board from time to time to ensure we maintain our competitive position in the market.

Regular participants of surveys that we participate in within the insurance, financial services and co-operative industries for the CEO and NEOs are:

AEGON Canada ULC	Allstate Insurance Company of Canada
Aviva Canada	Desjardins General Insurance Group
Economical Mutual Insurance Company	E-L Financial Corp. Ltd.
Industrial Alliance Insurance and Financial Services, Inc.	Intact Financial Corporation
Northbridge General Insurance Company	Royal & SunAlliance Canada Group
Travelers Insurance Company of Canada	Wawanesa Mutual Insurance Company
Agropur Cooperative	Central 1 Credit Union
Coast Capital Savings Credit Union	Federated Co-operatives Limited

La Co-opérative Fédérée de Québec	Servus Credit Union Limited
United Farmers of Alberta Co-operative Ltd.	Vancouver City Savings Credit Union

COMPENSATION GOVERNANCE

The Risk and Compensation Committee acts on behalf of the board for compensation matters. For a list of the independent Risk and Compensation Committee members refer to *Corporate Governance* section. A report is presented annually to the board by the Senior Vice-President Human Resources and Workplace Services which includes information on compensation, staffing complement, benefits, employee training, expenses related to compensation and long-term costs of benefits related to staffing.

The Risk and Compensation Committee balances both financial and non-financial measures and short-term and long-term incentive plan rewards to manage the compensation risk for bonuses which are contingent on profits. In addition, all short-term and long-term incentive plans across The Co-operators group of companies have the same type of balance. Incentive plan awards are also constrained by a maximum payout limit.

SUMMARY COMPENSATION

Name and principal position	Year	Salary[1]	Share-based and option-based awards[2]	Non-equity incentive plan compensation: Annual incentive plans[3]	Non-equity incentive plan compensation: Long-term incentive plans[3]	Pension value	All other compensation[4]	Total compensation
Robert Wesseling President and Chief Executive Officer[5,6]	2016	388,223	-	174,747	210,966	946,450	-	1,720,387
	2015	373,692	-	242,422	138,180	82,394	-	836,688
	2014	330,342	-	159,680	96,265	96,150	-	682,437
Kathy Bardswick President and Chief Executive Officer[5,6]	2016	676,260	-	384,310	500,111	127,510	-	1,688,191
	2015	686,272	-	479,349	326,859	112,170	-	1,604,650
	2014	620,000	-	446,382	242,645	291,930	-	1,600,957
Bruce West Executive Vice-President Finance and CFO	2016	405,846	-	219,870	210,086	98,350	-	934,152
	2015	412,308	-	286,094	152,402	88,194	-	938,998
	2014	362,938	-	253,155	105,823	115,850	-	837,766
Carol Poulsen Executive Vice-President and Chief Information Officer	2016	381,072	-	195,680	197,262	84,050	-	858,064
	2015	385,169	-	267,258	142,368	94,494	-	889,289
	2014	344,800	-	240,349	100,469	80,550	-	766,168
Rick McCombie Executive Vice-President, Chief Client Officer	2016	363,825	-	170,456	188,334	64,110	-	786,725
	2015	361,423	-	252,061	133,606	69,870	-	816,960
	2014	322,280	-	201,991	93,911	88,930	-	707,112
Paul Hanna Executive Vice-President, Member Relations, Governance and Corporate Services	2016	260,980	-	141,387	135,096	183,150	-	720,614
	2015	234,045	-	160,284	79,777	247,594	-	721,700
	2014	160,678	-	98,092	23,412	32,451	-	314,632

[1] Salary represents the amount paid in the year. In 2014, CGL moved from a semi-monthly payroll system to a bi-weekly payroll system which resulted in the last pay of the year falling into the first period of the following year (2015).

[2] NEOs are not compensated using either share-based or option-based awards.

[3] Representing amounts earned in the year and paid in a subsequent year.

[4] The aggregate amount for the year is less than $50,000 and 10% of total salary and bonus for all NEOs in all periods. This includes benefits and perquisites discussed below.

[5] The CEO is not compensated for services as a director.

[6] Effective November 30, 2016, Kathy Bardswick retired. On December 1, 2016, Robert Wesseling was appointed as President and CEO.

INCENTIVE PLAN REWARDS

Annual incentive plan payouts of the Executive Officers, including the CEO, are based on the achievement of certain overall profitability targets, as well as other strategic targets, of the company and certain personal objectives set each year.

SHORT-TERM INCENTIVE PLAN

To reinforce the pay for performance philosophy, the CEO and Executive Officers' compensation is supplemented with a bonus plan. This plan demonstrates our commitment to delivering competitive, performance-driven compensation and provides the opportunity to increase monetary rewards based on the measures described below.

The STIP is based on a 30% weighting for net income measures, a 30% weighting for growth measures and a 40% weighting for strategic measures. Strategic and other individual goals are predetermined annually with the CEO for the Executive Officers' plans, or with the Board of Directors for the CEO's plan.

The following summarizes the measures and the weighting for the NEOs' STIP.

Measures	Robert Wesseling Kathy Bardswick Bruce West Carol Poulsen Paul Hanna	Rick McCombie	Robert Wesseling[1]
Net Income			
CGL net income after-tax compared to annual plan	30%	20%	20%
CGIC and certain subsidiaries and affiliates net income after-tax compared to annual plan	-	10%	-
CGL combined P&C Operations net income after-tax compared to annual plan	-	-	10%
Total net income measures	30%	30%	30%
Growth			
CGL revenue growth compared to annual plan	15%	15%	15%
Client growth of CGIC and certain subsidiaries and affiliates compared to annual plan	15%	15%	15%
Total growth measures	30%	30%	30%
Strategic measures			
Strategic initiatives and other individual goals	40%	40%	40%
Total strategic and other goals measures	40%	40%	40%

[1] STIP measures based on the NEO role held until November 30th, 2016.

The STIP provides a target opportunity of 50% of base salary for the CEO and 40% of eligible earnings for Executive Officers. The CEO can earn up to 1.6 times the target STIP and Executive Officers can earn up to two times the target STIP amount based on over performance against the objectives. Similarly a sliding scale is used when calculating the STIP in underperforming years. All amounts are paid annually in cash subject to approval.

The 2016 STIP payout ranges percentage of base salary for NEOs were as follows:

	STIP payout ranges		
Name	Minimum	Target	Maximum
Robert Wesseling	0%	50%	80%
Robert Wesseling[1]	0%	40%	80%
Kathy Bardswick	0%	50%	80%
Bruce West	0%	40%	80%
Carol Poulsen	0%	40%	80%
Rick McCombie	0%	40%	80%
Paul Hanna	0%	40%	80%

[1] STIP measures based on the NEO role held until November 30th, 2016.

The following table provides the STIP payout for each NEO based on 2016 results, which is paid in 2017 as a onetime sum:

Name	2016 STIP target[1] $	2016 STIP Company financial result[2] (%)	2016 STIP result (60% financial 40% non-financial) (%)	2016 total STIP ($)
Robert Wesseling	22,542	131.5%	118.9%	26,804
Robert Wesseling[3]	137,256	121.0%	107.8%	147,943
Kathy Bardswick	338,130	131.5%	113.7%	384,310
Bruce West	162,338	131.5%	135.4%	219,870
Carol Poulsen	152,429	131.5%	128.4%	195,680
Rick McCombie	145,530	125.4%	117.1%	170,456
Paul Hanna	104,392	131.5%	135.4%	141,387

[1] CEO STIP target calculated as base salary times target payout percentage. For all other NEOs, the 2016 target is calculated based on the 2016 eligible earnings times the target payout.

[2] The Company financial result percentage is dependent on the individual's involvement with specific companies within CGL as well as the CGL's consolidated results.

[3] STIP payout based on the NEO role held until November 30th, 2016.

Overall, 2016 is an over performing year as financial measures exceeded targets.

LONG-TERM INCENTIVE PLAN

To reinforce the pay for performance philosophy, compensation for Executive Officers is supplemented with a LTIP. This plan demonstrates our commitment to delivering competitive, performance driven compensation and provides the opportunity to increase compensation based on financial results, market share and CGL member and employee engagement over a three year period. LTIP payouts are based on our success in achieving long-term targets. The LTIP rewards are determined based on the following allocations:

Factors	Weight
1 - Retained earnings growth[1]	35%
2 - Employee engagement[2]	20%
3 - CGL member engagement[3]	15%
4 - Market share growth[4]	30%
Total financial measures	100%

[1] CGL retained earnings growth over a three year period.

[2] CGL combined employee engagement score averaged over a three year period.

[3] CGL member engagement is determined over a three year period. For the periods during which one survey is completed, only one score is used. For the periods during which two surveys are completed, an average score is used.

[4] Market share growth is over a three year period for CGL's P&C Operations' direct written premium and certain CLIC product lines.

The amounts are determined with reference to actual targeted numbers and are not subjective.

The CEO's LTIP provides a target opportunity of up to 50% (2015 - 45%, 2014 - 40%) of base salary. Other NEOs have a target opportunity of earning LTIP payouts of up to 35% (2015 - 35%, 2014 - 30%) of eligible earnings. The CEO and Executive Officers can earn up to two times the target LTIP amount based on over performance against the objectives. All amounts are paid annually in cash subject to approval from the Board of Directors' year-end review.

The following table provides the LTIP payout for each NEO based on 2016 results, which is paid in 2017 as a one- time sum:

Name	2016 LTIP target[1] $	2016 LTIP company financial result (%)	2016 total LTIP ($)
Robert Wesseling	22,542	147.9%	33,340
Robert Wesseling[2]	120,099		177,626
Kathy Bardswick	338,130		500,111
Bruce West	142,046		210,086
Carol Poulsen	133,375		197,262
Rick McCombie	127,339		188,334
Paul Hanna	91,343		135,096

[1] CEO LTIP target calculated as base salary target payout percentage. For all other NEOs, the 2016 target is calculated based on the 2016 eligible earnings times the target payout.

[2] LTIP payout based on the NEO role held until November 30th, 2016.

Overall, the result of the LTIP calculation in 2016 is over performing as all factors exceeded our targets.

BENEFITS AND PERQUISITES

The CEO and executive officers also receive group health coverage such as medical, dental, group life insurance and disability income replacement coverage that is extended to all staff, as well as other benefits normally commensurate with their position such as a company vehicle.

PENSION PLAN BENEFITS

Pension plans for the NEOs are comprised of a defined contribution plan provided to all employees and a Supplementary Executive Retirement Plan which is a defined benefit plan that tops-up the defined contribution plan to a calculated amount based on years of service and earnings. The annual pension of NEOs is equal to 2 percent of their final average earnings times credited years of service, to a maximum of 35 years. If retirement occurs before age 60, the amount is reduced by 5 percent for each year prior to 60. Final average earnings of an eligible person is equal to their average base salary over their highest earning 36 consecutive calendar months in their last ten years of pensionable service.

Below are the tables describing the defined benefit plan and the defined contribution plan:

DEFINED BENEFIT PLAN

Name	Number of years of credited service	Annual Benefits Payable At year end	At age 65	Opening present value of defined benefit obligation[1]	Compensatory change [2]	Non-compensatory change [3]	Closing present value of defined benefit obligation[4]
		$	$	$	$	$	$
Robert Wesseling	19.9	133,303	190,607	1,187,000	932,000	165,800	2,284,800
Kathy Bardswick	39.0	378,519	353,865	6,020,400	101,500	468,900	6,590,800
Bruce West	9.5	51,436	75,175	727,700	83,900	28,600	840,200
Carol Poulsen	5.2	25,615	62,084	363,200	69,600	14,700	447,500
Rick McCombie	37.0	124,140	112,350	1,964,100	38,100	(37,400)	1,964,800
Paul Hanna	14.0	38,355	64,194	419,400	168,700	145,800	733,900

[1] The accrued obligation at the start of the year is the value of the projected pension earned for service to December 31, 2015. The values have been determined on the 2015 actual earnings adjusted to reflect expected increases in pensionable earnings using the same actuarial assumptions used for determining the pension plan obligation at December 31, 2016. See the below chart for both 2016 and 2015 assumptions.

[2] Includes the service cost net of the NEOs' contributions, plus plan changes and differences between actual and estimated earnings.

[3] Includes the impact of the NEOs contributions, interest on the present value of the defined benefit obligation at the start of the year and any other experience gains and losses.

[4] The present value of the defined obligation at the end of the year is the value of the projected pension earned for service to December 31, 2016. The values have been determined based on the 2016 actual earnings adjusted to reflect expected increases in pensionable earnings, using the same actuarial assumptions used for determining the pension plan obligation at December 31, 2016. See the below chart for both 2016 and 2015 assumptions.

Significant assumptions for NEOs' SERP	**2016**	2015
Accrued benefit obligation as of December 31		
Discount rate	**4.00%**	4.00%
Assumed rate of salary escalation	**3.50%**	3.50%
Mortality		
Retiring at the end of the reporting period:		
- Average life expectancy for male retiring at age 65	**23.0 - 21.5**	22.9 - 21.4
- Average life expectancy for female retiring at age 65	**25.0 - 23.9**	24.9 - 23.9
Retiring 20 years after the end of the reporting period:		
- Average life expectancy for male retiring at age 65	**24.1 - 22.5**	24.1 - 22.5
- Average life expectancy for female retiring at age 65	**25.9 - 24.9**	25.9 - 24.9

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics.

Measurement uncertainty exists in valuing the components of the SERP. Each assumption is determined by management based on current market conditions and experiential information available at the time, however, the long-term nature of the exposure and future fluctuations in the actual results makes the valuation uncertain.

DEFINED CONTRIBUTION PLAN

Name	Accumulated value at start of year $	Compensatory [1] $	Accumulated value at year end[2] $
Robert Wesseling	568,913	14,450	673,392
Kathy Bardswick	1,229,294	26,010	1,295,669
Bruce West	283,038	14,450	347,002
Carol Poulsen	126,059	14,450	167,250
Rick McCombie	1,672,594	26,010	1,922,355
Paul Hanna	583,897	14,450	656,277

[1] Compensatory includes employer contributions and above-market or preferential earnings credited on employer and employee contributions. Above-market or preferential earnings applies to non-registered plans and means a rate greater than the rate ordinarily paid by the CGL or its subsidiaries on securities or other obligations having the same or similar features issued to third parties.

[2] Accumulated value at year end is determined by the sum of accumulated value at start of year, compensatory and noncompensatory amounts.

TERMINATION AND CHANGE OF CONTROL BENEFITS

CGL and the CEO entered into an employment contract, effective December 1, 2016.

The employment contract commits control and management of CGL and its subsidiaries to the CEO. The compensation of the CEO is described above. The employment contract also specifies a termination allowance equal to two times annual base salary, if the CEO was not terminated for cause.

The CEO has the right on a change of control to treat it as a without cause termination.

There are no employment contracts or change of control provisions in place for any other NEOs.

DIRECTOR COMPENSATION

Compensation of directors is described in Corporate Governance – Director Compensation.

ADDITIONAL INFORMATION

Additional information about Co-operators General may be found on www.sedar.com including our 2016 Management's Discussion & Analysis and the 2016 audited annual consolidated financial statements.