

## Agenda Item One: Chairman's Letter

20th June 2016

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It's a privilege to extend a warm Bermudafull welcome to the friends and shareholders of First Monetary Mutual Limited as we gather at our thirty-first Annual meeting of this organization.

Over the past year, I have had the opportunity to familiarize myself with the mechanics and inner workings of this captive, to become better acquainted with the people who have long stood behind it, and to more fully appreciate the value of the efforts placed on keeping it going and making it better. I'm a far more capable advocate of the First Monetary cause this year than last as a result.

A casual observer will note that FM sustained a loss this past year. I can report that the financial loss was manageable, anticipated and in accordance with our business plan.

An examination beyond financial results reveals FM was affected by multiple factors beyond its control during the past several years. The first of such was the 2008 financial crisis that accelerated industry consolidation and adversely impacted FM's overall Membership. Next, the low interest rate environment compressed spreads and reduced investment earnings. Finally, a stroke of the pen regulatory action in 2013 forced FM to exit the PMI reinsurance line of business - significantly impacting gross written premiums.

The impact of one of these events could have been damaging; the combination of all three could have been disastrous. First Monetary survived this perfect storm by maintaining its timeless conservative underwriting, operational excellence, and product leadership.



Smooth renewals of the company's annual D&O reinsurance treaty inclusive of the innovative IAP exposure extensions are the order of the day. They epitomize the comfortable working relationship FM shares with its overseas friends at Lloyds of London. In short, I'm very pleased to announce that the strategic initiatives we've instituted over the past two years provided FM a lifeline during this watershed period.

Building on immediate past Chairman Richard Meares' insights from last year, it remains for us as a group to define the directives and direction FM pursues coming out of this meeting. In parting, I can report that First Monetary retains the operational wherewithal to carry them out and carry them forward.

Our President and the rest of the Monetary Team will verse you on all the particulars in the course of the shareholder meeting. I'm sure that the plan they will outline for you is one you'll wholeheartedly support.

My thanks go out to our President and fellow Directors for their counsel and cooperation in an ongoing realignment effort, and to you for your faith and confidence. Our successes could not have been achieved without them.

Sincerely,

A handwritten signature in blue ink, which appears to read "Fred Schea". The signature is fluid and cursive.

Mr. Frederick E. Schea  
Chairman, First Monetary Mutual Limited  
Director, Penn Community Bank