



Red River
Mutual



Foundations for Success

2017 ANNUAL REPORT

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Foundations for Success



Red River Mutual believes everyone has a right to feel safe and protected and to know that someone is looking out for them – while they're watching out for others. With nearly 65,000 policyholders with homes, farms and businesses all the way from Thunder Bay to the Rockies, Red River Mutual is committed to providing competitive insurance products that meet the changing needs of Canadians.

As a company, we know that it's the people we protect that matter most. That's why we've strived to be a positive force in the lives of our customers and their communities since 1875.



■ Head Office located at 245 Centre Ave. E | Altona, Manitoba



■ Regional Office located at 2445 Pembina Hwy. | Winnipeg, Manitoba

Going the Distance

Whether it be through major sponsorships or supporting staff-initiated charitable efforts, Red River Mutual is committed to being a positive force in the lives of our customers and our communities.

2017 Manitoba Dragon Boat Festival

On the weekend of September 9, Red River Mutual employees joined forces with MIG Insurance to raise funds and help support Manitoba kids living with cancer by paddling in the 2017 Manitoba Dragon Boat Festival, held annually in Winnipeg, MB.

Together, team 'MIG Force' raised over \$12,000 for CancerCare Manitoba and the Children's Hospital Foundation.

Sunshine Fund Community BBQ

On July 14, Red River Mutual employees hosted a community barbecue in support of the Manitoba Camping Association's Sunshine Fund. Staff generously donated their time to provide a hot dog lunch outside Red River Mutual's head office in Altona in exchange for a small donation to the cause.

The funds raised stayed in Manitoba and helped the Manitoba Camping Association send 587 deserving Manitoba children to summer camp in 2017.

BIG Bike Ride for Heart and Stroke

On September 20, Red River Mutual was proud to support the Heart and Stroke Foundation by participating in the BIG Bike Ride for Heart and Stroke around the beautiful town of Altona, raising a total of \$6,000 for heart disease and stroke research across Canada.

All funds raised through the BIG Bike Ride were invested in research and education programs that will empower Canadians to make positive changes to prevent disease, save lives at the moment a health emergency strikes and promote recovery, where and when it's needed.



■ Red River Mutual staff host a community BBQ in support of the Manitoba Camping Association's Sunshine Fund.

Looking to The Future



Message from the Board of Directors

The theme for this year's Annual Report is "Foundations for Success". One of the most important foundations for any successful company is its people.

First and foremost, the Board of Directors would like to thank the entire Red River Mutual team, along with our brokers, policyholders and business partners, for helping make 2017 another great year.

One of the most important responsibilities a Board has to its company is to hire a talented CEO. A decade ago, the Board hired Brian Esau to take the reins as President & CEO of Red River Mutual and under his leadership the company has flourished. Although it seems like just yesterday, this year we recognize Brian for 10 years of service to Red River Mutual.

We are very pleased to report that, for the second consecutive year, 2017 was a record year for Red River Mutual. Strong underwriting results, combined with solid investment returns resulted in net income of \$11.7 million. 2017 also marked the year that Red River Mutual became a \$100 million-plus company, with gross premiums written of \$105 million, supporting


a strong financial footing from which to move forward.

For the last number of years, we have stressed the importance of our investment in technology – the most significant of these investments being the Guidewire InsuranceSuite™. Our commitment to this new platform stems from our desire to adapt to the way our brokers and policyholders want to conduct business with our company now and into the future.

Brokers and policyholders have higher expectations of technology than ever before and the future of insurance transactions will be increasingly driven by that technology. The effective implementation of new processes plays a critical role in the success of any organization and is the reason that the Guidewire InsuranceSuite™ has been one of the main areas of focus for our company in recent years.

As a Board that represents nearly 65,000 policyholders across the prairies and neighbouring provinces, we take our commitment to people, technology and innovation very seriously. It is our belief that the Board of Directors, together with our staff and Senior Leadership Team, have formulated a strategic direction that will sustain Red River Mutual as we look towards a new phase of operations.

As just one example, the Board and Senior Leadership Team have worked to develop and adopt new *Purpose* and *Vision* statements for our Company that will guide us as we strive to be "the insurance provider that Canadians love talking with" and to "be a positive force in the community and the lives of our customers".



Another key role of the Board is to provide direction and oversight to the overall goals, strategy and financial health of the company. As directors, we take our responsibility of overseeing this mutual company seriously and are continually looking to strengthen the organization. To that end, the Board of Directors engaged an outside party to conduct a Board evaluation in 2017, which resulted in changes being made to our committee structure and a small number of processes – all with the goals of Board efficiency and effectiveness top of mind.

Finally, as my term as a director and Board Chair comes to an end, I would like to take a moment to say how much I have enjoyed working in this dynamic industry together with all of you – fellow Board members; Brian Esau and his Executive Assistant, Kim Batchelor; the company's Senior Leadership Team; Red River Mutual staff; our brokers; and our many business partners – it has been a pleasure getting to know you and I wish you all much continued success in the future.

Submitted on behalf of the Board of Directors,



Ray Loewen,
Board Chair

Looking to The Future

The Board of Directors



■ Ray **Loewen**



■ Garth **Reimer**



■ Darrel **Penner**



■ Catherine **Kloefer**



■ Monique **Vielfaure Mackenzie**



■ Dr. Sylvie **Albert**



■ Frank **Friesen**



■ Heidi **Reimer-Epp**



■ John **Unger**

Positioned for Growth



Message from the President & CEO

We are pleased to present the 2017 Annual Report to our brokers and policyholders. This year's theme is 'Foundations for Success', which describes our collective efforts over the previous year rather well.

The first *Foundation for our Success* to report on is our financial position. We ended the year with 5.5% growth, bringing our gross premiums written to \$105 million, a significant milestone for Red River Mutual. Very strong underwriting performance generated an underwriting profit of \$11.2 million and a net income of \$11.7 million, after accounting for investment income and income taxes. These financial results place our company in a strong equity position of \$84.1 million, a firm foundation from which to withstand adverse weather events and to invest in our future.

Currently, Manitoba represents nearly 90% of our business across the prairies and 12% of the market share in the province. While this has been a successful strategy for Red River Mutual, geographic distribution is important for our long-term success and, to that end, we are now licensed to write business from Ontario to British Columbia.

The second *Foundation for our Success* to recognize is our investment in technology. Insurance is changing in a number of key areas, including how our policyholders choose to buy insurance and how data science will

impact the discipline of risk selection and pricing. These and other changes require a state of the art technology platform to compete in a rapidly changing landscape. The last three years have seen us make significant investments in technology that are situating our company well for future growth.

The third and final *Foundation for our Success* is our newly adopted *Purpose* and *Vision* statements. These statements are supported with a value set that acknowledges the principle by which our decisions are made – our customers come first. Our company's origin was the impetus behind this focus and the recognition that a small community of new immigrants, sharing in the potential loss of others and caring for their own financial security, is still the very essence of Red River Mutual and our policyholder community.

Our purpose, "to be a positive force in the community and the lives of our customers", speaks to our drive to provide our policyholders with the right insurance products for their needs. By enabling our broker partners with product education, providing policyholders with loss prevention information

and inspections, and through staff volunteering and corporate donations, our goal is to support and be a part of the communities we protect.

Our vision is to be "the insurance provider Canadians love talking with". Whether we are speaking with our broker partners, claimants, or policyholders, we aspire to be different than other insurance companies and for others to know that we have their backs – whenever they need us.

Much has been accomplished in the last 12 months and our Board, management and staff are pressing on to ensure our company is well positioned for even greater success in the future.

Finally, I wish to acknowledge Ray Loewen who, for the last 9 years, has served as Red River Mutual's Board Chair and whose counsel and support has been invaluable to myself and the company.

Brian Esau
President & CEO

Insurance Protection Since 1875



At Red River Mutual, we are committed to providing quality products and service to all our policyholders so everyone can enjoy 'peace of mind', knowing that Red River Mutual will be there when you need us.

Residential Insurance

With the pilot launch of the Guidewire InsuranceSuite™ for new residential business in May, training and technology were at the forefront for Residential Underwriting in 2017. Underwriter training on the new system was coupled with a focus on insurance knowledge in an effort to provide our customers with the best service possible.

The restructuring of the department into two larger underwriting teams has allowed Red River Mutual to continue to serve our residential brokers — and ultimately, our policyholders more efficiently.

Farm Insurance

At Red River Mutual, we live in farm country. This provides us with the expertise to create customized farm policies for any size operation.

Whether yours is a small mixed farm, a livestock operation, or a large grain and oilseed farm, Red River Mutual has products for every type of operator.

In 2017, Red River Mutual established Farm Underwriting as its own department, unifying residential farm underwriting and commercial farm underwriting under one area of focus. Marc Lahaie was brought on to lead the team as our Farm Lines Manager and we are confident that these changes will go a long way in ensuring consistency in how farm policies are underwritten and serviced by our company.

At the center of the department in 2017, was a comprehensive review of product offerings and a commitment to growing our farm underwriting team in an effort to increase the ease of doing business with Red River Mutual.

Commercial Insurance

Ensuring a strong foundation for growth was at the center of Commercial Underwriting in 2017. In late 2016, Christina Masters was hired to guide the department as our new Commercial Lines Manager. With profitable growth in mind, the department established a number of key partnerships between brokers and underwriters.

In the coming year, Red River Mutual's commercial policyholders can expect the introduction of new commercial product offerings that will help Red River Mutual remain competitive in the commercial insurance market.



■ 2017 brought changes and growth to all three lines of business at Red River Mutual.



The Red River Mutual Trail



Rekindle your love for winter! Strap on your skates, skis or snowshoes, and we'll see you on the Red River Mutual Trail!

Red River Mutual is the proud title sponsor of the Red River Mutual Trail. Starting at The Forks Heritage Site in the heart of the city, the direction, timing and length of the Red River Mutual Trail changes every year. Initially hand-shoveled, it takes about three weeks to process before it can be used by skaters and trail walkers.

Every year, the Red River Mutual Trail provides Manitobans with a unique opportunity to get outside during the cold winter months and reconnect — not only with nature — but with their neighbours as well. Though the 2017 season was the shortest since 2008, open for a total of 33 days, the Trail extended to 5.2 km in length and reached all the way up the Assiniboine River to the Hugo Street Docks for the first time in three years.

Warming Hut '6043.'

In 2015, Red River Mutual partnered with Kelvin High School to create the warming hut '6043' which was designed and built by Kelvin High School students. 2017 saw the final season of the original hut, inspired by the CNR steam locomotive 6043, located at Assiniboine Park.

In 2018, the remodeled hut 'CN 6043' will make its official debut with the original design, this time built by the hand of contractor Dustin Brown who primarily used sustainable materials for the job.



The Value of the Independent Broker



Red River Mutual is represented by brokers from Ontario to Saskatchewan and we work diligently to nurture positive, enduring relationships with our partners so that we can continue to work to serve our customers more effectively than ever.

Benefits to our Policyholders

For policyholders, the independent insurance broker means personal accessibility.

- One size does not fit all when it comes to insurance – an independent insurance broker can help uncover all of your insurance needs.
- Brokers live in the communities they serve, providing in-person access and advice. When you buy insurance through a broker, you support employment in your community. Most brokers are active community supporters and make their cities and towns better places to live.
- In the unfortunate event of a loss, a local broker can assist you in working through the claim process. It's the difference between personal assistance and dialing a 1-800 number.

Benefits to our Company

Red River Mutual has a deep history with our brokers.

- Brokers understand the communities they serve. They offer us valuable insight into community dynamics and regional needs.
- They help us build and offer better products for our mutual customers.
- Brokers provide frontline policyholder support. It's often brokers who initiate the claims process on behalf of the policyholder, providing vital direction before we make initial contact.



Business Transformation

We are passionate about being an efficient, fair and flexible company to do business with

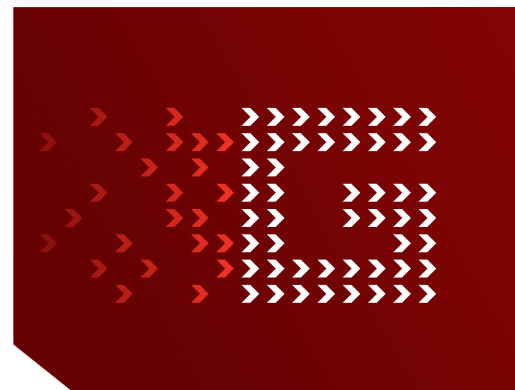
Whether through policy issuance or claims service, we strive to be the best partners for our brokers and policyholders.

Guidewire InsuranceSuite™

The deployment of a modern technology platform will enhance our ability to deliver additional value to our policyholders and brokers in response to their evolving needs.

In 2017, we have rolled out Guidewire InsuranceSuite™ as our policy administration, billing, and claims management platform with new residential policies.

With the growth in digital expectations such as mobile access and big data, this software will enhance our ability to serve both our brokers and policyholders. We are building a 'culture' of continuous improvements that is constantly on the lookout for how to be better.



Safety and Loss Prevention

Protecting our Communities

At Red River Mutual, we believe everyone has a right to feel safe and protected and we're proud to be a part of initiatives that support not only the physical safety of our communities but the emotional needs as well.

In addition to our continued support of community-based sponsorships and loss prevention efforts, 2017 marked the launch of a special initiative – Sara's Safety Friends.

This program was established in partnership with the Firefighters' Burn Fund of Manitoba and the Winnipeg Fire Paramedic Service and works to comfort local children in a time of crisis.

Our Loss Prevention

At Red River Mutual we work hard to understand our customers – and their insurance needs – better than anyone else.

Our Loss Prevention program exists to provide our policyholders with safety recommendations and information that helps keep their homes and businesses running smoothly. This includes on-site home and commercial business evaluations as a value-added service, provided at no additional cost to our policyholders.

In 2017, Red River Mutual's Loss Prevention team grew to include five staff members. Our Loss Prevention Specialists are trained to identify the construction features and unique design elements of properties to calculate an accurate estimate of the rebuilding costs and make sure our policyholders are adequately covered by their insurance policies in the event a loss occurs. Thermal imaging is now conducted on inspections for all lines of business, making the immediate detection of electrical problems on Red River Mutual policies a reality.

Firefighters' Burn Fund Fire Safety Trailer Program

Since 2011, Red River Mutual has been a major sponsor of the Manitoba Firefighters' Burn Fund Fire Safety Trailer Program. This program has seen 22 Fire Safety Trailers deployed throughout Manitoba. The

trailers provide interactive fire safety training and emergency response service education to young people. Children learn about fire safety through the use of props, such as smoke machines and heated doors that simulate a real house fire.

S.A.F.E. Family Program

In 2015, Red River Mutual embarked on the S.A.F.E. (Smoke Alarm for Every Family) program in conjunction with the Manitoba Firefighters' Burn Fund, the Office of the Fire Commissioner, and the Winnipeg Fire Paramedic Service. The goal of this program is to see a smoke alarm properly installed in all Manitoba homes by the end of 2020.



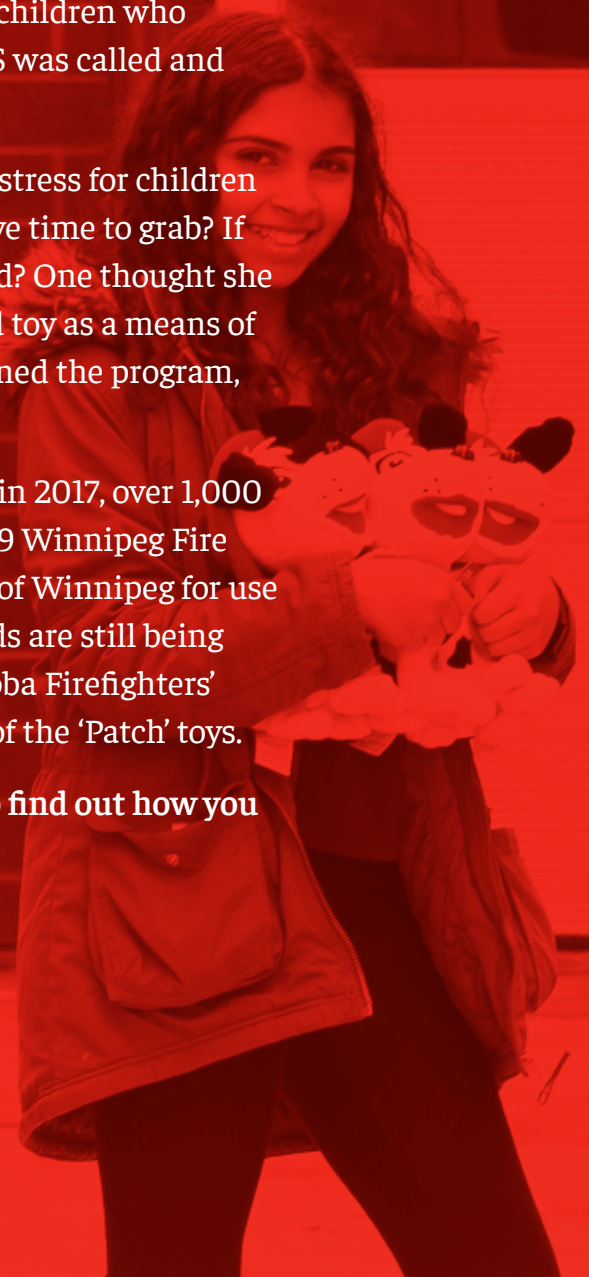
Sara's Safety Friends

Sara's Safety Friends began when 12-year-old Sara Tabac toured a Winnipeg Fire Paramedic Service (WFPS) station with her school. During this visit, she thought about the children who had experienced an emergency where the WFPS was called and wondered how she could help.

Sara began thinking of ways she could alleviate stress for children during times of crisis. What objects did they have time to grab? If she were in their situation, what would she need? One thought she had was to provide these children with a stuffed toy as a means of comfort. It was at this moment that she envisioned the program, Sara's Safety Friends.

Thanks to Red River Mutual's financial support in 2017, over 1,000 plush 'Patch' toys have been distributed to the 29 Winnipeg Fire Paramedic Service stations throughout the city of Winnipeg for use through the Sara's Safety Friends program. Funds are still being raised through our partnership with the Manitoba Firefighters' Burn Fund and will go towards the production of the 'Patch' toys.

To learn more about Sara's Safety Friends or to find out how you can donate, visit sarasafetyfriends.com.

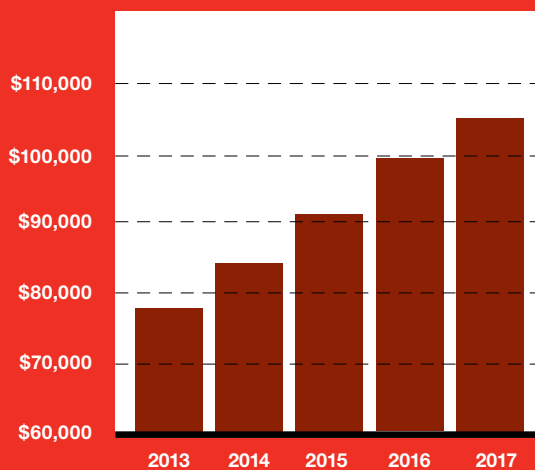


Financial Highlights

Crunching the Numbers

Gross Premiums Written

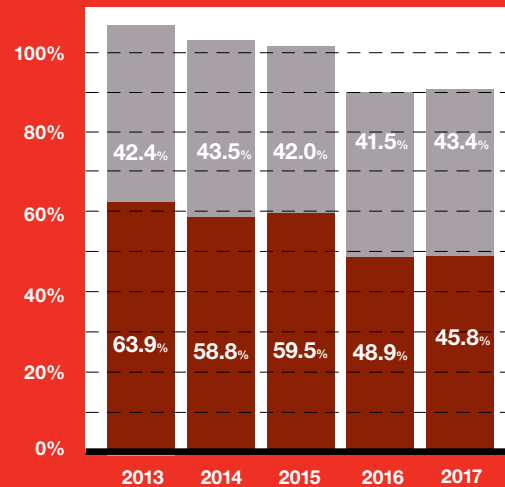
(in thousands of dollars)



Gross Premiums Written grew by 5.5% in 2017.

Net Loss & Expense Ratios

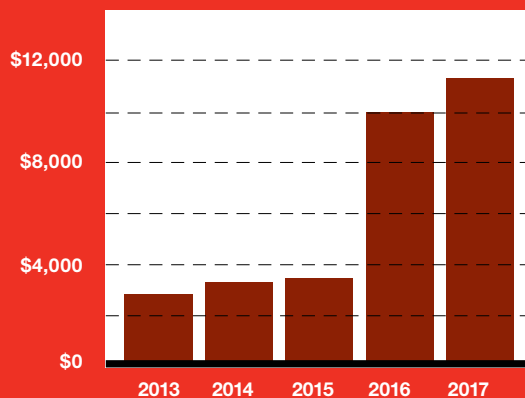
(%)



■ Net Loss Ratio ■ Expense Ratio

Net Income

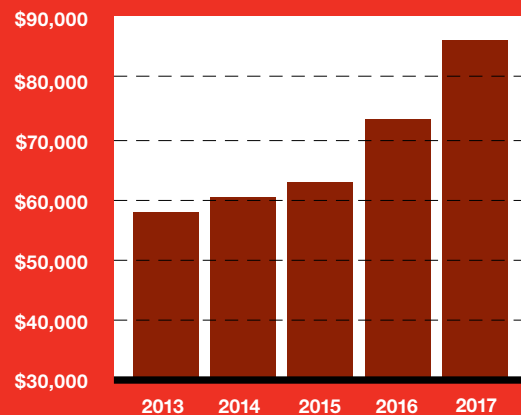
(in thousands of dollars)



Net income of \$11.7 million in 2017 reflected a second consecutive year of strong underwriting results, driven by favorable weather, and solid investment returns.

Equity

(in thousands of dollars)



The company ended 2017 with equity in excess of \$84 million.

Statement of Operations

For the year ended December 31

(in thousands of dollars)

	2017	2016
Gross premiums written	105,038	99,509
Premiums ceded	11,763	13,706
Net premiums written	93,275	85,803
Change in unearned premium	2,756	3,365
Net premiums earned	90,519	82,438
Service charges on installment payments	1,366	1,303
	91,885	83,741
Claims incurred		
Gross claims and adjustment expenses	43,582	57,158
Reinsurance portion	(2,167)	(16,870)
Net claims and adjustment expenses	41,415	40,288
Acquisition expenses		
Commissions	22,727	20,428
Premium taxes	4,302	4,037
General expenses	12,238	9,741
	80,682	74,494
Underwriting income	11,203	9,247
Net investment income	4,269	3,941
Operating income	15,472	13,188
Income from investments in associates	277	304
Income before income taxes	15,749	13,492
Provision for income taxes	4,074	3,444
Net income for the year	11,675	10,048

Statement of Financial Position

As at December 31
(in thousands of dollars)

	2017	2016
Cash and cash equivalents	36,275	13,025
Investments	70,092	89,807
Investment income accrued	276	134
Receivables	29,661	27,902
Prepaid expenses and deposits	300	124
Deferred policy acquisition expenses	13,215	12,468
Property and equipment	7,451	7,532
Investments in associates	7,635	5,543
Intangible assets	18,130	14,546
Reinsurance assets	12,726	21,352
Total assets	195,761	192,433
Liabilities and Equity		
Trade and other payables	16,426	20,536
Income taxes payable	26	3,207
Insurance contract liabilities	92,194	95,389
Deferred income taxes	3,015	149
Total Liabilities	111,661	119,281
Equity	84,100	73,152
Total liabilities and equity	195,761	192,433

APPROVED BY THE BOARD OF DIRECTORS



Ray Loewen,
DIRECTOR



Catherine Kloepfer,
DIRECTOR