



# Beyond the Numbers



## 140 Years and Counting

Red River Mutual is a prairie success story. We have protected families, farms, and businesses on the prairies for 140 years and are committed to providing competitive insurance products and equitable claims service in Manitoba and Saskatchewan.



*Head Office located at 245 Centre Ave East Altona, Manitoba*



*Winnipeg Regional Office located at 2445 Pembina Hwy.*

## Make it your own

This simple phrase is an invitation to our customers and stakeholders to embrace the benefits of being a Red River Mutual owner. If you aren't already, we invite you to be a part of it too.



## Strength in Numbers

Red River Mutual defines itself as the 'Modern Mutual', by investing a portion of company profits back into the community through loss prevention education and the support of worthy community projects.

### Through Loss Prevention

We believe the best insurance policy is the one that is never needed. That is why we invest in educational tools and materials focused on building safety awareness and best practices for policyholders and the general public.

Members joining together to protect one another, while making a positive impact in their communities. Please visit [www.preventingloss.com](http://www.preventingloss.com) to learn more.

### Through Community Involvement

Whether through major sponsorships or supporting staff-initiated charitable efforts like the Big Bike Ride for Heart and Stroke, ALS Ice Bucket Challenge, or fundraising for local food banks, Red River Mutual is engaged in the community.



## 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 proud to be the title sponsor of the 'Red River Mutual Trail.' Starting in the heart of the city it offers the unique experience of seeing the sights of Winnipeg from the frozen Red and Assiniboine Rivers.

The direction, timing and length of the Red River Mutual Trail changes every

year, in 2014 we saw the trail grow to 6.5km in length. The Red River Mutual Trail is initially hand shovelled and takes approximately three weeks to process before it can be used. The trail includes Olympic sized hockey rinks and is full of kilometres of fun entertainment for people of all ages.



Photography credit: Douglas Little

### Trailblazer App

Burn up the trail with the Trailblazer App. Get stats on how far you've gone or assign yourself to a group and

compete against other teams for the best overall distance. Download the Trailblazer app for free for Smartphones. Visit [www.trailblazerapp.ca](http://www.trailblazerapp.ca) for more information.





## You Always Come First Message from the Board of Directors

**Providing the best insurance experience to our policyholders and brokers is the focus of everything we do at Red River Mutual.**

While our strategic plan includes priorities such as Finance, Operational Excellence and Distribution, each with 1, 5 and 10-year goals. All of these priorities revolve around our policyholders.

Our customer focus drives Red River Mutual to continue to change, evolve and improve. During 2014, your company undertook significant steps to position Red River Mutual for the future.

Those steps included an increased Winnipeg presence with the opening of a new regional office, which will play a key role in the ongoing growth of the commercial division.

And in what may be the largest and most significant investment ever undertaken by Red River Mutual, in 2014 we entered into an agreement to implement Guidewire InsuranceSuite™. This new computer system, once fully implemented, will provide industry-leading interfaces with brokers and policyholders, in addition to providing more efficient operations.

As part of our planning process in 2014, we clarified Red River Mutual's mission statement:

Red River Mutual will provide policyholders with value priced protection and superior service. The company perpetuates itself as a financially sound modern mutual that is well managed and conscious of its business and social obligations.

The Board of Directors is pleased to report that Red River Mutual is financially sound with \$84.5 million in Gross Written Premium, a 9.2% increase from 2013. With an investment income of \$5.1 million and an underwriting loss of \$0.6 million we ended the year with a net income of \$3.4 million and \$60.9 million in equity.

While new regional offices and computer systems are significant, Red River Mutual has continued to grow and to achieve success by thinking beyond the numbers. Your company is strong under the leadership of President and CEO Brian Esau and his management team, along with 80 dedicated team members who deliver Red River Mutual products and services to our customers on a daily basis. On behalf of the Board of Directors, 'thank you' for making Red River Mutual the company it is today.

The Board would also like to thank our brokers, who on a daily basis represent us to Red River Mutual policyholders. We look forward to working with brokers and staff in the coming years as we continue building a sound modern mutual with a continued strong customer focus.

Submitted on behalf of the Board of Directors,



Ray Loewen,  
Board Chair



## You Always Come First

### Message from the Board of Directors



Ray Loewen



Bill Siemens



Catherine Kloepfer



Garth Reimer



Heidi Reimer-Epp



Frank Friesen



Darrel Penner



Monique Vielfaure-Mackenzie



Chuck Brandt

## Count on Us Message from the President

As we enter our 140<sup>th</sup> year of operation, the theme of this year's annual report is *Beyond the Numbers*. It is easy to get caught up in looking at only the numbers of a company's performance, however it is just as valuable to go beyond them to see the people and community support that make a company what it is.



But first, the numbers. It is my privilege to report to our policyholders on the business of Red River Mutual for 2014. Our growth of 9.2% in a very competitive market environment places us at 12% of the Manitoba market share. Our Commercial Line of Business, where we have placed a strategic emphasis in the last three years, led the growth. This line of business now represents 16% of our gross written premium and experienced a net loss ratio of 41% for the year.

The Personal Line of Business, which represents 65% of our gross written premium, has slowed in growth due to the aggressive competition for market share by other insurers. This line of business experienced a net loss ratio of 59% for the year. Fires continue to be the

largest contributor to losses, particularly in the rural areas where it often takes longer for a fire to be detected and for the fire departments to arrive on the scene.

The Farm Line of Business has seen only modest growth, representing 19% of our gross written premium with a net loss ratio of 60% for the year.

Our reinsurance broker (Willis Re) has secured access to reinsurance markets that are inclined to write regional business with a group of stable reinsurers who have provided favourable reinsurance terms and unique programs to support us in our strategic growth.

Our investment portfolio has performed well given the market volatility in the last part of the year, providing returns of \$5.1 million. The investment portfolio is positioned to be resilient against rising interest rates and market volatility. Our primary objective is asset preservation; with a secondary objective to have risk adjusted returns, moderating the impact of market volatility.



## Count on Us Message from the President

With a net income of \$3.4 million for the year and equity in excess of \$60 million our company is well positioned for future growth.

In 2011 Red River Mutual adopted a 5-year technology plan, which included the implementation of a new core insurance system. We are pleased to announce that we have signed on with an industry-leading vendor to implement a new generation software that will place us among the best technology-enabled insurance companies in our marketplace. In due course, this significant investment in technology will enable connectivity with brokers, portals for claimants and support data analytics that will allow us to prosper in an ever changing and consumer driven business environment.

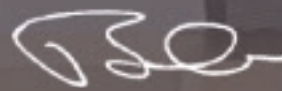
Now, beyond the numbers. Our loss prevention program continues to be a focus for our company through education on our website, our safety tips television campaign, and the Fire Safety Trailer Program in partnership with the Manitoba Firefighters' Burn Fund, the Office of the Fire Commissioner and the mutual aid departments who effectively use these assets to help protect families throughout Manitoba. I extend a big thank you to

the firefighters who volunteer their time to make a difference for their community by teaching loss prevention and mitigating losses when fires occur. Red River Mutual's staff donated countless volunteer hours through staff-led initiatives such as various food drives, the Heart & Stroke Foundations Big Bike, ALS Ice Bucket Challenge, Habitat for Humanity and more.

In closing, I would like to thank the many stakeholders that make Red River Mutual a successful company; our brokers who represent us well in the marketplace; our management group and staff who deliver our products and services daily; and our Board of Directors for their oversight and direction.

It has been my great pleasure to lead this organization for another year.

Sincerely,



Brian Esau, FCMA  
President and CEO



## All for One and One for All

Our company is represented by some of the finest insurance people in the industry. We are committed to nurturing positive, enduring relationships with our brokers. The broker network provides Red River Mutual and its policyholders with unique benefits.

### Benefit to the Policyholder

For policyholders this 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.

### Benefit to Red River Mutual

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 customer support. It's often brokers who initiate the claims process on behalf of the policyholder; providing customers with vital direction before we contact them.
- Brokers also act as industry advocates. Brokers are organized and defend the insurance industry from threats such as big banks selling generic policies directly to consumers.



## Counting the Ways We Help

We are committed to being an efficient, flexible and fair company to do business with. Whether through policy issuance or claims service, we strive to be the best partners for our policyholders and brokers.

Technology is an enabler of operational excellence and we have made considerable investment in this area. Recent accomplishments include an electronic document workflow, an integrated claims management system, and a new business intelligence reporting system.

In 2014 we saw the addition of a Billing Support Representative to each of the Underwriting Teams. Every Broker now has their own designated Billing Support Representative to handle all of their billing inquiries and needs. We will focus on technological upgrades throughout 2015 to improve our services.

We are building a culture of continuous improvement that is constantly on the lookout for how to be better.





## The Claims Experience

We understand that an insurance policy is only as good as the claims service you receive after a loss. That is why Red River Mutual introduced the 2/2/2 Claims Commitment.

### The 2/2/2 Claims Commitment

If you experience a loss, one of our Claims Specialists will:

- Contact you within **2 hours** of receiving the notice of claim
- Make arrangements to visit you within **2 days** of contact
- Follow up within **2 weeks** and stay in touch until your claim is closed and paid

### Our commitment includes:

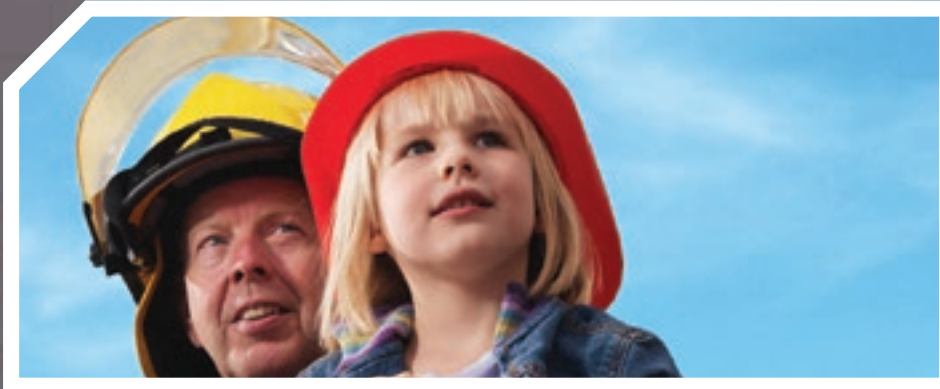
- A rapid response from a skilled Claims Specialist
- A clear overview of the claims process prior to an inspection
- Regular communication until the claim is completed
- An equitable outcome

Our goal is to get you back to normal as quickly and smoothly as possible.



## We Do a Number on Risk

Red River Mutual believes the best insurance policy is the one that is never needed. That is why we make safety products available to policyholders that will aid in preventing a loss from happening in the first place.



### The Loss Prevention Program includes:

- Offering access to home, farm, commercial and fire safety information
- Providing access to On-site Safety Evaluations
- Direct support for volunteer firefighters to deliver community level fire prevention messaging through the use of interactive Fire Safety Trailers

### Online Resources

With the goal of making homes and businesses safer places, Red River Mutual offers in-depth information and videos related to loss prevention. To learn more go to [www.preventingloss.com](http://www.preventingloss.com)





## Firefighters' Burn Fund Safety Trailer Program

Since 2011 Red River Mutual has been sponsoring the Manitoba Firefighters' Burn Fund Fire Safety Trailer Program. This program has seen 17 Fire Safety Trailers deployed throughout Manitoba. They provide interactive fire safety training, emergency-response service and education to young people.

The trailers target elementary school-aged children and are designed to look just like a house. Children learn about fire safety through the use of props like smoke machines and heated doors that stimulate a real fire in a home.

For more information about the Firefighters' Burn Fund Fire Safety Trailer Program visit [www.redrivermutual.com/community](http://www.redrivermutual.com/community)

## Safety Product Promotion

In 2014 we offered the StoveTop FireStop automatic fire suppression product which mitigates cooking fires. In 2015



we plan to promote fire extinguishers at a discounted rate to our brokers so they may be available for our policyholders. These are ABC Fire and Safety approved extinguishers that will protect our policyholders in the event of a fire.

## Loss Prevention Safety Evaluations

Loss Prevention Specialists are trained to identify potential security, fire safety, and liability hazard areas and recommend the repairs and upgrades required to keep your home or business safe and operating smoothly.



## Commercial Insurance

Business is done a little differently on the prairies. We should know, we're fortunate enough to live and work here too. Red River Mutual commercial insurance is designed specifically for prairie businesses.

In 2014 we:

- Added 3 Underwriters to our growing team
- Implemented 'Ease of Doing Business'
- Standardized our quotes
- Reduced our business issuance time to 1-2 days
- Grew our commercial lines premiums by 28%
- Built stronger relationships with our commercial brokers
- Continued to reshape Red River Mutual into a leading insurer on the prairies.





## Farm Insurance

Red River Mutual has protected family farms and commercial farms for many years. We live in Farm country – this provides us with the expertise to create customized farm policies for any size operation.

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

We have been a leader in farm insurance in Manitoba and Saskatchewan for many years. In 2015 we will be doubling our efforts to reaffirm our position as the best option for prairie farmers and their evolving commercial farm operations.



## Product Development

Red River Mutual is committed to ongoing product development and improvement. Recently we introduced a new product to enhance our existing coverages:

### Underground Service Line Endorsement

This coverage fills a gap in policies whereby the policyholder does not realize they are responsible for costs associated with outdoor service lines.

The Underground Service Line coverage pays to repair or replace policyholder-owned, exterior underground water and sewer piping that is accidentally broken, leaks, breaks, tears, ruptures, collapses, or for arcing of wiring. This coverage fills a gap in policies whereby the policyholder does not realize they are responsible for costs associated with outdoor service lines.

We are pleased to introduce...

**Underground Service Line  
Endorsement coverage**



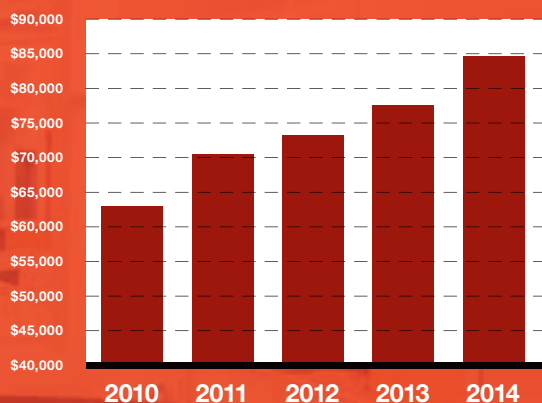


## Crunching the Numbers

### Financial Highlights

#### Gross Premiums Written

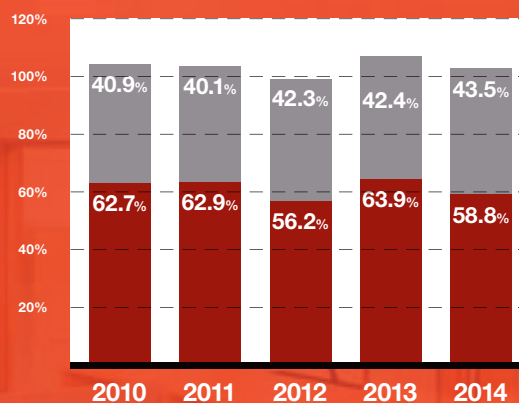
(in thousands of dollars)



Gross premiums written grew by 9.2% in 2014.

#### Net Loss & Expense Ratios

(%)

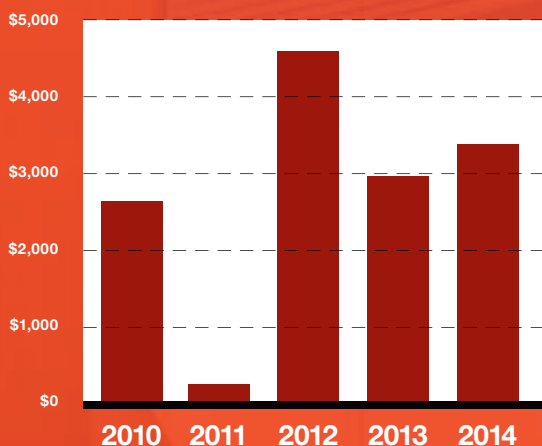


Net Loss Ratio Expense Ratio

The decrease in the net loss ratio in 2014 was primarily due to a modest increase in gross claims and higher reinsurance recoveries. The increase in the expense ratio was primarily due to higher contingent commissions and investments in operational infrastructure.

#### Net Income

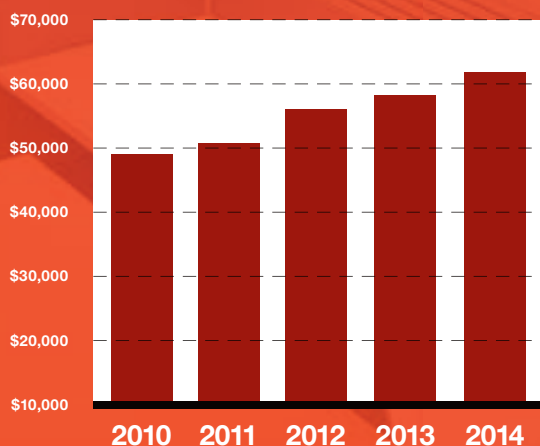
(in thousands of dollars)



Net income of \$3.4 million in 2014 reflected the impact of strong investment performance offset by an underwriting loss.

#### Equity

(in thousands of dollars)



The company ended 2014 with equity in excess of \$60 million.

## Statement of Operations

For the year ended December 31  
(in thousands of dollars)

	2014	2013
Gross premiums written	84,518	77,431
Premiums ceded	9,603	8,733
Net premiums written	74,915	68,698
Change in unearned premiums	3,607	2,174
Net premiums earned	71,308	66,524
Service charges on installment payments	1,085	974
	72,393	67,498
Claims incurred		
Gross claims and adjustment expenses	48,082	47,386
Reinsurance portion	(6,155)	(4,879)
Net claims and adjustment expenses	41,927	42,507
Acquisition expenses		
Commissions	18,803	17,044
Premium taxes	3,432	3,202
General expenses	8,790	7,964
	72,952	70,717
<b>Underwriting income (loss)</b>	<b>(559)</b>	<b>(3,219)</b>
<b>Net investment income</b>	<b>5,084</b>	<b>6,789</b>
<b>Operating income</b>	<b>4,525</b>	<b>3,570</b>
Income of associates accounted for using the equity method	102	104
Income before income taxes	4,627	3,674
Provision for income taxes	1,239	706
Net income for the year	3,388	2,968



# Statement of Financial Position

As at December 31  
(in thousands of dollars)

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	7,280	10,165
Investments	84,623	82,938
Investment income accrued	524	711
Receivables	22,444	20,162
Prepaid expenses and deposits	134	224
Deferred policy acquisition expenses	10,731	9,860
Income taxes receivable	-	1,056
Property and equipment	7,757	7,440
Investments in associates accounted for using the equity method	4,990	542
Intangible assets	819	987
Reinsurance assets	9,535	10,261
<b>Total assets</b>	<b>148,837</b>	<b>144,346</b>
<b>Liabilities</b>		
Trade and other payables	8,947	8,758
Income taxes payable	322	-
Insurance contract liabilities	78,454	77,980
Deferred income taxes	249	156
<b>Total Liabilities</b>	<b>87,972</b>	<b>86,894</b>
<b>Equity</b>	<b>60,865</b>	<b>57,452</b>
<b>Total liabilities and equity</b>	<b>148,837</b>	<b>144,346</b>

APPROVED BY THE BOARD OF DIRECTORS



**Ray Loewen**  
DIRECTOR



**Frank Friesen**  
DIRECTOR