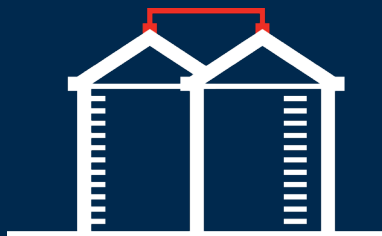




BUSINESS



FARM



HOME

2018 ANNUAL REPORT



Your Story is Ours to Protect

Table of Contents

02	Playing the Long Game
03	Community Giving
04	Purpose, Vision, and Values
05	Message from the Board of Directors
07	Message from the President & CEO
08	Insurance Protection for Canadians
09	The Red River Mutual Trail
10	The Value of Broker Partnerships
11	Business Transformation
12	Safety and Loss Prevention
14	Financial Highlights

Playing the Long Game

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 over 67,000 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 make decisions that support our long-term security and profit and why we strive to be a positive force in the lives of our customers and their communities.



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



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

Community Giving

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.

11th Annual Progressive Agriculture Safety Day

On May 25, Grade 5 students from across the Pembina Valley participated in safety training activities at the 11th Annual Progressive Agriculture Safety Day, held at the Millennium Exhibition Centre in Altona.

Red River Mutual was proud to continue our sponsorship of the day in which the students went through the Firefighters' Burn Fund Safety Trailers and learned about fire safety and emergency escape planning.

Sunshine Fund Community BBQ

For the second year in a row, Red River Mutual employees hosted a community barbecue on July 13, 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 deserving Manitoba children to summer camp.

#WpgWhiteout for a Cause

Red River Mutual staff got into the true spirit of the 2018 Stanley Cup playoffs by participating in the #WpgWhiteout with staff donating in support of local animal rescue shelters for the opportunity to wear their Jets gear to the office on game days.

Thanks to the Winnipeg Jets, who successfully made it to the 2018 Western Conference Final, and to Red River Mutual staff supporting a great cause, over \$1,500 was raised for local animals.

Our Purpose

**Be a positive force in the community
and the lives of our customers.**

Our Vision

**We are the insurance provider
that Canadians love talking with.**

Our Values

Care for Customers and Co-workers like Family

We look out for each other, together,
and make sure we're all protected
and supported.

Play the Long Game

We make decisions that support
our long-term security and profit.

Challenge the Status Quo

We're empowered to take bold action
and be a positive force in the community
and the lives of our customers.

Red River Mutual



Your Story is Ours to Protect

Looking to The Future

Message from the Board of Directors



This year, we are focusing our conversations around the topic of 'playing the long game'.

In this first year of my tenure as Board Chair, I would like to recognize the contributions of our previous Board Chair, Ray Loewen.

Ray served for a period of nine years in that capacity and carefully presided over Red River Mutual during a period of steady growth. In addition, Ray was a director for many more years. His wise chairmanship over a sustained period clearly demonstrated the value of 'playing the long game' to both Red River Mutual and its stakeholders. On behalf of the Board of Directors, thank you once again, Ray.

Red River Mutual strives to support families, farmers and businesses at their time of significant loss through fast and fair settlement payments.

In 2018, despite a net loss of \$0.8 million, we are pleased to report that the company continues to maintain a strong balance sheet. In 2018, the company also received a prestigious public credit rating from AM Best Company – the key rating agency

for the insurance industry. With this knowledge in hand, we have confidence looking towards the future.

2018 marked the building out of Red River Mutual's Senior Leadership Team. The Board is very proud of the dynamic and diverse team our President & CEO, Brian Esau, has assembled to manage our company. Their leadership positions us for responsible growth and reinforces our ability to meet the challenges that lie before us. With hard-working and dedicated staff throughout our company, Red River Mutual has – in the words of Ray Loewen – one of the most important foundations for success: its people.

This year marks our company's 144th year of operations – quite the accomplishment. 2018 served as a time to refocus our vision for our company and to reflect the beliefs and behaviours that shape our culture – and our future. We have shared our Purpose, Vision, and Values statements on the preceding page.

As always, the Board of Directors strives to provide direction and oversight to ensure the continued success of our company. Red River Mutual is fortunate to have a cohesive and effective group of individuals serving as Directors. I would like to thank each and every one of them for their contributions this past year and look forward to their guidance in the years ahead.

Before I close, I would also like to extend my thanks to the employees of Red River Mutual for their dedication to our company and to our policyholders.

A handwritten signature in black ink, appearing to read 'Garth Reimer'.

Garth Reimer
Board Chair

Looking to The Future

The Board of Directors



■ Garth **Reimer**



■ Darrel **Penner**



■ Catherine **Kloepper**



■ Monique **Vielfaure Mackenzie**



■ Dr. Sylvie **Albert**



■ Frank **Friesen**



■ Heidi **Reimer-Epp**



■ John **Unger**



■ Chad **Friesen**

Supporting Our Growth

Message from the President & CEO



As we take stock of the previous year, we would like to thank all Red River Mutual employees for their ongoing commitment to each and every one of our policyholders. You are the heart of our company.

In spite of a challenging year financially, significant progress has been made with initiatives that continue to support our long-term security and growth.

But first, the financial results of 2018. Over the previous year, we grew the company's gross premiums written by \$8.8 million (8.4 per cent) – slightly higher than had been expected at the beginning of 2018. Unfortunately, fire and weather-related losses increased by \$19.4 million from 2017, contributing to total gross incurred losses of \$65.5 million in 2018. This resulted in a loss from our insurance operations of \$2.5 million, compared to a profit of \$11.2 million in 2017.

Our investment returns were reduced to \$0.4 million, due to a decline in returns for both fixed income and equity funds in the 4th quarter of the year. With the combination of poor financial performance in the investment portfolio and losses from insurance operations, we ended the year with a net loss of \$0.8 million.

While this year's financial situation was challenging, our company remains in good financial condition with equity of \$82.3 million.

A positive development in 2018 was Red River Mutual being awarded

a public credit rating by AM Best Company, the primary rating agency for the insurance industry. This rating speaks to the ability of the company to meet its financial obligations going forward. The assessment itself goes beyond the evaluation of the balance sheet and considers our risk management, strategic direction and ability to sustain a viable insurance company in the Canadian market place. Red River Mutual has been assigned an AM Best credit rating of A- (Excellent) with an outlook of 'stable'. (For the latest rating, access www.ambest.com.)

This rating opens the door for additional opportunities with brokers and policyholders, allowing Red River Mutual to continue plans to grow and diversify our business operations, with particular focus on the commercial and farm segments.

As a company, we seek to be a positive force in the communities we protect and one special initiative that serves that purpose well is the S.A.F.E. Family Program. This program works to install smoke alarms in households throughout Manitoba. Too often, we have seen the tragic loss of life and health as a result of house fires and it is abundantly clear that smoke alarms are a much needed first line of defence against preventable loss.

The S.A.F.E. Family Program is an evolution of the S.A.F.E. Baby Program that the Firefighters' Burn Fund of Manitoba ran throughout the province of Manitoba in previous years, once again in partnership with Red River Mutual. Our vision with this program is for all members of our communities to have working smoke alarms installed in their homes because we know that 'working smoke alarms save lives'.

As we move forward into 2019, we are continuing to build an organization that is able to evolve as the industry around us changes; an organization that is both socially responsible and financially sustainable. This could not be done without our close working relationships with our broker partners, our management and staff, and the oversight of our Board of Directors, who work to serve our customers diligently and with care. To all our stakeholders, we express our thanks.

Brian Esau
President & CEO

Insurance Protection for Canadians

At Red River Mutual, we are committed to providing quality insurance products that meet the changing needs of our Canadian policyholders.

Residential Insurance

Continuing our commitment to technology and ease of doing business, 2018 saw Red River Mutual migrate all residential policies over to the company's new policy management system, Guidewire InsuranceSuite™.

Continued education, training, and resourcing will be a focus once again in 2019 as we work to stay in line with the growing demand of our residential business.

Farm Insurance

The focus of Red River Mutual's farm department in 2018 was on the growth and flexibility of coverage offerings, ensuring we are able to meet broker and customer needs.

We are pleased to report that farm reached \$20 million in Gross Written Premium in 2018. The department also welcomed additional underwriters, which will help us maintain our commitment to customer service and keep up with demand in the coming years.

Looking toward 2019, the department's efforts will be concentrated around the launch of new commercial farm wordings and coverages, which will include the integration of Red River Mutual's farm policies into the Guidewire InsuranceSuite™ policy management system.

Commercial Insurance

Meeting the demand for a commercial cyber product was at the center of Red River Mutual's commercial department in 2018. In May, the department launched our Cyber Privacy Protection product for commercial business customers. Additional support positions were created with the goal of allowing the department to improve processing timelines as the company continues to grow.

2018 also saw Red River Mutual earn an AM Best credit rating of A- (Excellent) with an outlook of 'stable', opening up the classes of risks our company is now able to write. (For the latest rating, access www.ambest.com.)

2019 will be guided by the department's drive to remain competitive in the commercial insurance market as we work to strengthen relationships with the broker network.

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!

Part of Manitoba's Winter Community

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. The 2018 Red River Mutual Trail opened on December 23, 2017 and was operational for a total of 72 days — the longest run in trail history! It also became the longest trail since 2009, extending to an impressive 10 km in length. It reached as far as the St. Vital Bridge on the Red River and Arlington Street on the Assiniboine River. Overwhelmingly, over 900,000 people visited the trail over the course of the season.

What does the ...
Red River Mutual Trail
... mean to you? :



■ The remodeled CN 6043 warming hut located on the Red River Mutual Trail at The Forks.

Warming Hut 'CN 6043.'

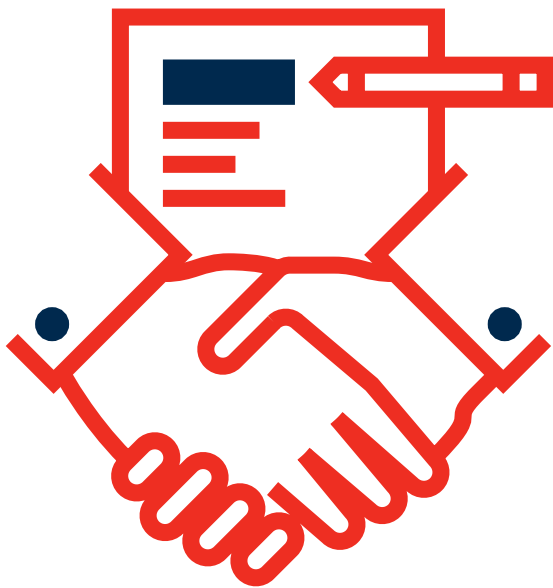
The 2018 trail saw the debut of the remodeled CN 6043 warming hut, commissioned by Red River Mutual. The original hut was designed and built by Kelvin High School students and was taken out of use at the end of the 2016 season due to weather damage. The remodeled hut was built by the hand of local contractor Dustin Brown who used primarily sustainable materials for the build.

The trail also featured a unique art installation created by talented Manitoba artist Kal Barteski. This art piece featured quotes from Manitoba residents who shared what the Red River Mutual Trail means to them.



The Value of the Broker Partnerships

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, a local insurance broker means personal accessibility.

- Brokers live in the communities they serve, providing in-person access and advice. When you purchase your insurance through a broker, you know that you're being covered for the things that affect your neighbourhood – whether that be for your home, farm, or business.
- In the unfortunate event of a loss, a local broker can assist you in working through the claims process.

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, identifying gaps in coverage offerings and areas where we can improve.
- Brokers provide front-line 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 began rolling out Guidewire InsuranceSuite™ as our policy administration, billing, and claims management platform. In 2018, we continued work on this initiative and in the final quarter of the year we entered into a pilot migration phase for residential renewal policies as the preliminary step toward full migration in 2019.

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 improvement 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.

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, farms and businesses running smoothly. This includes on-site home and business evaluations as a value-added service, provided at no additional cost to our policyholders.

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.

We are proud to report that in 2018, Red River Mutual increased the number of safety evaluations completed in-house to 95 per cent.

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 the province of 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. Brokers and community members can access a Fire Safety Trailer for their community event, free of charge, by contacting their local fire department.

S.A.F.E. Family Program

In 2015, Red River Mutual embarked on the S.A.F.E. Family (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. We look forward to the official launch of the S.A.F.E. Family Program in early 2019.



Red River Mutual Golf Tournament

Together with the support of our sponsors and tournament attendees, Red River Mutual raised over \$25,000 for the Firefighters' Burn Fund of Manitoba at the 30th Annual Red River Mutual Golf Tournament, held on June 13 at Pine Ridge Golf Course in Winnipeg. Red River Mutual's President & CEO, Brian Esau, presented a \$25,000 cheque to Martin Johnson, Chairman of the Firefighters' Burn Fund of Manitoba, following the tournament.

Esau explained the company's continued support of the Firefighters' Burn Fund by sharing that, "It is the Burn Fund's dedication to service that inspires Red River Mutual to support the valuable efforts of the Firefighters' Burn Fund year after year. As a leading insurer on the prairies, we know that it's when people are at their most vulnerable that they need a helping hand. We are committed to doing our small part by standing behind the Firefighters' Burn Fund as they continue their important work by serving burn survivors right here in Manitoba."

In addition to our continued support of community-based sponsorships and loss prevention efforts, 2018 saw our company host the 30th Annual Red River Mutual Golf Tournament, in support of the Firefighters' Burn Fund of Manitoba.

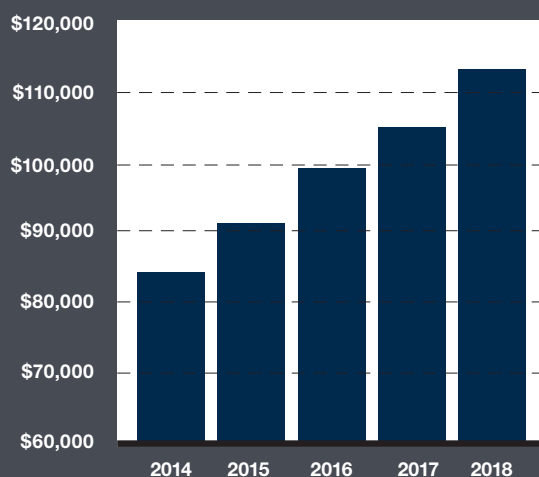
This tournament serves as an annual opportunity to acknowledge the dedication of local firefighters and hospital burn unit personnel, as well as support Manitoba burn survivors and their families.

Financial Highlights

Crunching the Numbers

Gross Premiums Written

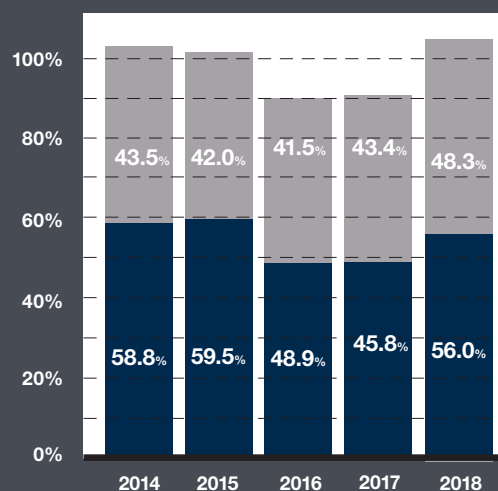
(in thousands of dollars)



Gross Premiums Written grew by 8.4% in 2018.

Net Loss & Expense Ratios

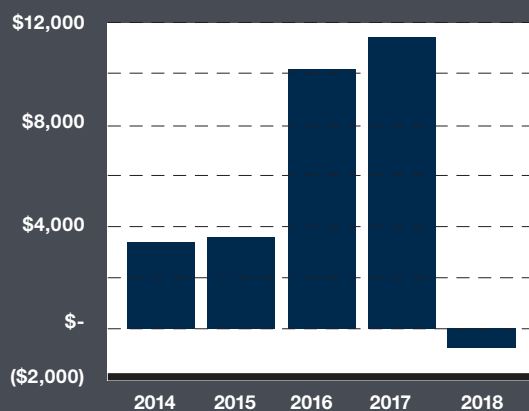
(%)



■ Net Loss Ratio ■ Expense Ratio

Net Income

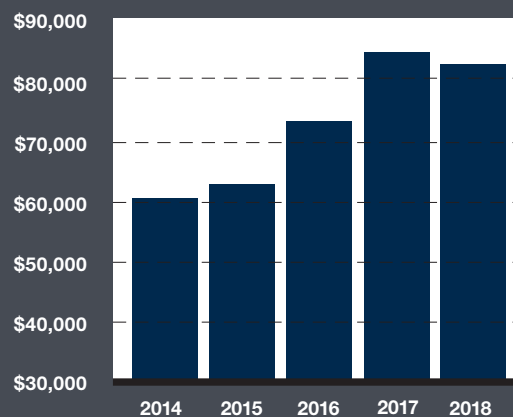
(in thousands of dollars)



The combination of underwriting losses and modest investment returns resulted in a net loss of \$0.8 million in 2018.

Equity

(in thousands of dollars)



The company ended 2018 with equity in excess of \$82 million.

Statement of Operations

For the year ended December 31

(in thousands of dollars)

	2018	2017
Gross premiums written	113,879	105,038
Premiums ceded	17,916	11,763
Net premiums written	95,963	93,275
Change in unearned premium	4,573	2,757
Net premiums earned	91,390	90,518
Service charges on installment payments	1,435	1,366
	92,825	91,884
Claims incurred		
Gross claims and adjustment expenses	65,563	43,583
Reinsurance portion	(14,387)	(2,167)
Net claims and adjustment expenses	51,176	41,416
Acquisition expenses		
Commissions	24,177	22,727
Premium taxes	4,592	4,302
General expenses	15,365	12,237
	95,310	80,682
Underwriting (loss) income	(2,485)	11,202
Net investment income	388	4,269
Operating (loss) income	(2,097)	15,471
Income from investments in associates	589	278
(Loss) income before income taxes	(1,508)	15,749
(Recovery of) provision for income taxes	(685)	4,074
Net (loss) income for the year	(823)	11,675

Statement of Financial Position

As at December 31
(in thousands of dollars)

Assets	2018	2017
Cash and cash equivalents	29,484	36,275
Investments	82,083	70,092
Investment income accrued	593	276
Receivables	33,793	29,662
Prepaid expenses and deposits	994	300
Deferred policy acquisition expenses	14,366	13,215
Income taxes receivable	2,675	
Property and equipment	7,480	7,451
Investments in associates	8,376	7,635
Intangible assets	16,896	18,130
Reinsurance assets	16,453	12,725
Total assets	213,193	195,761
Liabilities		
Trade and other payables	19,452	16,426
Income taxes payable	-	26
Insurance contract liabilities	107,488	92,194
Deferred income taxes	3,916	3,015
Total Liabilities	130,856	111,661
Equity	82,337	84,100
Total liabilities and equity	213,193	195,761

APPROVED BY THE BOARD OF DIRECTORS



Garth Reimer,
BOARD CHAIR



Catherine Kloepfer,
DIRECTOR