

May 1, 2020

A Message from Brian Esau, President and CEO

To our Valued Policyholders, Employees and Neighbours,

I hope and trust that you are all well and staying safe.

Attached you will find our 2019 Annual Report, typically published at the time of our Annual General Meeting. However, given the current situation we are facing during the COVID-19 pandemic, we have postponed our Annual General Meeting to a date yet to be determined.

As we expect social distancing protocols to remain in place for the foreseeable future, we are working on a solution to hold our Annual General Meeting using video conferencing technology. Any announcements regarding the details of any such meeting will be shared on our website at www.redrivermutual.com.

During this time, we want to assure you that Red River Mutual remains committed to respecting the recommendations of the federal and provincial health authorities by continuing to do business with a remote workforce. While it is not quite business as usual, our organization has moved from a phase of ensuring our people are safe and able to function remotely, to a phase in which we are able to resume a number of projects while working from home.

The Governance and Nominations Committee of Red River Mutual's Board of Directors works diligently to ensure that our Board has diverse representation in the competencies needed to advise and guide the direction of our company. At the start of our governance cycle – which is typically marked by our Annual General Meeting – there were two director vacancies on the Board. We extend our appreciation to Heidi Reimer-Epp and John Unger for their excellent contribution to our company as they step down from the Board of Directors.

In the absence of a timely Annual General Meeting, the Board has chosen to appoint one person to the Board of Directors who will be presented for an official election when the Annual General Meeting occurs virtually. The second vacancy will be recruited for and filled in due course.

With that, we are very excited to announce that Priti Mehta-Shah will be joining Red River Mutual's Board of Directors. Priti brings a vast amount of relevant experience and expertise to the Board and we look forward to her contributions.



Brian Esau
President & CEO

Priti Mehta-Shah Joins Red River Mutual's Board of Directors

Red River Mutual is pleased to announce the addition of a new member to our Board of Directors, Priti Mehta-Shah. The purpose of Red River Mutual's Board of Directors is to provide direction and oversight to the company's leadership as we work to carry out our purpose to *be a positive force in the community and the lives of our customers.*

About Priti Mehta-Shah, FCPA, FCA, CBV, CF, ICD.D

Priti Mehta-Shah is the President of Mehta Capital Partners as well as the Managing Director of 49-97 Capital Partners, which provides business valuation services and assists clients in the sale of their business.

Priti volunteers her time on a number of boards with a strong focus on promoting entrepreneurship, and with particular emphasis on supporting female entrepreneurs. She currently sits on the boards of Assiniboine Credit Union, RBC Convention Center, Assiniboine Park Conservatory, and Women of Winnipeg.

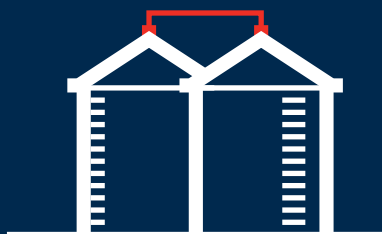
Please help us welcome Priti to Red River Mutual.



Brian Esau
President & CEO



BUSINESS



FARM



HOME

2019 ANNUAL REPORT



Your Story is Ours to Protect

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Focused on the Future

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 70,000 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

Giving Back to Our Community

Red River Mutual looks to be a positive force in our community and in the lives of our customers and that means we focus on partnering with the communities we protect. Whether that be through loss prevention initiatives and education or supporting projects that bring people together, a lot has changed in our business but not our commitment to people.

The Firefighters' Burn Fund Fire Safety Trailers

Since 2011, Red River Mutual has been a major sponsor of the Firefighters' Burn Fund Fire Safety Trailer Program. This program has seen 22 Fire Safety Trailers deployed throughout Manitoba. These trailers provide interactive fire safety training and emergency response service education to young people who 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

Smoke alarms that are properly installed and maintained play a vital role in preventing fire deaths and injuries in the event of a house fire. The S.A.F.E. (Smoke Alarm for Every) Family Program was developed in partnership with the Winnipeg Fire Paramedic Service, the Firefighters' Burn Fund of Manitoba, the Office of the Fire Commissioner and Red River Mutual to help install smoke alarms in households across Manitoba and save families from the tragedy of a major house fire.

To learn more about Red River Mutual's community involvement, visit RedRiverMutual.com.

Meaningful Diversity

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

Meaningful Diversity

Message from the Board of Directors



As we look back on the decade that has just passed, we take the time to reflect on new opportunities and the new challenges we face as we refine our focus moving forward.

The end of 2019 marked the 145th year of operations for Red River Mutual. During this year, Red River Mutual's Gross Written Premium grew to \$125.6 million with our members' equity now standing at a solid \$89.9 million. The Board of Directors is pleased to report that the company experienced a strong financial year that included \$63 million paid out in claims to our policyholders in their time of need.

We are also happy to report that Red River Mutual once again received a prestigious public credit rating from AM Best Company – the key rating agency for the insurance industry.

As always, the Board of Directors strives to provide direction and

oversight to ensure the continued success of the company. It is a source of pride for us that meaningful progress has been made to create a diverse Board who is able to identify and meet the challenges of tomorrow. Our diversity extends to gender, skills, and experience and is also present in the makeup of the company's Senior Leadership Team and company overall.

I am fortunate to have a great group of individuals serving as Directors alongside myself and I would like to thank each of them for their hard work throughout the year. We have two retiring board members whom I would like to acknowledge, Heidi Reimer-Epp and John Unger.

On behalf of the Board of Directors, I would like to thank them for their contributions and loyalty to Red River Mutual.

I would like to close by thanking Red River Mutual's employees for their hard work and valuable efforts. You have helped position the company for much continued success into the future.

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

Garth Reimer
Board Chair

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.

Sustaining Our Growth

Message from the President & CEO



As always, as we reflect on the previous year our first thank you goes to Red River Mutual's employees for their continued commitment to our policyholders and broker partners. You are the heart of our company.

The business of insurance is subject to many uncertainties, such as weather events and fluctuating investment markets. We are pleased to report that, in 2019, our financial results for the company were positive overall and both primary aspects of our business – the insurance operations and the investment portfolio – performed well.

The insurance operations contributed \$2.1 million dollars to our pre-tax profits in 2019 and while these results are great news for Red River Mutual, we recognize that weather-related claims were down significantly relative to a multi-year average. To help protect our company against the risk of severe weather events and other large losses, we have entered into various reinsurance agreements to provide a level of coverage that either meets or exceeds the provincial regulator's requirements.

Our company continues to experience strong growth as our broker partners continue to recommend Red River Mutual to their customers. In 2019, Red River Mutual grew all lines of business by 10.3%, ending the year at \$125.6 million of Gross Premiums Written.

Our investment activities contributed \$3.8 million to the pre-tax profit of the company, while Red River Mutual reported Other Comprehensive Income of \$2.6 million, representing unrealized gains in our investment portfolio. Combined with a Net Income of \$4.9 million for the year, the equity of the company increased to \$89.9 million, providing a strong base from which to look forward to the coming years.

We are proud to report that AM Best Company, the primary rating agency for the insurance industry, again assigned an AM Best credit rating to Red River Mutual of A- (Excellent).

This rating speaks to the ability of our company to meet its financial obligations going forward and considers our risk management, strategic direction and ability to sustain a viable insurance company in the Canadian marketplace. (For the latest rating, access www.ambest.com.)

For the next three years, Red River Mutual's strategic direction will be focused around operational excellence, expanding our digital capabilities, and optimizing the benefits of data and analytics.

With that, we will continue our dedication to exceeding the expectations of our policyholders and broker partners who entrust Red River Mutual with their insurance protection needs.

As we move forward into the new decade, we are committed to building an organization that can thrive during changing times in a way that is both sustainable and socially responsible. This could not be done without our close working relationships with our management and staff, our broker partners, and the oversight of our Board of Directors, who each work to serve our customers diligently and with care.

To all our stakeholders, we express our sincere 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

Rating sophistication as well as streamlining and eliminating inefficiencies in our processes was at the forefront for the residential department in 2019.

With the department's migration to our company's new policy management system, Guidewire InsuranceSuite™, fully implemented, the later half of the year involved preparing for the launch of overland water coverage in Saskatchewan in early 2020.

We are pleased to share that by the end of 2019, the residential department reached \$70.3 million in Gross Premiums Written.

Continued education and training, will be a focus once again in 2020 as we work to stay in step with the growing demand of our residential business.

Farm Insurance

As the realities of life within rural communities change, the solutions that protect the livelihoods of people within them need to change in response.

In 2019, the focus of Red River Mutual's farm department was on the growth and flexibility of our commercial farm coverage offerings with the introduction of our new FarmFlex product. FarmFlex is geared to farming risks that operate more like businesses and, as such, may have more complex operations.

In addition to FarmFlex, Red River Mutual continues to offer two farm products designed for farms whose operations are not strictly commercially-based. Our hobby and traditional farm products have been renamed FarmLite and FarmGen to reflect our commitment to providing solutions for a wide variety of risks within the agricultural sector.

At the end of 2019, the farm department had reached \$23.7 million in Gross Premiums Written.

Commercial Insurance

Strengthening relationships with our broker network was at the heart of the commercial department's focus in 2019 while we worked to improve processing timelines for our customers.

Red River Mutual was pleased to, once again, be awarded 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.)

In 2019, the commercial department was pleased to reach \$31.6 million in Gross Premiums Written.

Guided by the department's drive to remain competitive in the commercial insurance market, 2020 will center around more fully defining our commercial appetite.

Safety and Loss Prevention



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.

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.

Red River Mutual is pleased to share that early 2019 saw the official launch of the S.A.F.E. Family Program in the city of Winnipeg.

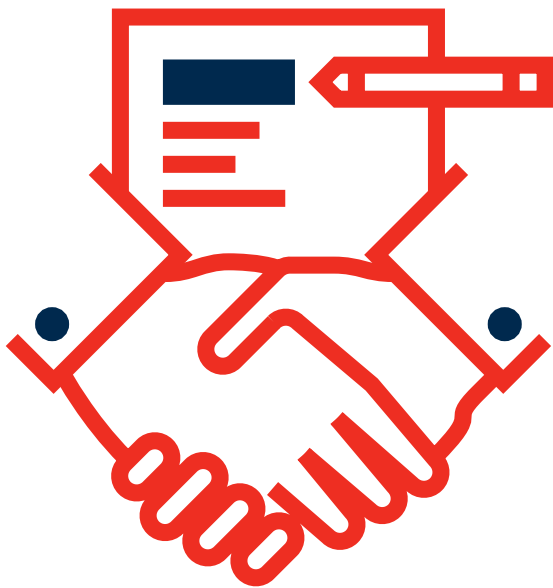
Firefighters' Burn Fund Fire Safety Trailer Program

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.

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.

Cultural Shift

The Lean Methodology

Our company adopted the LEAN methodology in 2018 as a way of encouraging all levels of the organization to look for ways to continuously improve how we do business here at Red River Mutual.

As we work to serve our customers and coworkers better every day, we are committing to our value of 'Challenging the Status Quo'.

What is the LEAN Methodology?

The LEAN methodology promotes a strategy of continuous improvement. Through internal reflection, organizations are challenged to make small changes for the better, learning how to adapt and be open to change when it is needed.

Red River Mutual's goal with implementing LEAN is to empower our employees to work together proactively to achieve regular, incremental improvements in processes so that, as a company, we can focus our collective efforts on ways to add meaningful value to our customers and other stakeholders.

Bright Ideas Program at Red River Mutual

LEAN emphasizes the importance of gathering ideas directly from the people who do the work each day.

In 2019, we created the Bright Ideas program to encourage employees to share their ideas on how to improve the way they complete their daily tasks. We received upwards of 14 submissions that were implemented across the company.

Ease of Doing Business

Guidewire InsuranceSuite™

The deployment of a modern technology platform enhances 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 2019, we completed the migration of two lines of business with the third and final line of business expected to be completed in 2020.

Customer Expectations

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.

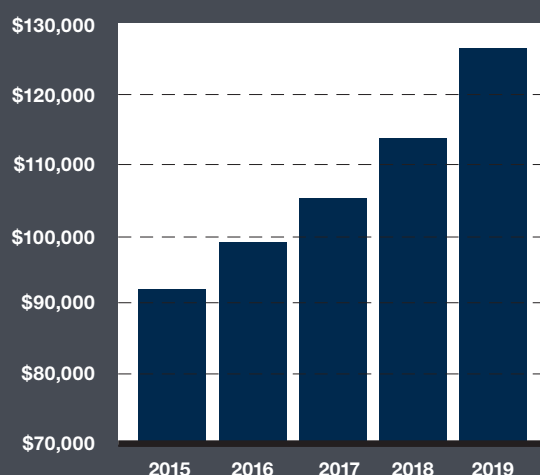
We are building a culture of continuous improvement that is constantly on the lookout for how to be better.

Financial Highlights

Crunching the Numbers

Gross Premiums Written

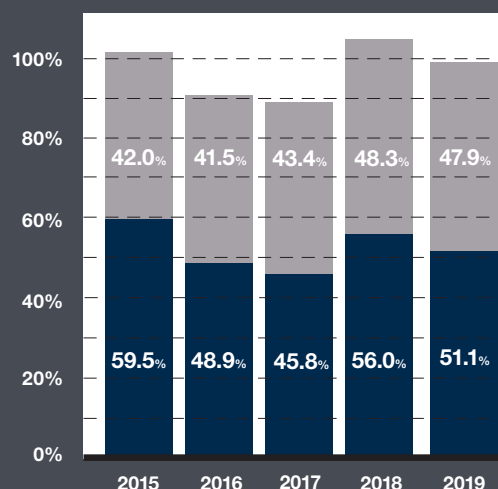
(in thousands of dollars)



Gross Premiums Written grew by 10.3% in 2019.

Net Loss & Expense Ratios

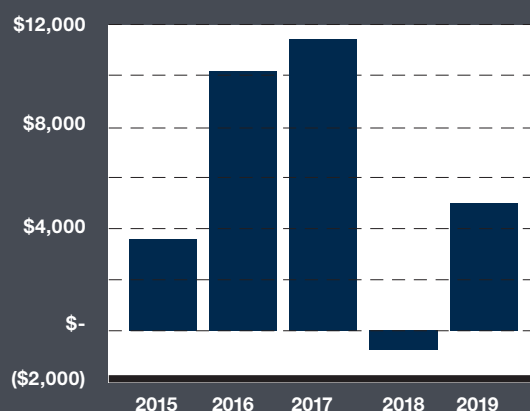
(%)



Net Loss Ratio Expense Ratio

Net Income

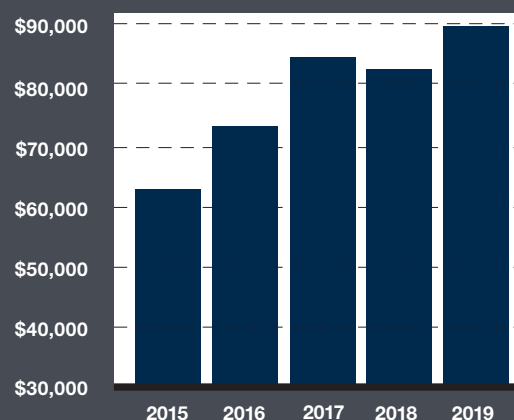
(in thousands of dollars)



The combination of underwriting profits and strong investment returns resulted in Net Income of \$4.9 million in 2019.

Equity

(in thousands of dollars)



The company ended 2019 with equity of nearly \$89.9 million.

Statement of Operations

For the year ended December 31

(in thousands of dollars)

	2019	2018
Gross premiums written	125,567	113,879
Premiums ceded	17,052	17,916
Net premiums written	108,515	95,963
Change in unearned premium	4,792	4,573
Net premiums earned	103,723	91,390
Service charges on installment payments	1,144	1,435
	104,867	92,825
Claims incurred		
Gross claims and adjustment expenses	63,245	65,563
Reinsurance portion	(10,260)	(14,387)
Net claims and adjustment expenses	52,985	51,176
Acquisition expenses		
Commissions	27,132	24,177
Premium taxes	5,093	4,592
General expenses	17,508	15,364
	102,718	95,309
Underwriting income	2,149	(2,484)
Net investment income	3,082	388
Operating income	5,231	(2,096)
Income from investments in associates	736	588
Income (loss) before income taxes	5,967	(1,508)
(Provision for) recovery of income taxes	(1,030)	685
Net income (loss) for the year	4,937	(823)

Statement of Financial Position

As at December 31
(in thousands of dollars)

Assets	2019	2018
Cash and cash equivalents	49,543	29,484
Investments	80,091	82,083
Investment income accrued	407	593
Receivables	34,295	33,793
Prepaid expenses and deposits	1,130	994
Deferred policy acquisition expenses	15,508	14,366
Income taxes receivable	–	2,675
Property and equipment	7,837	7,480
Investments in associates	9,112	8,376
Intangible assets	16,166	16,896
Reinsurance assets	16,540	16,453
Total assets	230,629	213,193
Liabilities and Equity		
Trade and other payables	21,591	19,452
Income taxes payable	1,693	–
Insurance contract liabilities	113,032	107,488
Deferred income taxes	4,403	3,916
Total Liabilities	140,719	130,856
Equity	89,910	82,337
Total liabilities and equity	230,629	213,193

APPROVED BY THE BOARD OF DIRECTORS



Garth Reimer,
BOARD CHAIR



Catherine Kloepfer,
AUDIT & RISK COMMITTEE CHAIR