

# 2020 Annual Report



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# *Adapting for our 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 from Thunder Bay to the West Coast, we are 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  
Altona, MB**



## *The Next Chapter*

We're moving! In an effort to continue to accommodate our growing team, we will be relocating our Winnipeg office in Spring 2021. Our new office, located in the University of Manitoba's SmartPark Innovation Hub, is a LEED (Leadership in Energy and Environment Design) building and in line with our efforts to become a more sustainable company. We look forward to this next chapter of our story with the Winnipeg team.



# *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.

# Overcoming and Adapting to Challenges



**A message from the President & CEO**

**As we reflect on 2020, 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.**

To our members and policyholders,

It is my pleasure to report on the activities and outcomes of 2020 for Red River Mutual. A year ago, our Annual Report, entitled "Sustaining Our Growth," was written when our focus on the future was based on a stable set of assumptions firmly set in our experience. Within weeks of writing it, the focus suddenly changed to planning for a new reality and then rapidly executing on the plans to safely navigate our way through the pandemic.

In the early days and weeks of the pandemic, we focused on our first phase of action, which was responding to the challenges of expediting work from home capabilities, issuing policies remotely, stabilizing the technology with cyber safe protocols and looking after our customers and staff. Within a month, we had moved to a recovering phase that allowed us to stabilize operations and deploy the necessary policies and procedures that allowed us to operate in a sustained way.

As we became accustomed to conducting business in a new way, we began thriving, the third and final phase of adapting to our new reality. I am pleased to report that in 2020 we achieved 12 per cent growth, bringing our Gross Written Premium to \$140.7 million. Supporting the growth was Net Income of \$10.5 million, increasing the Total Equity to \$101.4 million. Strong underwriting results

were, in part, a result of benign weather in the prairies in 2020. We are also pleased to report that our investment portfolio had a strong finish, despite the significant losses in the first quarter, contributing \$3.3 million of income at the end of the year.

We are proud to report that AM Best Company, the primary rating agency for the insurance industry, again assigned rating to Red River Mutual of A- (Excellent). This rating speaks to our company's ability to meet its financial obligations going forward, our risk management, strategic direction, and ability to sustain a viable insurance company in the Canadian marketplace.

The spring of 2020 was also a perfect time to launch our first Spruce Up Your Story campaign in support of communities throughout Manitoba and Saskatchewan to help restore, or "spruce up," some of their well-loved, yet well-worn spaces. We have made a commitment to be a positive force in our communities and the lives of our customers, and this campaign demonstrates this. (To learn more, visit [www.spruceupyourstory.com](http://www.spruceupyourstory.com)).

I would like to acknowledge our incredible broker partners, who have worked tirelessly in difficult circumstances and frequently changing protocols to deliver insurance products to their customers who depend on them for their insurance needs. I also want to extend a special thank you to our staff, who have shown their dedication to customers, while adapting to new circumstances with an unwavering commitment to operational excellence, throughout these challenging times.

We are very optimistic about our future as we continue to focus on operational excellence, profitable operation and continue to grow our company.

A handwritten signature in black ink, appearing to read 'BE', with a stylized flourish extending to the right.

**Brian Esau**

President & CEO

# *Board of Directors*



■ Garth Reimer



■ Dr. Sylvie Albert



■ Beth Bell



■ Chad Friesen



■ Frank Friesen



■ Catherine Kloepper



■ Priti Mehta-Shah



■ Darrel Penner



■ Monique Vielfaure-Mackenzie



# Transitioning to a New Reality

**A message from the Board of Directors**



**As the Board looks back on the past year, we acknowledge the determination of our company leaders and all staff to keep learning, growing, and ensuring our business is sustainable.**

In a word, this last year was remarkable. Red River Mutual not only survived a once-in-a-century pandemic, but also it thrived and is well positioned for continued growth and success in 2021 and beyond. Against this backdrop, Red River Mutual and its stakeholders are truly fortunate.

Our President & CEO, Brian Esau, mentioned highlights of our financial success in his message. One of the key accomplishments mentioned is that, as of December 31, 2020, our Total Equity exceeds \$100 million and is now \$101.4 million – that is a milestone. It provides a solid foundation to assure our policyholders that Red River Mutual will be there for the future.

We had a favourable claims experience in 2020, but much of the credit for the company's success in the past year goes to our CEO, Senior Leadership Team, and all our dedicated employees. They pivoted from their usual ways of doing business, to a virtual, home-based work environment. Despite such a radical change, our policyholders continued to receive the service and support to which they are entitled.

Your Board has also adapted, as the Board and committees' work also transitioned to a virtual reality. It has worked well, and will no doubt influence our manner of doing business in the future, as it will for all our Red River Mutual staff.



As we grow, the Board continues to focus on the importance of strategy and direction. Two strategic pillars are financial sustainability and operational excellence, both critical elements to ensure our company remains well capitalized and our members have access to an excellent suite of products and claims service.

Your Board continues to emphasize and engage in ongoing education to keep pace with emerging trends and challenges. We benefit from the resources of the Institute of Corporate Directors, National and North American mutual insurance associations, as well as internally generated educational initiatives.

In closing, I would like to thank the directors for their hard work this past year. It is a real privilege to work with such a diverse and competent group of women and men. Their contributions and sustained interest in the success of Red River Mutual bode well for the future.

A handwritten signature in black ink, reading "Garth Reimer". The signature is fluid and cursive, with the first name "Garth" and last name "Reimer" clearly distinguishable.

**Garth Reimer**

Board Chair

# Committed to Our Communities

Red River Mutual looks to be a positive force in our communities 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, supporting projects that bring people together, or starting a community initiative of our own! A lot has changed in our business but not our commitment to people.



## *Spruce Up Your Story*

After spending some time self-reflecting on how we could make a more direct, positive impact in our communities, we created the Spruce Up Your Story community sponsorship initiative.

Spruce Up Your Story is not about bringing a brand-new rec centre or library to life, rather the goal is to provide monetary and volunteer support to help fix up and refresh community spaces that are well-worn and well-loved – the spaces where stories are already being made. Whether it is a roof fix on a youth centre, a fresh coat of paint on a park fence, or new seating in an ice rink, we want to help.

Since we started this initiative, we have worked closely with our broker partners and staff to help spread the word and positivity. What we have seen from them and our communities is a real sense of togetherness and a desire to help each other. It has been inspiring to read the stories about these spaces at the heart of our communities and learn more about them.

From over 150 submissions, we chose 10 spaces as our inaugural winners in communities across Manitoba and Saskatchewan, providing over \$150,000 to help restore and protect not only those physical spaces, but also the memories being made there.

Spruce Up Your Story is helping us live out our company purpose to be a positive force in the community and the lives of our customers. And it has shown us that we have so much potential as an organization to further help the people we work to protect with our business.

Our vision is to become the insurance provider that Canadians love talking with, and a big part of that is getting to know our communities better. Spruce Up Your Story has allowed us to do just that – connect with Canadian communities across the Prairies. We are excited to continue the initiative for years to come and have it become an integral part of our Red River Mutual story.

***To learn more about Red River Mutual's community initiative, visit  
[SpruceUpYourStory.com](https://SpruceUpYourStory.com).***



# *Safety and Loss Prevention Priorities*

## **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.

## **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. These trailers provide interactive fire safety training and emergency response service education to young people who learn about fire safety using props, such as smoke machines and heated doors, that simulate a real house fire. While COVID-19 put a halt on the program in 2020, we look forward to having them up and running when it is safe again to do so.

## **S.A.F.E. Family Program**

Since 2015, the S.A.F.E. (Smoke Alarm for Every) Family Program – 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 – supports the installation of smoke alarms in households across Manitoba to help save families from the tragedies of a major house fire.

To date, over 7,500 smoke alarms have been professionally installed in Manitoba households. We look forward to reconvening this program when it is safe again to do so.



# *The Value of Broker Partnerships*

Red River Mutual is represented by brokers from Ontario to British Columbia and we work diligently to nurture positive, enduring relationships with our partners, so that we can continue to work to efficiently serve our customers.

## **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 is often brokers who initiate the claims process on behalf of the policyholder, providing vital direction before we make initial contact.

**Thank you to our broker partners for their support in 2020, as we worked together to navigate changes and find solutions for continued success.**

# *Responding, Recovering and Thriving*

The year 2020 was unpredictable and challenging. At Red River Mutual, we were prepared to adapt to the changing environment by following a three-stage approach: respond, recover, and thrive.

We responded by equipping our staff to effectively work from home, all while being attentive to their health, safety and financial security, and we recovered by learning how to work in our new remote environments and with more technology.

Rather than become inhibited by these challenges, we were able to thrive in 2020 with a stable production output, financial situation, and actively engaged with our strategic projects and community initiatives.

## *Sustainable Business Practices*

We value our relationships with our brokers and policyholders, and it is important for us to guarantee we have a long-term plan in place to support regular business flow and consistent response times – regardless of circumstances. To support this vision, we initiated and completed our 'Stop the Mail' project in 2020.

With our broker partners, we worked to transition to a paperless environment and modify our policy distribution model to one where all agency and direct bill policies are distributed electronically. This change also complements our ongoing Guidewire InsuranceSuite system update and is an environmentally friendly solution that will help us deliver a faster and more efficient service to our broker partners and policyholders.

We continue to look for ways to improve and adapt our business so we can grow with the industry and meet the changing needs of our policyholders.

# *Prepared to Protect Canadians*

This past year offered us a challenging environment; however, we were prepared to make quick and effective decisions that will allow us to adapt and continue to grow our teams and offerings for our policyholders.

## ■ Residential Insurance



In early 2020, we launched Overland Water Protection Coverage in Saskatchewan. We are pleased to have this coverage available in the majority of the communities we protect.

Even while adjusting to a new and virtual working environment, we were able to make progress by transitioning most of our paper-based processes to digital, and therefore minimizing any business disruptions. At the end of 2020, we saw the highest rate of growth in our residential department written premiums in recent history, with 9.5 per cent growth, reaching \$77.0 million.

In 2021, we will continue to focus on further automation of this product line to provide our broker partners and policyholders even easier access.

## ■ Farm Insurance



The size of farms continues to grow and change, and along with that so does their insurance coverage. A hardening of the insurance market throughout the year brought many opportunities for us to provide capacity to our broker partners for some very large agricultural operations. We are proud of the flexibility and coverages we can offer our policyholders to meet their ever-evolving needs.

In the farm line of business, we grew to meet the demands of policy and written premium growth. At the end of 2020, growth in this line of business was 18.5 per cent, reaching \$28.0 million in gross written premium.

In 2021, we will continue to expand our farm team, so we can keep growing this line of business.

## ■ Commercial Insurance



In 2020, an already hard commercial market was worsened by the pandemic, which in some cases created limited capacity and appetite while rates continued to rise. As a result, brokers and policyholders were challenged with acquiring adequate insurance coverage at a reasonable price.

In response to the ever-changing market, we have been reviewing and evolving our commercial appetite while supporting our broker partners and policyholders. We have spent time on commercial wording maintenance, making several mandated wording and coverage amendments and changes with a quick response time.

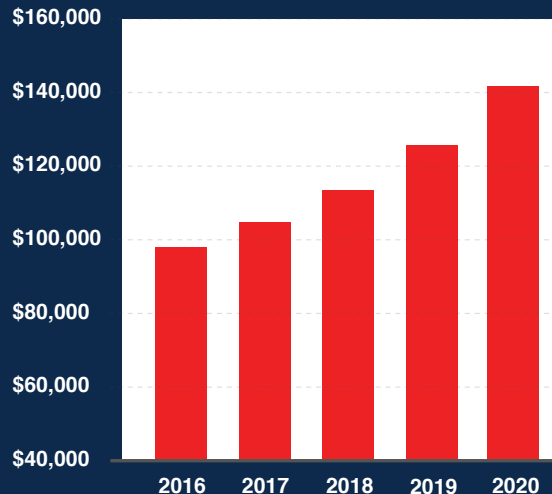
We also continued to focus on building our relationships with our broker partners. While this proved to be more challenging due to ever-changing circumstances, we were able to maintain our connections and be productive in a virtual setting. Despite these unexpected challenges, at the end of 2020 we grew the line of business 12.8 per cent to \$35.7 million in gross written premium.

In 2021, we will focus on refining our commercial portfolio and appetite, handle any unforeseen changes that arise, and focus on profitable growth.



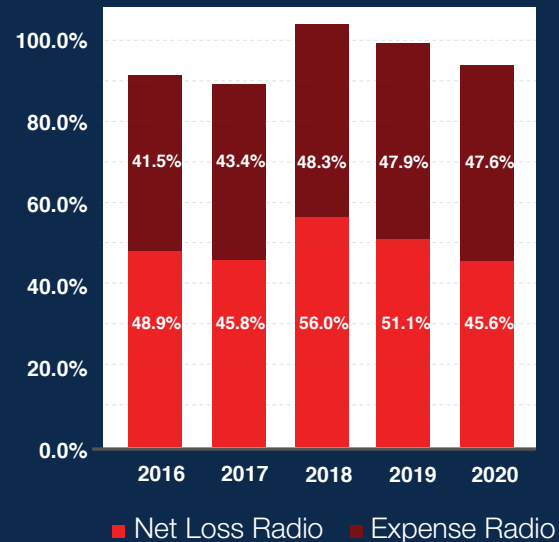
# Financial Highlights

**Gross Premiums Written**  
(Thousands of dollars)

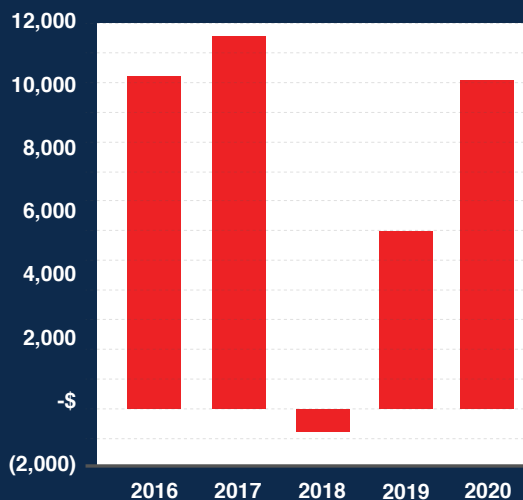


Gross Premiums Written grew by 12.0 per cent in 2020.

**Net Loss & Expenses Ratios**  
(%)

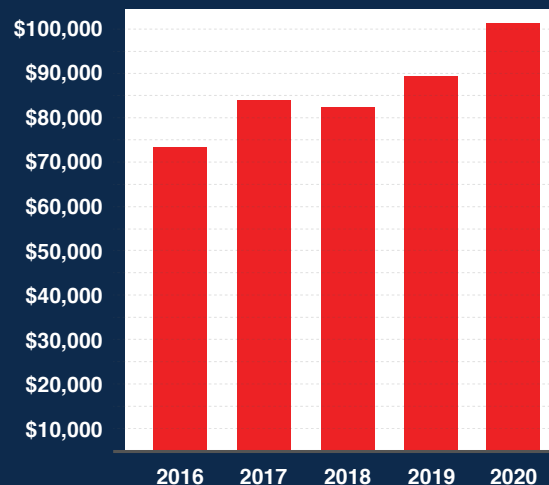


**Net Income**  
(Thousands of dollars)



The combination of strong underwriting results and solid investment returns resulted in Net Income of \$10.5 million in 2020.

**Equity**  
(Thousands of dollars)



The company ended 2020 with equity of \$101.4 million.

# Statement of Operations

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

	2020	2019
Gross premiums written	140,658	125,567
Premiums ceded	17,358	17,052
Net premiums written	123,300	108,515
Change in unearned premium	9,144	4,792
Net premiums earned	114,156	103,723
Service charges on installment payments	1,603	1,144
	115,759	104,867
<b>Claims incurred</b>		
Gross claims and adjustment expenses	57,193	63,245
Reinsurance portion	(5,183)	(10,260)
Net claims and adjustment expenses	52,010	52,985
<b>Acquisition expenses</b>		
Commissions	29,033	27,132
Premium taxes	5,550	5,093
General expenses	19,807	17,508
	106,400	102,718
<b>Underwriting income</b>	9,359	2,149
<b>Net investment income</b>	3,348	3,082
<b>Operating income</b>	12,707	5,231
Income of associates accounted for using the equity method	954	736
Gain on sale of investment in associates	842	-
Impairment of assets held for sale	(685)	-
Income before income taxes	13,818	5,967
Provision for income taxes	3,298	1,030
<b>Net income for the year</b>	<b>10,520</b>	<b>4,937</b>

# Statement of Financial Position

As at December 31  
(In thousands of dollars)

Assets	2020	2019
Cash and cash equivalents	18,103	49,543
Investments	122,603	80,091
Investment income accrued	683	407
Receivables	35,841	34,295
Prepaid expenses and deposits	502	1,130
Deferred policy acquisition expenses	17,606	15,508
Reinsurance assets	8,984	16,540
Assets held for sale	3,882	-
Income taxes receivable	-	-
Property and equipment	7,410	7,837
Investments in associates accounted for using the equity method	12,865	9,112
Intangible assets	15,243	16,166
<b>Total assets</b>	<b>243,722</b>	<b>230,629</b>
<b>Liabilities and Equity</b>		
Trade and other payables	21,122	21,591
Income taxes payable	2,289	1,693
Insurance contract liabilities	114,246	113,032
Deferred income taxes	4,601	4,403
<b>Total Liabilities</b>	<b>142,258</b>	<b>140,719</b>
<b>Equity</b>	<b>101,464</b>	<b>89,910</b>
<b>Total liabilities and equity</b>	<b>243,722</b>	<b>230,629</b>

APPROVED BY THE BOARD OF DIRECTORS



**Garth Reimer,**  
BOARD CHAIR



**Catherine Kloepfer,**  
AUDIT & RISK COMMITTEE CHAIR



Your Story is Ours to Protect