

2021 Annual Report



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Growth & Opportunity

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 75,000 policyholders with homes, farms and businesses from Thunder Bay, Ontario to the West Coast, we are committed to providing competitive insurance products that meet the changing needs of Canadians.



Altona Office



Winnipeg Office

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.



Our Purpose

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

Growth and Mutual Success

A message from the President & CEO



Last year's report, themed 'Adapting to Challenges,' reflected our ability to successfully adapt to new ways of conducting business in light of the pandemic. The theme of this year's report, 'Growth and Opportunity,' speaks to our ability to thrive in the midst of these challenging times.

It is my pleasure to report to you that Red River Mutual had a very successful 2021! Our Gross Written Premium grew by 30% to \$182.8 million and we reported pre-tax underwriting income of \$9.0 million. With strong pre-tax investment income of \$9.5 million, we recorded \$18.5 million in pre-tax income. As a result, we are pleased to report net income of \$14.3 million, bringing our equity to a strong position of \$118.4 million.

The key financial metrics for 2021 include a combined ratio of 94.8% (93.2% – 2020), a net loss ratio of 48.0% (45.6% – 2020), and an expense ratio of 46.8% (47.6% – 2020). In 2021, AM Best renewed our A- (excellent) rating with a stable outlook, which speaks to the financial strength of our company. During the year, we had an opportunity to diversify our insurance portfolio by growing our business in other provinces and thereby reducing the concentration risk of weather losses in Manitoba. Insurance rates have generally increased, in some sectors significantly; however, we continue to be a stable market for our policyholders by taking a measured approach to rate increases. In 2021, we saw an increase in weather related claims of \$5.6 million over 2020; however, well within our capacity to absorb, but below the long-term average.

In 2021, we continued to invest in technology to provide our broker partners and policyholders with the best service possible, embarking on a significant upgrade to our core insurance operating systems, which is expected to conclude in 2022. We have also established a Data & Analytics department in our company, which is a new internal competency for our organization that will help us deliver a more sophisticated approach to understanding our policyholders.

Our policyholders and communities are a huge part of what we do. The communities where we work, play, and conduct business are extremely important to us and that is why we continue to invest in them. Our current sponsorship campaign, Spruce Up Your Story, is all about supporting community spaces that need to be restored, repaired, or upgraded. In 2021, we provided \$150,000 to 10 communities, ranging from small, rural towns to larger, urban centres.

Our success is not ours alone, it comes from being part of a mutual ecosystem that shares the benefits and challenges of the entire community of stakeholders. I wish to acknowledge our incredible staff that have adapted to change after change throughout the year, ensuring our brokers and claimants are provided with outstanding service. The “shout out” goes to all staff, to those in support roles, to the enablers, to the customer-facing staff, and all people leaders. A big thank you also goes out to our broker partners, who have tirelessly represented us to their customers, while working in difficult circumstances.

To our policyholders, we say, “Your Story is Ours to Protect,” and we don’t take that honour lightly. We are grateful for a strong 2021 and look forward to serving you in 2022 and beyond.

Sincerely,

A handwritten signature in black ink, appearing to be 'BE' followed by a stylized flourish.

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

Striving for Future Opportunities

A message from the Board of Directors



As noted in our President & CEO, Brian Esau's, report, we had very strong financial results – what an accomplishment by the entire Red River Mutual team! This is even more impressive, considering this was our second year operating during an ever-changing and challenging pandemic.

Our goal is to be there for our customers in what is often their greatest time of financial need – in the event of an insured loss. In 2021, we incurred \$63.5 million in claims to Red River Mutual policy holders. It is our dedicated employees and our strong financial results that give our policyholders the peace of mind knowing that we will be there for them when they need us most.

Future excellence and stability are driven largely by growth, and it is this type of steady progression that the Board of Directors values so highly. With last year's growth, we are now approaching \$200 million in annual premiums, and we have every reason to believe that we will surpass that target soon. Of course, this success would not be possible without the entire Red River Mutual team. Thank you to our staff for their hard work and expertise, to our brokers for their loyalty and assistance, and to our policyholders for their continued trust in Red River Mutual.

Our success, stability, and company values have shown our policyholders that we care about them and that they can trust our business to align their needs with our own. These relationships open doors for future opportunities, both in business and in our communities. I commend the entire Red River Mutual team, including our senior leaders, for their continued commitment to our company and customers.

Your Red River Mutual Board of Directors continues to look to the future. As an example, this year we will spend considerable time learning from leading industry professionals about climate change, specifically Prairie climate change, as this insight is highly relevant to our company's future dealings.

Our growth has also given us the opportunity to continue to invest in our operations, whether that be in the increasingly important field of technology, the addition of our new Data & Analytics department, or through growing our workforce across all departments.

I wish to acknowledge the valuable contributions of each and every Director. Of special note is the work of Frank Friesen who, as our longest serving director, is retiring this year after 21 years on the Board. The Board's wide-ranging talents and backgrounds, combined with their dedication to Red River Mutual and its continued growth, provide added insight and leadership as we carve out our vision for the future of our company.

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 understanding what people's insurance and safety needs are and what matters to them most. As we continue to adapt to the changing needs of the communities we serve, our commitment to people remains as strong as ever.

Spruce Up Your Story



Spruce Up Your Story began in 2020, and since then this donation campaign has become a huge part of our community support efforts and an effective way for us to make an impact in our customers' lives. This initiative provides funds 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's new boards for a local hockey rink, some landscaping and new benches for a community garden, or new siding for the town hall, we want to help wherever we can.

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 strong desire to help each other. It has been inspiring to read stories about the spaces at the heart of our communities. So far, we've been able to support 20 spaces in rural towns and cities

across Manitoba and Saskatchewan, providing over \$300,000 since 2020 to help restore those physical spaces, and to protect 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 in the lives of our customers. It has shown us the potential we have as an organization to reach out and engage the people we already work to protect. 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 see how this initiative will grow in years to come as it has become an integral part of our own Red River Mutual story.

To learn more about Red River Mutual's community initiative, visit SpruceUpYourStory.com.



Safety & 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 Consultants are trained to identify the construction features and unique design elements of properties to calculate an accurate estimate of the rebuilding costs.

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 broker partners, so that we can continue to work effectively to 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 2021, as we worked together to navigate changes and find solutions for continued success.

Adaptation & Innovation

In 2021 we continued to adapt to changes in the insurance industry and within Canada in general, which also provided our company with opportunities to reflect and grow.

We strive for innovation through technology. This past year, we embarked on a year-long project to upgrade our core insurance systems in a way that will enable us to make continuous improvements to the way in which we do business with our brokers and customers – empowering our staff to work efficiently and effectively and better positioning ourselves to achieve our long-term strategic goals.

We strive for innovation through our people. In 2021, we welcomed our Vice President of Data & Analytics, Amanda Evanson, and our new Data & Analytics team to the Red River Mutual family. As a part of our commitment to provide competitive and valuable coverage for our partners and policyholders, this team is working alongside our underwriting teams to refine our residential ratings and enhance our product offerings.

We strive for innovation through sustainability. In May 2021, we moved our Winnipeg office location into the University of Manitoba's SmartPark Research and Technology Park. This building is a LEED (Leadership in Energy and Environment Design) building, helping us be more environmentally efficient within our workspace.

Prepared to Protect Canadians

The only constant is change and 2021 proved to be another challenging yet gratifying year for our underwriting departments. In response to the constant shifting in the insurance landscape, we took on several strategic initiatives that will help position us to better serve our brokers and policyholders, now and in the future.

■ Residential Insurance



The introduction of a Data & Analytics team to the company was a huge step towards our goal of modernizing pricing and products. The Data & Analytics team's first focus will be on assisting our Residential business, which is our largest segment of business. Having additional support in this area has, and will continue to, help us improve rating precision and underwriting decisions.

Our residential line had a very successful year in 2021. This was the combination of hard work and underwriting discipline, solid, trusted partnerships with our brokers, and reduced summer storm activity. **We grew the line by approximately 27% in 2021, finishing the year at \$97.9 million.**

■ Farm Insurance



With farm insurance needs ever evolving, we too need to change and adapt, and our focus on the farm line of business remained strong. We grew our farm team significantly in 2021 to meet the needs of our brokers and policyholders. As we grow, we are careful to maintain and promote our team culture, and we strive to be

available to our brokers, working with them to find ways to remain flexible in order to accommodate unique circumstances.

Our farm line grew by 23% in 2021, finishing the year at \$34.5 million.

■ Commercial Insurance



The commercial market continues to be a challenge with reduced capacity and appetite restrictions. Our commercial team achieved a huge accomplishment and completed our policy migration to a new management system, Guidewire InsuranceSuite, while we were still largely working in a virtual environment. We focused on

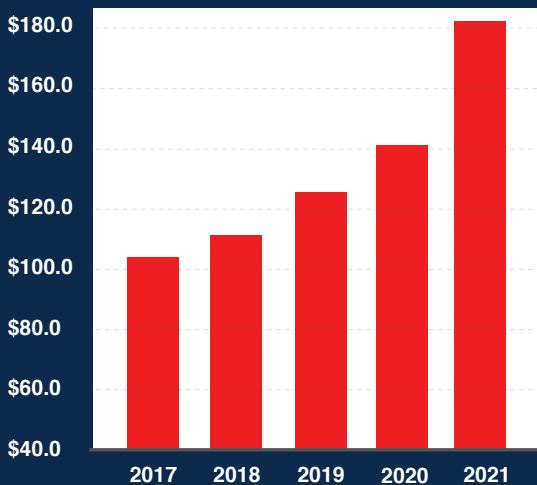
our small package policies in 2021, making several improvements to limits and wordings, including the creation of a new Contractors Package enhancement, which is available starting February 2022.

Despite the many challenges and changes, we were proud to **grow that line of business by over 41%, finishing the year at \$50.4 million.**

Financial Highlights

Gross Premiums Written

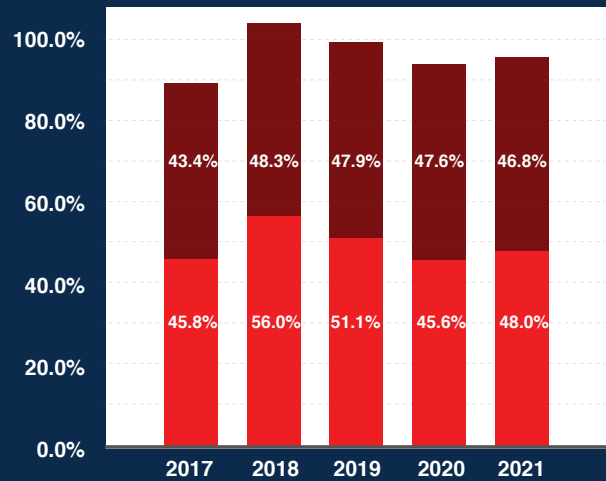
(Millions of dollars)



Gross Premiums Written grew by 30.0% in 2021.

Net Loss & Expenses Ratios

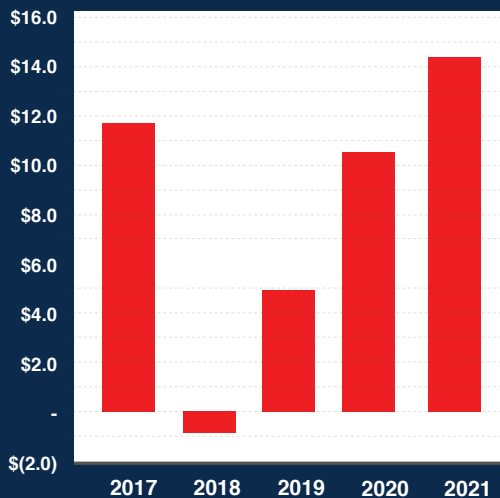
(%)



■ Net Loss Ratio ■ Expense Ratio

Net Income

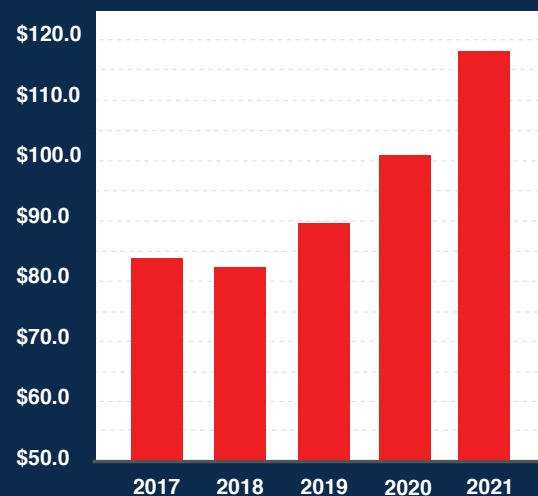
(Millions of dollars)



The combination of strong underwriting results and solid investment returns resulted in Net Income of \$14.3 million in 2021.

Equity

(Millions of dollars)



The company ended 2021 with equity of \$118.4 million.

Statement of Operations

For the year ended December 31

(In millions of dollars)

	2021	2020
Gross premiums written	182.8	140.7
Premiums ceded	25.7	17.4
Net premiums written	157.1	123.3
Change in unearned premium	20.3	9.1
Net premiums earned	136.8	114.2
Service charges on installment payments	1.9	1.6
	138.7	115.8
Claims incurred		
Gross claims and adjustment expenses	71.9	57.2
Reinsurance portion	(6.2)	(5.2)
Net claims and adjustment expenses	65.7	52.0
Acquisition expenses		
Commissions	35.1	29.0
Premium taxes	6.6	5.6
General expenses	22.3	19.8
	129.7	106.4
Underwriting income	9.0	9.4
Net investment income	8.8	3.3
Operating income	17.8	12.7
Income of associates accounted for using the equity method	1.2	1.0
Gain on sale of investment in associates	-	0.8
Loss from investment in associates	(0.5)	-
Impairment of assets held for sale	-	(0.7)
Income before income taxes	18.5	13.8
Provision for income taxes	4.2	3.3
Net income for the year	14.3	10.5

Statement of Financial Position

As at December 31

(In millions of dollars)

Assets	2021	2020
Cash and cash equivalents	24.4	18.1
Investments	156.6	122.6
Investment income accrued	0.6	0.7
Receivable	43.1	35.8
Prepaid expenses and deposits	1.9	0.5
Deferred policy acquisition expenses	23.6	17.6
Reinsurance assets	14.9	9.0
Assets held for sale	-	3.9
Property and equipment	4.9	3.3
Right-of-use asset	3.8	4.1
Investments in associates accounted for using the equity method	17.1	12.9
Intangible assets	13.5	15.2
Total assets	304.4	243.7
Liabilities and Equity		
Trade and other payables	25.5	17.0
Income taxes payable	2.4	2.3
Right-of-use liability	4.0	4.1
Insurance contract liabilities	150.2	114.2
Deferred income taxes	3.9	4.6
Total Liabilities	186.0	142.2
Equity	118.4	101.5
Total liabilities and equity	304.4	243.7

APPROVED BY THE BOARD OF DIRECTORS



Garth Reimer,
BOARD CHAIR



Catherine Kloepper,
AUDIT & RISK COMMITTEE CHAIR



Your Story is Ours to Protect