



2022 Annual Report



Table of Contents

2	Growing Through Challenges
3	Purpose, Vision, & Values
4	Message from the President & CEO
6	The Board of Directors
7	Message from the Board of Directors
9	Committed to our Communities
10	Safety & Loss Prevention Priorities
11	The Value of Broker Partnerships
12	Growth & Innovation
13	Prepared to Protect Canadians
15	Financial Highlights

Growing Through Challenges

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 community and in the lives of our customers.



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.

Growing Through Challenges



A message from the President & CEO

Last year's report, themed 'Growth and Opportunity,' continues in this year's theme of "Growing Through Challenges." For the first time in many years we have experienced material inflation, rising interest rates, record low unemployment and the threat of a recession on the horizon. These economic factors have implications for our insurance operations and investment portfolio; however, we are pleased to report that our company continues to grow despite these economic headwinds.

As to the financial performance for 2022, Gross Written Premium grew by 16.6% to \$213.2 million (2021 - \$182.8 million) and we reported pre-tax underwriting income of \$3.2 million (2021 - \$9.0 million). After accounting for investment income and the implementation costs of subscription software, we recorded \$4.4 million (2021 - \$18.5 million) in pre-tax income. As a result, we are pleased to report net income of \$3.5 million (2021 - \$14.3 million). After adjusting for the reduction in the market value of our investment portfolio. Equity has been reduced by \$4.1 million to \$114.3 million (2021 - \$118.4 million).

The company experienced a significant increase in fire and weather-related losses, resulting in Gross Claims of \$124.1 million (2021 - \$71.9 million). After recoveries from our reinsurers, our net claims were \$92.4 million (2021 - \$65.7 million).

In 2022, AM Best renewed our A- (Excellent) rating with a stable outlook, which speaks to the financial strength of our company. We continue to grow and build our company in a sustainable way, by diversifying geographically and managing our portfolio by market segment.

Our policyholders and the communities in which we do business are core to our declared purpose "to be a positive force in the community and the lives of our customers" as we continue to live that mission with our successful sponsorship campaign, Spruce Up Your Story. We also invest in our employees, ensuring they have opportunities to grow in our effort to be an employer of choice. We are proud to be recognized

by Insurance Business Canada as one of Canada's Top Insurance Employers for the fourth consecutive year.

This will be my 15th and final annual report to the policyholders of Red River Mutual, as I will be leaving the Company at the end of March 2023 to pursue other interests. We have accomplished much in the last 15 years and for that I wish to express my thanks to the past and present board members and staff that have contributed to our strong growth and development of a brand that encompasses the concept of a "modern mutual."

To our policyholders, we say, "Your Story is Ours to Protect," and we don't take that responsibility lightly. We are grateful that you have chosen Red River Mutual to trust with your story and look forward to serving you in 2023 and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read 'BE', with a long horizontal stroke extending to the right.

Brian Esau

President & CEO

Board of Directors



■ Garth Reimer



■ Dr. Sylvie Albert



■ Beth Bell



■ Chad Friesen



■ John Proven



■ Catherine Kloepper



■ Priti Mehta-Shah



■ Darrel Penner



■ Monique Vielfaure-Mackenzie

Being Proactive for a Stable Future



A message from the Board of Directors

I am pleased to report that in this past year (our 148th year of operations!) we as a company continued to succeed; however, this was not without responding to new challenges, as outlined by Brian Esau in his message.

As Red River Mutual is in the business of managing risk, it is a testament to our operational excellence that we continue to be a sound and stable organization. Last year, for example, we were able to pay out gross claims of just under \$125 million and were there to assist our policyholders in their time of need.

As good corporate governance is a key focus of the Red River Mutual Board, we continue to promote a program of ongoing professional development for our directors. In 2022, the focus of this initiative was climate change and how it will affect the insurance industry. We connected with specialists from various organizations who were able to apply this topic to our company strategy of *Playing the Long Game* and looking ahead to ensure we make decisions that support our long-term security and relevance for our policyholders.

On behalf of your board of directors, many thanks are extended to our outgoing President & CEO, Brian Esau, for his 15 years of leadership and hard work. He has transformed Red River Mutual into a modern mutual and positioned the company for future success. We wish him all the best in the future. I would also like to thank our Senior Leadership Team and all Red River Mutual staff for their stellar work. The teamwork and the dedication of every employee has been instrumental in the company's progress and continues to be its source of strength.

Lastly, to my fellow directors, thank you for your guidance and support this past year. Your commitment to the service of Red River Mutual is remarkable.

A handwritten signature in black ink that reads "Garth Reimer". The signature is written in a cursive, flowing style.

Garth Reimer

Board Chair

Committed to Our Communities

Red River Mutual seeks to be a positive force in the community and in the lives of our policyholders and that means understanding what peoples' 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 policyholders' 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. Since 2020, we've been able to support 30 spaces in rural towns and

cities across Manitoba and Saskatchewan, providing over \$450,000 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 policyholders. 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](https://www.spruceupyourstory.com).



Safety & Loss Prevention Priorities

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.
- Materials designed to help our policyholders be proactive, such as our Home Safety Checklist brochure or Home Inventory brochure.

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 Value of Broker Partnerships

Red River Mutual is represented by broker partners from Ontario to British Columbia. We work diligently to nurture positive and enduring relationships with our broker partners and support their efforts to serve our policyholders.

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 2022, as we worked together to overcome challenges and find solutions for continued success.

Growth & Innovation

In 2022, we experienced challenges outside our control, such as severe weather patterns and economic headwinds, but as a company we were able to stay focused, work through those challenges, and finish the year with a clear plan to keep moving forward with our strategic initiatives.

We prioritized project work and business transformation.

Our work on our core insurance system upgrade continued in 2022. **Why upgrade?** This upgrade will enable us to make improvements that will more efficiently adapt to the way we do business with our broker partners and policyholders. This work will empower our staff to work more effectively, allowing us to keep moving toward our long-term strategic goals. *Our commitment to this foundational system work will also better position us for future projects and innovation.*

We prioritized cyber security enhancement and team growth.

In the spring of 2022, Lawrence Lazarko joined our team as the new Vice President, Systems Transformation & Technology. **How does a new perspective impact us?** We recognize that digital technology and cyber security greatly affect our work to improve ease of business for our partners and policyholders, so last year Lawrence and his team laid the groundwork to enhance our system functionality and company security. *Our engaging technology strategy will develop core practices to help mitigate risk going forward.*

By sticking to our core values of *Caring for Our Customers and Co-workers Like Family*, *Challenging the Status Quo*, and *Playing the Long Game*, we will continue providing relevant coverage for policyholders while advancing innovation through our strategic project work.

Prepared to Protect Canadians

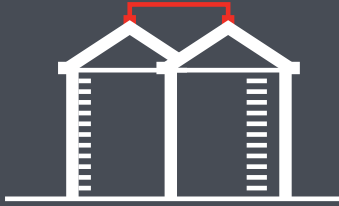
In 2022 we certainly faced challenges in the insurance industry – an extended hard market, extreme weather, capacity concerns, and technological initiatives all provided the backdrop for a very busy year for the Red River Mutual underwriting teams.

■ Residential Insurance



We continue to improve upon modernization of our products and rating in the residential line of business, including technological improvements that will help streamline business for our broker partners and their customers. In 2022, We grew our residential line of business over 13.3%, ending the year at \$110.9 million. Our 2023 year will include a core system upgrade and rating algorithm updates.

■ Farm Insurance



Growth in our farm line of business was outstanding for 2022, with no signs of stopping. An increased focus on our roots has provided us with opportunities to continue to provide our brokers with capacity and solutions for sometimes hard-to-place operations. The farm line of business saw gross written premium growth of 18.2%, ending the year under \$40.8 million. In 2023, we will see an increased focus on risk management and loss prevention in order to provide brokers and policyholders with enhanced peace of mind solutions.

■ Commercial Insurance

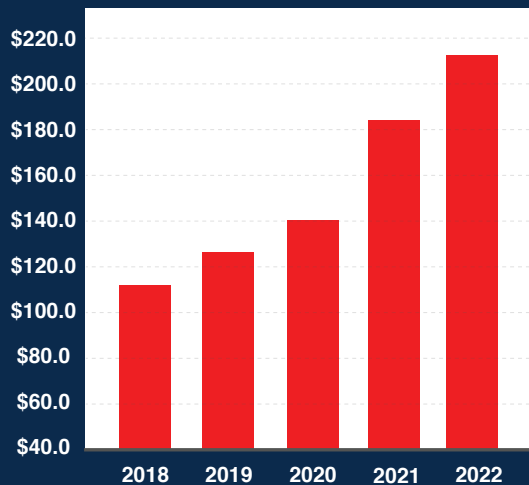


We have prided ourselves on providing brokers and policyholders with solutions throughout the hard market. Staffing has remained stable, and we will continue to focus on providing brokers with improved service standards and customer service. Our commercial line continues to grow, and in 2022 we saw an increase of 22.0%, coming in at \$61.5 million. In 2023, technological opportunities are being explored to improve the broker and customer experience even further.

Financial Highlights

Gross Premiums Written

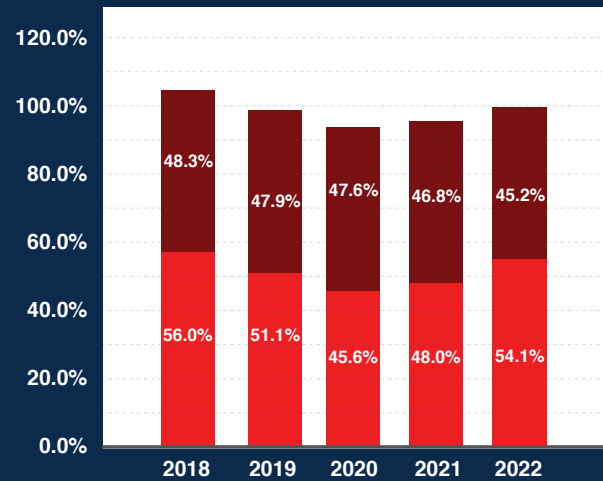
(Millions of dollars)



Gross Premiums Written grew by 16.6% in 2022.

Net Loss & Expenses Ratios

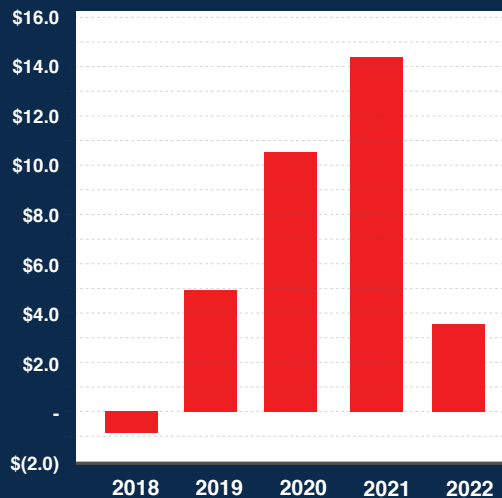
(%)



■ Net Loss Ratio ■ Expense Ratio

Net Income

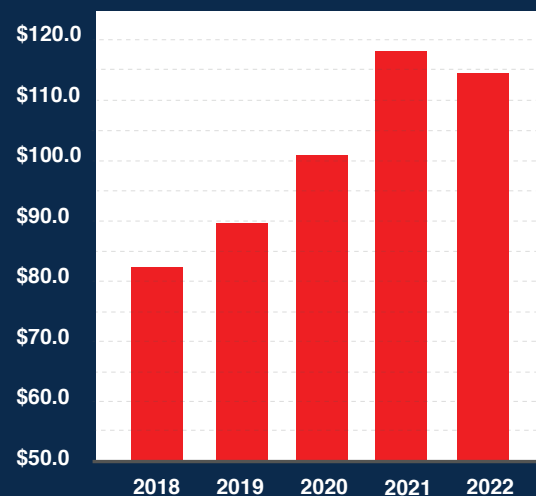
(Millions of dollars)



The combination of underwriting results and investment returns resulted in Net Income of \$3.5 million in 2022.

Equity

(Millions of dollars)



The company ended 2022 with Equity of \$114.3 million.

Statement of Operations

For the year ended December 31

(In millions of dollars)

	2022	2021
Gross premiums written	213.2	182.8
Premiums ceded	30.7	25.7
Net premiums written	182.5	157.1
Change in unearned premium	11.8	20.3
Net premiums earned	170.7	136.8
Service charges on installment payments	2.1	1.9
	172.8	138.7
Claims incurred		
Gross claims and adjustment expenses	124.1	71.9
Reinsurance portion	(31.7)	(6.2)
Net claims and adjustment expenses	92.4	65.7
Acquisition expenses		
Commissions	43.4	35.1
Premium taxes	8.2	6.6
General expenses	25.6	22.3
	169.6	129.7
Underwriting income	3.2	9.0
Net investment income	5.3	8.8
Operating income	8.5	17.8
Income from investment in associates	1.1	1.2
Loss from investment in associates	(0.7)	(0.5)
Implementation costs of subscription software	(4.5)	-
Income before income taxes	4.4	18.5
Provision for income taxes	0.9	4.2
Net income for the year	3.5	14.3

Statement of Financial Position

As at December 31

(In millions of dollars)

Assets	2022	2021
Cash and cash equivalents	39.1	24.4
Receivables	49.5	43.1
Income taxes receivable	7.0	-
Investments	156.9	156.6
Investments in associates	18.3	17.1
Investment income accrued	0.7	0.6
Prepaid expenses and deposits	0.5	1.9
Deferred policy acquisition expenses	26.7	23.6
Reinsurance assets	36.0	14.9
Property and equipment	4.4	4.9
Intangible assets	11.7	13.5
Right-of-use asset	3.4	3.8
Total assets	354.2	304.4
Liabilities and Equity		
Trade and other payables	34.3	25.5
Income taxes payable	-	2.4
Lease Liabilities	3.7	4.0
Insurance contract liabilities	198.5	150.2
Deferred income taxes	3.4	3.9
Total Liabilities	239.9	186.0
Equity	114.3	118.4
Total liabilities and equity	354.2	304.4

APPROVED BY THE BOARD OF DIRECTORS



Garth Reimer,
BOARD CHAIR



Catherine Kloefer,
AUDIT & RISK COMMITTEE CHAIR

Red River
Mutual



Your Story is Ours to Protect