



2010 Annual Report



**THE FLYWHEEL BUILDS MOMENTUM
A LITTLE BIT AT A TIME...**





...WITH EACH ROTATION IT GAINS POWER
AND BEGINS TO DRIVE US FORWARD WITH

CONFIDENCE AND PURPOSE.

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Ray Loewen

Bill Siemens



Hans Werner



Abe Riediger



Frank Friesen



Garth Reimer



Darrel Penner



Wes Unger



Chuck Brandt

MESSAGE FROM THE

BOARD OF DIRECTORS

At our annual meeting one year ago, we introduced a new brand for Red River Mutual and invited all of you to “Make it Your Own”.

That simple phrase is an invitation to you, our policyholders, brokers and staff to embrace Red River Mutual as your own. For policyholders, it conveys that when you choose Red River Mutual you literally own a piece of the organization. For brokers, it represents an invitation to collaborate with us in the development of great products and services for our shared customers. For staff, it encourages you to embrace the company as your own and continuously work towards making it better.

On behalf of your Board of Directors, I am pleased to report that during the past year 8,314 new policyholders chose to make Red River Mutual their own, helping us achieve strong premium

growth and increased retained earnings. Although we saw again in 2010 that the Insurance industry is volatile, and markets are becoming increasingly competitive, your company continues to be very strongly positioned for the future.

Your Board undertook numerous initiatives during 2010 including expansion of our ongoing education and improvement program that saw the implementation of a new Board evaluation process, attendance at director training sessions conducted by NAMIC, participation at the annual CAMIC convention as well as in house educational seminars such as the session on opportunities, issues and challenges faced by brokers which was presented by Curtis Wyatt of Wyatt Dowling Insurance.

Together with our Management team we continued the Strategic Planning process which is undoubtedly one of the

most important functions of a Board. Priorities for 2011 include Financial Sustainability; Business Intelligence (becoming better at gathering and using information to guide our business decisions); as well as the continuation of our Ease of Doing Business process and the Branding effort to name a few.

It has been our pleasure to work together with all of you (policyholders, brokers and staff), our valued partners in Red River Mutual during 2010. We look forward to the future of Red River Mutual with anticipation and invite you to continue to “Make it Your Own.”

On behalf of the Board,

Ray Loewen, BOARD CHAIR

MESSAGE FROM THE

PRESIDENT

It has been a year since our rebranding and the response from our brokers and industry stakeholders has been very positive as we continue to focus on our customers, the brokers, policyholders and claimants. The awareness created through the rebranding, along with our customer centric initiatives, has created a positive momentum for our company. In 2010 we experienced strong premium growth of 11.6% reaching \$62.9 million. A series of weather related events throughout the summer of 2010 and a number of large losses resulted in \$33.6 million in claims (a 62.7% net loss ratio), resulting in the first underwriting loss since 2005, of \$1.3 million. Our investment portfolio provided strong returns of just under \$5.0 million, resulting in a \$2.6 million net income after taxes, for a total of \$49.1 million in retained earnings.

Red River Mutual has a rich history of giving back to the communities in which we do business. For 2011, we have strategically aligned ourselves with the Fire Fighters Burn Fund as a major sponsor for their Fire Safety Trailer program. The Fire Safety Trailers are a powerful tool for teaching safe living in our schools and communities. We see firsthand the devastation a fire has on a family. For this reason, we are confident that our focus on loss prevention initiatives will result in benefits for our policyholders. We are committed to growing our company through profitable underwriting and protecting the reserves built up by generations of policyholders. This ensures that future generations will also benefit from Red River Mutual's protection prior to a loss and assistance in resuming their normal lives after having suffered

a loss. We continue to engage our brokers to ensure that our products and services are meeting the needs of our existing and potential policyholders. We are confident about the future, financially strong and will continue to build on the positive momentum created in 2010. Finally, I would like to thank the Board of Directors for their support and thoughtful guidance; the Management Team for their leadership; and all of our Staff, for their commitment to customer service.

Respectfully,



Brian Esau, CMA, PRESIDENT & CEO



LEADERSHIP

THE ONLY WAY TO BUILD MOMENTUM
IN THE FLYWHEEL IS IF ALL EFFORTS ARE
FOCUSED ON A COMMON DIRECTION.

Brian Esau
PRESIDENT & CEO



Lyndon Friesen
VP OF OPERATIONS

- > Claims
- > Residential and Farm Underwriting



Geoff Branson
VP OF FINANCE

- > Accounting
- > Information Systems



Alvin Ginter
VP OF RISK MANAGEMENT

- > Premium Adequacy
- > Risk Assessment and Avoidance
- > Data Analysis



Chad Friesen
VP OF SALES AND MARKETING

- > Broker Relations
- > Marketing/Advertising
- > Commercial Underwriting



DEFINE THE MODERN MUTUAL

**AS THE MODERN MUTUAL,
WE HAVE A STRONG COMMITMENT
TO 'COMMUNITY'. OUR 'COMMUNITY'
INCLUDES EVERY PLACE THAT RED
RIVER MUTUAL DOES BUSINESS.**

Our goal is to define Red River Mutual as the 'Modern Mutual'. The two main functions of a modern mutual are **community engagement** and **loss prevention**.

2011 will see the greatest demonstration yet of our community focus with the roll-out of the Firefighters Burn Fund - Fire Safety Trailer Program.

This program will see brand new fire safety trailers distributed to fire departments and mutual aid districts across Manitoba and Saskatchewan. These trailers will be used by firefighters to help teach children how to detect dangers in their home and how to react if a fire occurs. The trailers will be seen at schools, festivals, and special events.

What defines the modern mutual?

- › Less focus on profits; more on fair affordable pricing
- › Protecting from loss rather than simply paying when loss occurs
- › Knowledge of the community and the needs of the people we insure
- › A commitment to give back to the community

VALUE OF THE INDEPENDENT BROKER

WE ARE COMMITTED TO NURTURING POSITIVE, ENDURING RELATIONSHIPS WITH MEMBERS OF OUR BROKER NETWORK. THIS NETWORK PROVIDES RED RIVER MUTUAL AND ITS POLICYHOLDERS WITH UNIQUE BENEFITS.

FOR POLICYHOLDERS:

PERSONAL ACCESSIBILITY

Brokers reside in the communities they serve providing easy, in-person access and advice.

TAILORED ADVICE

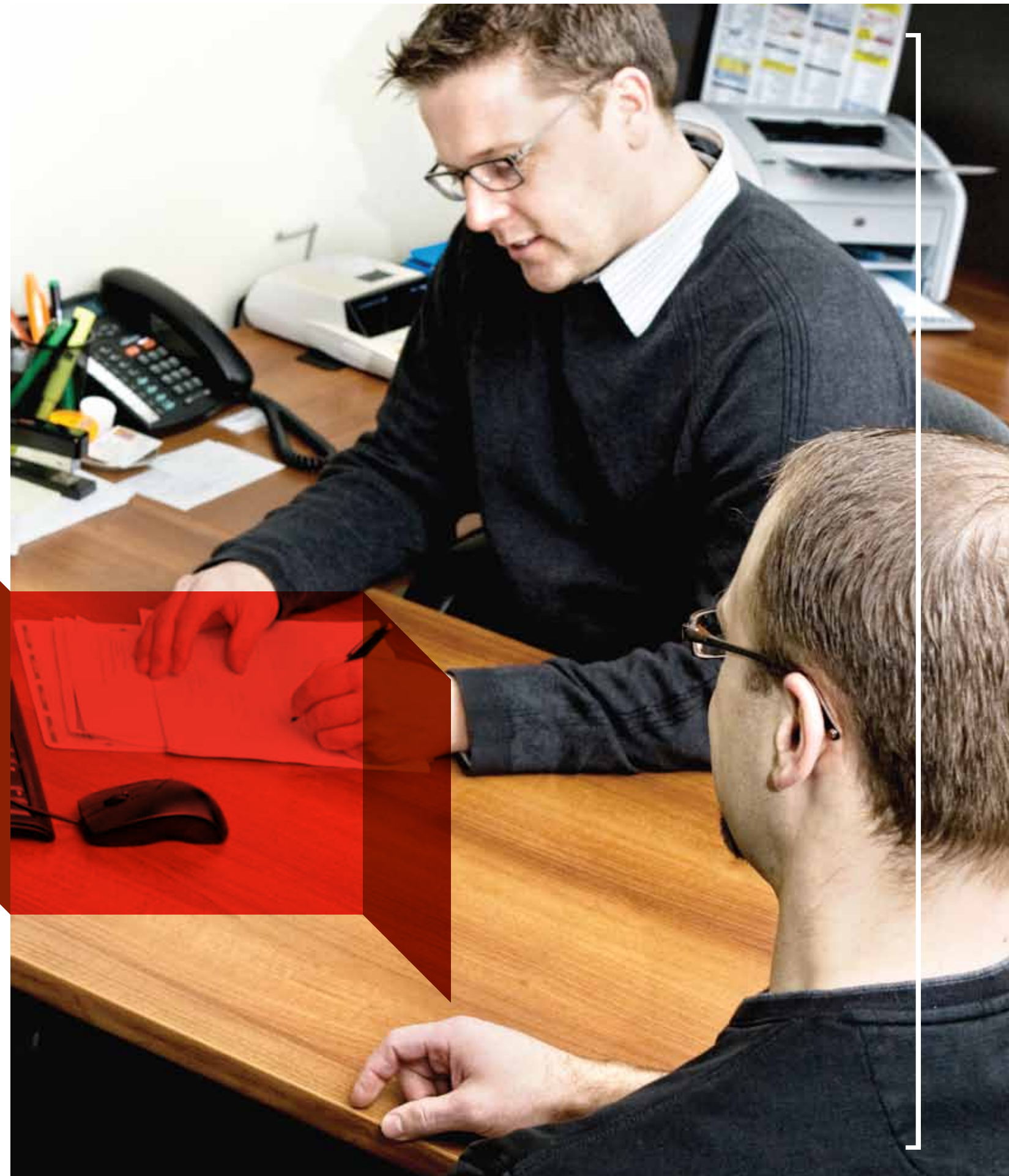
One size does not fit all when it comes to insurance. An independent insurance broker can help you uncover all of your insurance needs aiding in the selection of the best possible insurance products to meet your needs.

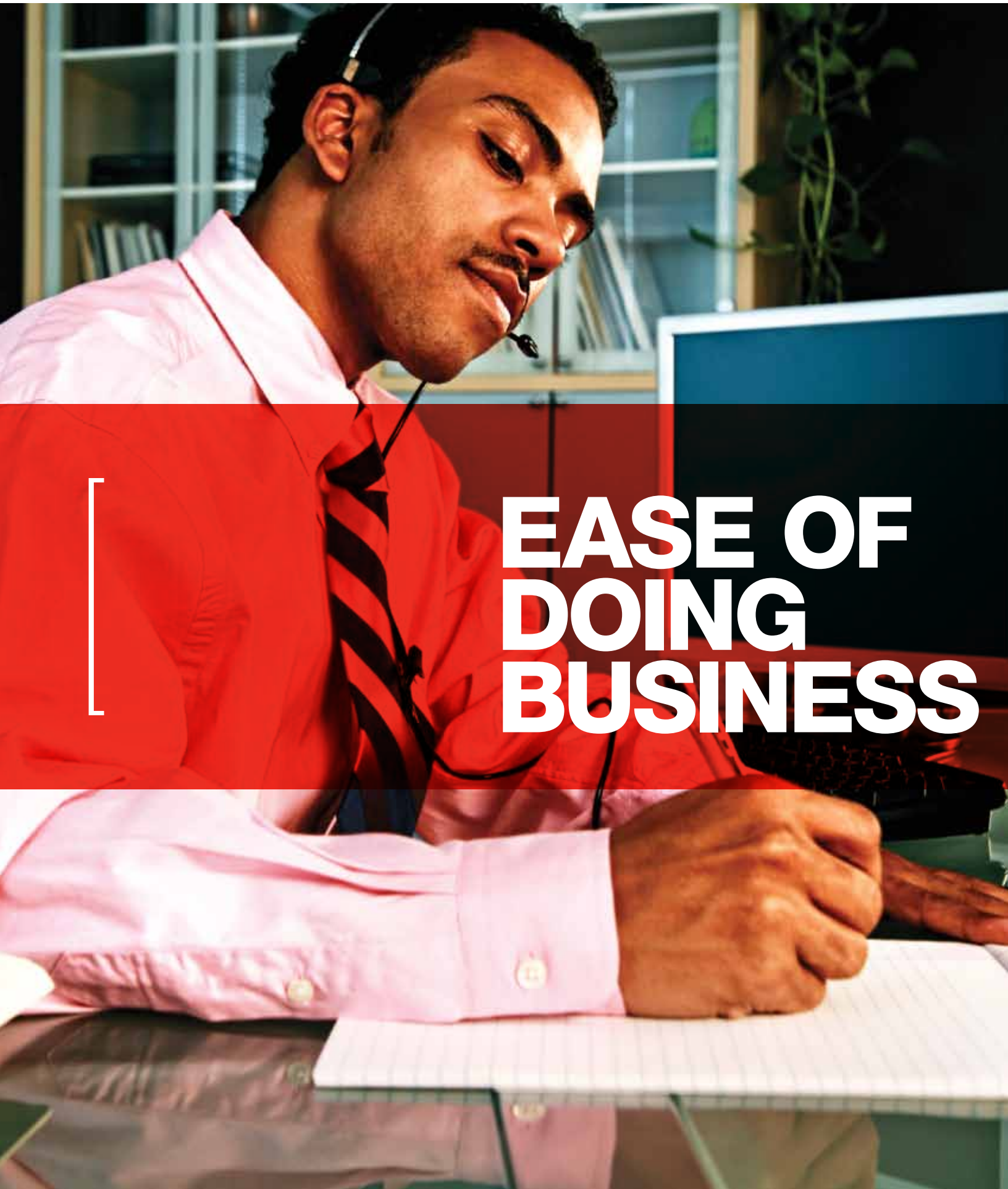
STRONGER COMMUNITIES

When you buy insurance through a broker, you support employment in your community. Most brokers are active community supporters and make their cities and towns a better place to live.

HELP NEARBY

In the unfortunate event of a loss, a local broker can assist you in working through the claim process. It's the difference between personal assistance and dialing a 1-800 number.





EASE OF DOING BUSINESS

WE ARE IN THE MIDST OF AN AMBITIOUS PROJECT TO RE-ENGINEER HOW WE DO BUSINESS. IN 2009 WE LAUNCHED THE 'EASE OF DOING BUSINESS' CAMPAIGN TO IMPROVE DELIVERY OF SERVICE IN CLAIMS AND POLICY SERVICES. WE CONTINUE TO PUSH THE FLYWHEEL...

PHASE 1

Claims service re-engineering to deliver a great customer experience. Developing more customer-centric practices and improving the efficiency of claims handling.

> **80% implemented**

PHASE 2

Underwriting process streamlining to decrease turnaround times while embracing broker/underwriter relationships focusing on a common goal. Investing in technology to help automate the basics so we can focus on delivering a better customer experience.

> **In progress for 2011**

PHASE 3

Accounting process review including implementation of technology to enable more payment options, faster processing, and a better customer experience.

> **Scheduled for 2012**

THE CLAIMS EXPERIENCE

CLAIMS SPECIALISTS ENTER PEOPLE'S LIVES AT A STRESSFUL TIME. WHILE WE CAN'T UNDO THE LOSS, WE CAN MAKE THE CLAIMS PROCESS AS EASY AS POSSIBLE.

We know that it is our job to make the best of a bad situation and we see this as our opportunity to shine. When a loss occurs, our customers can expect the following:

- › Access to emergency claims support 24/7
- › A rapid response from a skilled claims professional within 2 hours of the adjuster receiving the claim
- › A clear overview of the claims process prior to an inspection
- › Regular communication until the claim is complete
- › An equitable outcome



PROTECTION THROUGH PREVENTION



MOST PEOPLE ONLY THINK ABOUT INSURANCE ONCE EVERY 365 DAYS, WHEN THEIR PREMIUM HAS TO BE RENEWED. MOST INSURERS ONLY THINK ABOUT THEIR CUSTOMERS AT RENEWAL TIME OR WHEN A CLAIM OCCURS.

We believe an insurance company should be more than that. It should be about protecting people from loss rather than just helping them deal with loss.

In 2010 we made a new commitment to loss prevention with the hiring of a Loss Prevention Coordinator and an investment in loss prevention messaging to the public.

In 2011 we look forward to the roll-out of the 'voluntary home safety evaluation' program.

Please visit preventingloss.com

OPEN FOR BUSINESS

**ANY COMPANY CAN INSURE A BUSINESS...
BUT WE WILL BE AN INSURER-OF-CHOICE
FOR SMALL BUSINESS.**

Last year, we shifted our growth focus to Commercial lines.

Over the last 12 months we introduced a new suite of commercial package options to further encourage brokers to promote Red River Mutual Commercial lines of business.

We will be more strategic in the areas that we write commercial business.

Our focus will be on delivering quality products and nurturing strong relationships that provide value to the policyholder, the broker, and Red River Mutual.



2010 FINANCIAL HIGHLIGHTS

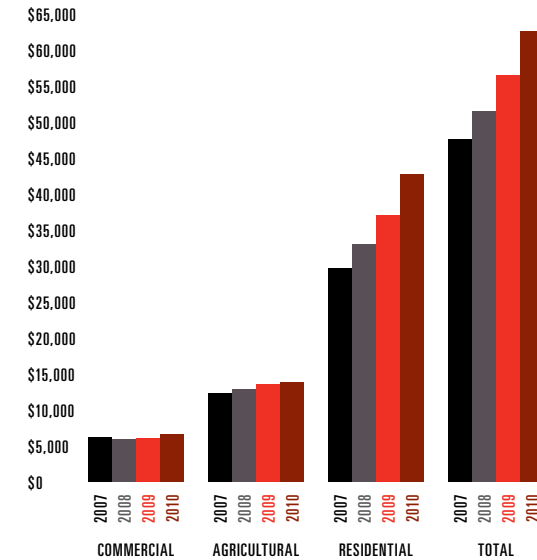
PREMIUM GROWTH CONTINUED TO BE VERY STRONG IN 2010. HOWEVER, LOSSES WERE ABOVE AVERAGE DURING THE YEAR AND THUS TRANSLATED INTO OUR FIRST UNDERWRITING LOSS IN SEVERAL YEARS. WE FORECAST STRONG GROWTH AGAIN FOR 2011.

GROSS PREMIUM WRITTEN
\$62.9 Million

NET INCOME
\$2.6 Million

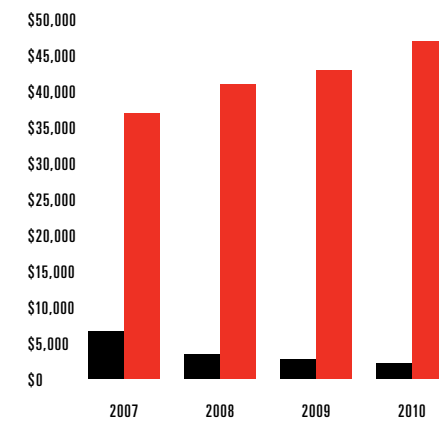
GROWTH IN GROSS PREMIUMS WRITTEN
11.6%

GROSS PREMIUMS WRITTEN ('000)



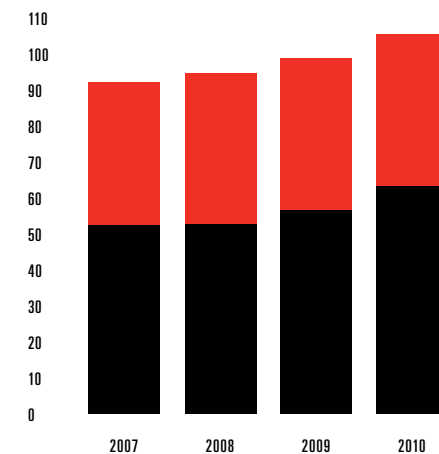
YEAR	COMMERCIAL	AGRICULTURAL	RESIDENTIAL	TOTAL
2007	\$ 5,721	\$ 12,395	\$ 29,559	\$ 47,675
2008	\$ 5,561	\$ 12,802	\$ 33,143	\$ 51,506
2009	\$ 5,538	\$ 13,474	\$ 37,380	\$ 56,392
2010	\$ 6,209	\$ 13,909	\$ 42,788	\$ 62,906

NET INCOME AND RETAINED EARNINGS ('000)



YEAR	NET INCOME	RETAINED EARNINGS
2007	\$ 6,069	\$ 36,954
2008	\$ 3,794	\$ 40,748
2009	\$ 3,060	\$ 43,808
2010	\$ 2,642	\$ 46,450

NET LOSS & EXPENSE RATIOS (%)



YEAR	NET LOSS RATIO	EXPENSE RATIO	COMBINED RATIO
2007	51.7%	39.8%	91.5%
2008	51.9%	41.6%	93.5%
2009	58.1%	41.0%	99.1%
2010	62.7%	40.9%	103.6%

BALANCE SHEET

AS AT DECEMBER 31

	2010 \$	2009 \$
Assets		
Cash and short-term investments	1,850,160	13,545,085
Investments	79,448,733	63,840,373
Accounts receivable	14,042,717	12,463,923
Broker loan receivable	134,527	146,494
Income taxes receivable	708,736	-
Investment income accrued	767,857	536,624
Equity accounted for investments	278,591	-
Capital assets	3,049,870	3,039,991
Due from reinsurer	109,449	89,090
Reinsurers' share of provision for unpaid claims and adjustment expenses	11,629,000	10,636,000
Reinsurers' share of unearned premiums	107,017	80,352
Prepaid expenses and deposits	83,216	46,796
Deferred policy acquisition expenses	8,151,847	7,293,021
Total assets	120,361,720	111,717,749
Liabilities and Equity		
Provision for unpaid claims and adjustment expenses	33,565,000	29,467,000
Unearned premiums	33,984,479	30,417,668
Amounts due to other insurance companies	57,869	17,985
Accrued liabilities	2,067,933	2,037,592
Other taxes payable	1,505,651	1,305,774
Future income taxes	61,705	132,705
Income taxes payable	-	1,958,995
Total liabilities	71,242,637	65,337,719
Equity	49,119,083	46,380,030
Total liabilities and equity	120,361,720	111,717,749

Approved by the Board of Directors



Hans Werner,
DIRECTOR



Ray Loewen,
DIRECTOR

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31

	2010 \$	2009 \$
Gross premiums written	62,905,859	56,392,227
Premiums ceded	5,762,039	5,849,770
Net premiums written	57,143,820	50,542,457
Increase in unearned premiums	3,540,146	2,694,031
Net premiums earned	53,603,674	47,848,426
Service charges on instalment payments	619,289	543,496
	54,222,963	48,391,922
Net claims and adjustment expenses	33,583,704	27,818,750
Acquisition expenses		
Commissions	13,040,050	12,035,840
Premium taxes	2,602,082	2,339,811
General expenses	6,283,750	5,226,929
	55,509,586	47,421,330
Underwriting income (loss)	(1,286,623)	970,592
Net investment income		
Realized gain on sale of available-for-sale assets	2,605,700	632,934
Other net investment income	2,346,778	2,315,934
	4,952,478	2,948,868
Income before income taxes	3,665,855	3,919,460
Provision for (recovery of) income taxes		
Current	1,095,000	873,000
Future	(71,000)	(14,000)
	1,024,000	859,000
Net income for the year	2,641,855	3,060,460



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