

2023 ANNUAL FINANCIAL REPORT

April 10, 2024
Holiday Inn ~ St. Cloud, MN

The Year in Review

The year 2023 was another challenging year for RAM. RAM experienced high winter peril losses due to collapse and ice dams in the first quarter. The second quarter was relatively quiet with no catastrophe loss events. However, elevated hail activity was prevalent in the third quarter and continued into the fourth quarter with another hail event in late October. In addition, RAM experienced adverse loss development from the five 2022 catastrophe loss events throughout 2023. The combination of winter peril losses, widespread hail losses, the adverse 2022 loss development, and increased reinsurance pricing and retentions all contributed to a pre-tax loss for RAM.

For the year, RAM posted a pre-tax loss of \$14,038,000 and net loss of \$14,024,000. After statutory adjustments, surplus relief from our December 31, 2023 quota share reinsurance treaty, and the addition of \$12,375,000 in Guaranty Fund Certificates purchased by our membership, our surplus remained stable at \$58.2M. Thank you to our membership for their strong support of our surplus raise. Our combined ratio was an elevated 124.3% and consisted of loss and LAE at 95.8% and operating expense at 28.5%. Due to our operating loss, we were unable to pay our 2022 and 2023 guaranty fund certificate interest. Our intent is to make up that interest as soon as possible.

Our member company assumed reinsurance program experienced improved results in all loss layers. For 2024, we are replacing our surplus share reinsurance facility with a new excess of loss capacity program. Our roster of member companies stands at 53 after the mergers of Flora with Redwood County, and Has San Lake with Mid-Minnesota along with the addition of Leenthrop Farmers Mutual.

RAM has responded to the industry challenges by taking appropriate actions in the form of rate increases, coverage restrictions, and increased base deductibles. We also implemented necessary growth restrictions and shut down new business in our direct homeowner and dwelling fire programs in Minnesota.

RAM's direct lines premiums increased by 17.6% due to the rate increases, inflations factors, and some growth in North Dakota. Our assumed reinsurance premiums also increased by 14.6% due to a small rate increase and the addition of two new members for 2023. Overall, our gross written premium increased by approximately 17.2% for 2023. Our direct lines policy count increased by 603 policies with growth of 1,353 in North Dakota and a reduction of 750 in Minnesota.

The entire property and casualty insurance industry has been impacted by an increase in Severe Convective Storms (SCS) in recent years. There were 28 billion dollar loss events across the United States in 2023, with the majority caused by SCS perils. Hyper-inflation, continued supply chain disruptions, and high labor costs have also contributed to the industry performance. For RAM, our direct lines losses decreased from 10,944 in 2022 to 8,473 in 2023. This represents the highest loss frequency in RAM's history in consecutive years!

I would like to extend my sincere appreciation to our member companies, agents, and policyholders for your loyalty and support of RAM. On behalf of our board of directors and staff, we wish you a happy, healthy, and prosperous 2024.

Steve Knutson
President/CEO

STATUTORY BALANCE SHEET (in thousands) FOR YEARS ENDING DECEMBER 31, 2023 AND 2022

<u>Admitted Assets</u>	<u>2023</u>	<u>2022</u>
Bonds	\$ 62,037	\$ 69,293
Common and Preferred Stocks	13,840	12,769
Cash	28,488	19,718
Other Invested Assets	<u>5,218</u>	<u>5,364</u>
Cash and Invested Assets	<u>109,583</u>	<u>107,144</u>
Premiums Receivable	13,211	11,607
Other Assets	<u>10,615</u>	<u>11,785</u>
Total Admitted Assets	<u>\$133,409</u>	<u>\$130,536</u>
<u>Liabilities and Surplus</u>		
Liabilities:		
Unpaid Losses and Loss Adjustment Expenses	\$ 32,632	\$ 34,152
Unearned Premiums	26,531	30,143
Other Liabilities	<u>15,995</u>	<u>8,048</u>
Total Liabilities	<u>75,158</u>	<u>72,343</u>
Surplus:		
Guaranty Fund Certificates	17,120	4,745
Unassigned Surplus	<u>41,131</u>	<u>53,448</u>
Total Surplus	<u>58,251</u>	<u>58,193</u>
Total Liabilities and		
Policyholders' Surplus	<u>\$133,409</u>	<u>\$130,536</u>

STATUTORY INCOME STATEMENT (in thousands) FOR YEARS ENDING DECEMBER 31, 2023 AND 2022

<u>Underwriting Operations</u>	<u>2023</u>	<u>2022</u>
Net Premiums Earned:		
Direct Premiums Earned	\$ 89,183	\$ 76,395
Reinsurance Assumed	14,453	12,534
Reinsurance Ceded	<u>(28,038)</u>	<u>(27,382)</u>
	<u>75,598</u>	<u>61,547</u>
Net Losses Incurred:		
Direct Lines Losses Incurred	69,417	120,094
Reinsurance Assumed	9,747	9,359
Reinsurance Recoveries	<u>(12,756)</u>	<u>(61,012)</u>
	<u>66,408</u>	<u>68,441</u>
Operating Expenses Incurred:		
Loss Adjustment Expenses	6,008	6,072
Commissions	11,119	10,963
Other Underwriting Expenses	<u>9,412</u>	<u>8,808</u>
	<u>26,539</u>	<u>25,843</u>
Underwriting Income	<u>(17,349)</u>	<u>(32,737)</u>
<u>Investment and Other Income</u>		
Net Investment Income	3,022	2,503
Other Income	<u>211</u>	<u>2,990</u>
Investment and Other Income	3,233	5,493
Pre-Tax Net Income	(14,116)	(27,244)
Federal Income Tax Expense	<u>(92)</u>	<u>(1,217)</u>
Net Income	<u>\$(14,024)</u>	<u>\$(26,027)</u>

RAM BOARD OF DIRECTORS

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