

2017 ANNUAL FINANCIAL REPORT



BOARD OF DIRECTORS

Tom Mroska	Chairman
Bricker Johnsen	Vice Chairman
Steve Knutson	President/CEO
Jim Svir	Secretary
Tim Iverson	Director
Linda Jaskowiak	Director
Al Muehlhausen	Director
Doug Oachs	Director
Dave Pederson	Director

OFFICERS

Kevin Burkholder	Vice President - Personal Lines
Seth Daggett	VP/Treasurer - Accounting
Josh Lowe	Vice President - Operations
Joleen Podvin	Vice President - Claims
Dan Rupp	Vice President - Agency Services
Bert Tellers	Vice President - Member Services

APRIL 11, 2018

HOLIDAY INN
ST. CLOUD, MN

The Year in Review

RAM delivered another good year of financial results in 2017 despite an increase in catastrophe loss activity and claims frequency. We posted a pre-tax profit of \$7.5M and a net income of \$5.2M. RAM's combined ratio was strong at 89.5%, which is a combination of 59.6% in loss and loss adjusting expense and 29.9% in operating expense.

A.M. Best recently confirmed our financial strength rating of A (*excellent*) with a stable outlook. We are pleased to maintain an excellent financial stability rating.

RAM posted direct lines written premium growth of 4.0%, while Member Company assumed reinsurance written premiums remained stable. We continue to experience slow but steady growth in North Dakota. Overall, our gross written premium increased by 3.2% and our direct lines policy count increased by 2,175 policies.

Our member company assumed reinsurance program experienced positive results in 2017. Frequency of loss was lower while severity of loss increased. With support from our outside reinsurance partners, we were able to offer stable reinsurance rates for 2018. We remain at 52 member companies for 2018 due to the merger between Farmers of Clearwater County and Lakeland Farmers to form Headwaters Mutual, along with the addition of Moe-Urness-Lund Mutual.

As a result of profitable results and regulatory approval from the Minnesota Department of Commerce, we paid our 2017 guaranty fund certificate interest in April of 2018. We sincerely appreciate the financial support of our member company investors.

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 look forward to working with you in the coming year!

Steve Knutson
President/CEO

STATUTORY BALANCE SHEET *(in thousands)* FOR YEARS ENDING DECEMBER 31, 2017 AND 2016

<u>Admitted Assets</u>	<u>2017</u>	<u>2016</u>
Bonds	\$ 75,871	\$ 62,520
Common and Preferred Stocks	11,538	9,774
Cash	11,880	26,535
Other Invested Assets	3,491	646
Cash and Invested Assets	<u>102,780</u>	<u>99,475</u>
Premiums Receivable	8,560	8,245
Other Assets	<u>3,806</u>	<u>2,694</u>
Total Admitted Assets	<u>\$115,146</u>	<u>\$110,414</u>

Liabilities and Surplus

Liabilities:		
Unpaid Losses and Loss Adjustment Expenses	\$ 18,408	\$ 20,258
Unearned Premiums	20,592	19,687
Other Liabilities	<u>5,999</u>	<u>4,895</u>
Total Liabilities	<u>44,999</u>	<u>44,840</u>
Surplus:		
Guaranty Fund Certificates	4,745	4,745
Unassigned Surplus	<u>65,402</u>	<u>60,829</u>
Total Surplus	<u>70,147</u>	<u>65,574</u>
Total Liabilities and Policyholders' Surplus	<u>\$115,146</u>	<u>\$110,414</u>

STATUTORY INCOME STATEMENT *(in thousands)* FOR YEARS ENDING DECEMBER 31, 2017 AND 2016

<u>Underwriting Operations</u>	<u>2017</u>	<u>2016</u>
Net Premiums Earned:		
Direct Premiums Earned	\$ 52,338	\$ 50,983
Reinsurance Assumed	10,701	10,771
Reinsurance Ceded	<u>(14,232)</u>	<u>(13,487)</u>
	<u>48,807</u>	<u>48,267</u>
Net Losses Incurred:		
Direct Lines Losses Incurred	25,955	17,334
Reinsurance Assumed	7,892	6,543
Reinsurance Recoveries	<u>(9,116)</u>	<u>(5,097)</u>
	<u>24,731</u>	<u>18,780</u>
Operating Expenses Incurred:		
Loss Adjustment Expenses	4,331	4,176
Commissions	8,229	8,128
Other Underwriting Expenses	<u>6,636</u>	<u>6,586</u>
	<u>19,196</u>	<u>18,890</u>
Underwriting Income	<u>4,880</u>	<u>10,597</u>
<u>Investment and Other Income</u>		
Net Investment Income	2,446	1,516
Other Income	192	187
Investment and Other Income	<u>2,638</u>	<u>1,703</u>
Pre-Tax Net Income	7,518	12,300
Federal Income Tax Expense	<u>2,353</u>	<u>4,146</u>
Net Income	<u>\$ 5,165</u>	<u>\$ 8,154</u>