

# 2022 ANNUAL FINANCIAL REPORT

## The Year in Review

The year 2022 was an extraordinary catastrophe loss year. RAM experienced five windstorm and hail catastrophe loss events in the second quarter. This included the largest event in our history from May 9-12 with ground up loss in excess of \$53M. This storm event included two waves of damaging hail followed by a widespread Derecho. Overall, the catastrophe loss from the five events exceeded \$76M, compared with \$35M for the five events in 2021.

The spring and summer storm season kicked off early in the middle of April with three additional events in May and one in June. Prior to our May 9-12 storm event, the largest event in our history was \$11.8M in August of 2021. The May 9-12 event exceeded our excess catastrophe tower limit of \$35M and represents what may be described as a "perfect storm" for RAM and our industry.

After a modestly profitable first quarter, the second quarter was heavily impacted by storm losses. These losses continued to impact our operations in the third and fourth quarters due to newly reported claims and adverse loss development. RAM posted a pre-tax loss of \$27.1M, and net loss of \$26.0M. After statutory adjustments, our surplus decreased by approximately \$25.2M to \$58.2M. RAM's combined ratio ended extremely high at 151.6% which consists of loss and LAE at 121.1% and operating expense at 30.5%.

The property and casualty industry also experienced a very challenging loss year which included hurricanes, wild fires, winter freeze, and, of course, severe convective storms. For RAM, both the frequency and severity of loss were significantly elevated. Supply chain disruptions, high labor costs, and nagging high inflation all contributed to increased claims costs. For the year, we incurred 10,944 direct lines claims, exceeding our previous frequency record of 7,128, set in 2021 by 53.5%!

With strong growth in North Dakota and the impact of our rate increases and increased inflation guard factors, our gross written premium increased by 12.2% to \$93.2M. This was a combination of direct lines premium growth (+13.4%) and assumed premium growth (+5.1%). Our direct lines policy count also increased by 2,209 policies.

Our member company assumed reinsurance program also experienced a higher loss year in layers 1, 2, and 4. Likely, these losses were also influenced by higher inflation. We announced a rate increase for 2023 and were successful in retaining all 53 existing members. After the merger of Chisago Lakes and German and the addition of Paynesville and North Fork Mutuals, our membership now stands at 54 companies.

Due to our operating loss, we were unable to pay our 2022 guaranty fund certificate interest. Our intent is to make up that interest payment as soon as possible in the future. We are thankful for the financial support these funds provide to RAM.

I would like to extend my sincere appreciation to our member companies, agents, and policyholders for your loyalty and support through a most challenging year. On behalf of our board of directors and staff, we wish you a happy, healthy, and rewarding 2023.

Steve Knutson  
President/CEO

### RAM BOARD OF DIRECTORS

|                 |               |
|-----------------|---------------|
| DOUG OACHS      | CHAIRMAN      |
| TIM IVERSON     | VICE CHAIRMAN |
| JIM SVIR        | SECRETARY     |
| STEVE KNUTSON   | PRESIDENT/CEO |
| AARON GROVE     | DIRECTOR      |
| NICK HAGER      | DIRECTOR      |
| LINDA JASKOWIAK | DIRECTOR      |
| BRAD KULLOT     | DIRECTOR      |
| GARY SWEARINGEN | DIRECTOR      |



*Your Partner in Protection*

### OFFICERS

|                |                           |
|----------------|---------------------------|
| JIM WILLIAMS   | VP—ACCOUNTING             |
| CARI LAMIRANDE | VP—AUTO                   |
| JOSH LOWE      | SR. VP—OPERATIONS         |
| ANGIE SALMI    | VP—INFORMATION TECHNOLOGY |

## STATUTORY BALANCE SHEET (in thousands)

FOR YEARS ENDING DECEMBER 31, 2022 AND 2021

| <u>Admitted Assets</u>      | <u>2022</u>      | <u>2021</u>      |
|-----------------------------|------------------|------------------|
| Bonds                       | \$ 69,293        | \$ 93,178        |
| Common and Preferred Stocks | 12,769           | 17,161           |
| Cash                        | 19,718           | 9,984            |
| Other Invested Assets       | 5,364            | 5,511            |
| Cash and Invested Assets    | 107,144          | 125,834          |
| Premiums Receivable         | 11,607           | 10,244           |
| Other Assets                | 11,786           | 5,750            |
| Total Admitted Assets       | <u>\$130,536</u> | <u>\$141,828</u> |

### Liabilities and Surplus

|  |                  |                  |
|--|------------------|------------------|
| Liabilities:                               |                  |                  |
| Unpaid Losses and Loss Adjustment Expenses | \$ 34,152        | \$ 23,417        |
| Unearned Premiums                          | 30,143           | 26,905           |
| Other Liabilities                          | 8,048            | 8,077            |
| Total Liabilities                          | <u>72,343</u>    | <u>58,399</u>    |
| Surplus:                                   |                  |                  |
| Guaranty Fund Certificates                 | 4,745            | 4,745            |
| Unassigned Surplus                         | 53,448           | 78,684           |
| Total Surplus                              | <u>58,193</u>    | <u>83,429</u>    |
| Total Liabilities and                      |                  |                  |
| Policyholders' Surplus                     | <u>\$130,536</u> | <u>\$141,828</u> |

## STATUTORY INCOME STATEMENT (in thousands)

FOR YEARS ENDING DECEMBER 31, 2022 AND 2021

| <u>Underwriting Operations</u>     | <u>2022</u>       | <u>2021</u>     |
|------------------------------------|-------------------|-----------------|
| Net Premiums Earned:               |                   |                 |
| Direct Premiums Earned             | \$ 76,395         | \$ 68,064       |
| Reinsurance Assumed                | 12,534            | 11,864          |
| Reinsurance Ceded                  | (27,382)          | (21,523)        |
|                                    | <u>61,547</u>     | <u>58,405</u>   |
| Net Losses Incurred:               |                   |                 |
| Direct Lines Losses Incurred       | 120,094           | 56,225          |
| Reinsurance Assumed                | 9,359             | 6,416           |
| Reinsurance Recoveries             | (61,012)          | (23,390)        |
|                                    | <u>68,441</u>     | <u>39,251</u>   |
| Operating Expenses Incurred:       |                   |                 |
| Loss Adjustment Expenses           | 6,072             | 5,570           |
| Commissions                        | 10,963            | 10,314          |
| Other Underwriting Expenses        | 8,808             | 8,235           |
|                                    | <u>25,843</u>     | <u>24,119</u>   |
| Underwriting Income                | <u>(32,737)</u>   | <u>(4,965)</u>  |
| <u>Investment and Other Income</u> |                   |                 |
| Net Investment Income              | 2,503             | 5,423           |
| Other Income                       | 2,990             | 174             |
| Investment and Other Income        | 5,493             | 5,597           |
| Pre-Tax Net Income                 | (27,244)          | 632             |
| Federal Income Tax Expense         | (1,217)           | (478)           |
| Net Income                         | <u>\$(26,027)</u> | <u>\$ 1,110</u> |

April 12, 2023

Holiday Inn ~ St. Cloud, MN