

2021 ANNUAL FINANCIAL REPORT

The Year in Review

The year 2021 was an extraordinary loss year with RAM experiencing four windstorm and hail catastrophe events. The smallest event was approximately \$2.8M, and the other three were approximately \$7.2M, \$9.1M, and \$10.6M respectively for a collective ground-up loss of \$29.7M. With drought conditions through spring and much of the summer, the atmosphere was dry and not conducive to produce frequent convective storms. However, the storms that occurred were significant.

The events of June, July, and August featured large and very damaging hail. The final event, occurring in the middle of December, produced what the National Weather Service has described as a serial derecho. Prior to this event, temperatures were in the mid 60's and provided an atmosphere ripe for a summer-like convective storm. This system produced 20 confirmed tornadoes across southeastern Minnesota.

Our gross written premium increased by 12.5%, and our direct lines policy count increased by 2,795. Direct lines written premium increased by 12.9%, and assumed reinsurance written premiums increased by 10.2%. We also enjoyed steady growth in North Dakota.

The property and casualty insurance industry incurred a heavy loss year which included hurricanes, wild fires, winter freeze, and wide-spread convective storms. Losses were elevated for RAM with high frequency and severity of direct lines claims. Severity was impacted by supply chain issues, increased labor costs, and high inflation. Fortunately, our catastrophe reinsurance program was responsive and stabilized our results.

Our first quarter was strong with excellent profitability, however, the final three quarters were challenging due to storm-related loss activity. RAM incurred an underwriting loss but was able to supplement our underwriting performance with investment income and available capital gains. In 2021, RAM posted a pre-tax profit of \$1.4M and net income of \$1.1M. After statutory adjustments, our surplus increased by approximately \$908K to \$83.4M. RAM's combined ratio was high at 107.2% which consists of loss and LAE at 76.7% and operating expense at 30.5%.

Our member companies' assumed reinsurance program performed favorably with a notable decrease in claims compared to 2020. Our member company reinsurance renewal premium increased for 2022, and that was passed on to our membership through a modest rate increase. All 53 member companies were renewed for 2022.

With adequate profitability, we submitted a request to the Minnesota Department of Commerce to pay our 2021 guaranty fund certificate interest, which was paid in March of 2022. We sincerely appreciate 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 partnership. On behalf of our board of directors and staff, all the best in 2022!

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
DAN RUPP	VP—MEMBER SERVICES
ANGIE SALMI	VP—INFORMATION TECHNOLOGY

April 13, 2022

The Park Event Center
Waite Park, MN

STATUTORY BALANCE SHEET (in thousands)

FOR YEARS ENDING DECEMBER 31, 2021 AND 2020

<u>Admitted Assets</u>	<u>2021</u>	<u>2020</u>
Bonds	\$ 93,178	\$ 92,840
Common and Preferred Stocks	17,161	13,245
Cash	9,984	9,790
Other Invested Assets	<u>5,511</u>	<u>5,675</u>
Cash and Invested Assets	<u>125,834</u>	<u>121,550</u>
Premiums Receivable	10,244	9,479
Other Assets	<u>5,750</u>	<u>4,807</u>
Total Admitted Assets	<u>\$141,828</u>	<u>\$135,836</u>
 <u>Liabilities and Surplus</u>		
Liabilities:		
Unpaid Losses and Loss Adjustment Expenses	\$ 23,417	\$ 23,570
Unearned Premiums	26,905	24,477
Other Liabilities	<u>8,077</u>	<u>5,268</u>
Total Liabilities	<u>58,399</u>	<u>53,315</u>
Surplus:		
Guaranty Fund Certificates	4,745	4,745
Unassigned Surplus	<u>78,684</u>	<u>77,776</u>
Total Surplus	<u>83,429</u>	<u>82,521</u>
Total Liabilities and		
Policyholders' Surplus	<u>\$141,828</u>	<u>\$135,836</u>

STATUTORY INCOME STATEMENT (in thousands)

FOR YEARS ENDING DECEMBER 31, 2021 AND 2020

<u>Underwriting Operations</u>	<u>2021</u>	<u>2020</u>
Net Premiums Earned:		
Direct Premiums Earned	\$ 68,063	\$ 61,425
Reinsurance Assumed	11,864	10,960
Reinsurance Ceded	<u>(21,522)</u>	<u>(15,382)</u>
	<u>58,405</u>	<u>57,003</u>
Net Losses Incurred:		
Direct Lines Losses Incurred	56,225	37,745
Reinsurance Assumed	6,416	8,149
Reinsurance Recoveries	<u>(23,390)</u>	<u>(10,044)</u>
	<u>39,251</u>	<u>35,850</u>
Operating Expenses Incurred:		
Loss Adjustment Expenses	5,570	4,432
Commissions	10,314	9,468
Other Underwriting Expenses	<u>8,235</u>	<u>7,639</u>
	<u>24,119</u>	<u>21,539</u>
Underwriting Income	<u>(4,965)</u>	<u>(386)</u>
 <u>Investment and Other Income</u>		
Net Investment Income	5,423	3,101
Other Income	<u>174</u>	<u>189</u>
Investment and Other Income	5,597	3,290
Pre-Tax Net Income	632	2,904
Federal Income Tax Expense	<u>478</u>	<u>(564)</u>
Net Income	<u>\$ 1,110</u>	<u>\$ 2,340</u>