

# 2016 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
Wes Mattsfield	Vice President - Commercial Lines
Joleen Podvin	Vice President - Claims
Dan Rupp	Vice President - Agency Services
Bert Tellers	Vice President - Member Services

APRIL 12, 2017

HOLIDAY INN  
ST. CLOUD, MN

## The Year in Review

In 2016, RAM delivered another year of excellent financial results. Overall, premiums continued to grow at a steady pace and we once again benefited from limited catastrophes and relatively low loss activity. RAM's combined ratio was strong at 77.9%, which is a combination of 47.6% in loss and loss adjusting expense and 30.3% in operating expense.

As a result of our consistent profitability over time and strong financial position, AM Best upgraded our financial strength rating from A- to A (excellent) with a stable outlook. This positive upgrade was achieved through the efforts of many RAM stakeholders.

RAM posted direct lines written premium growth of 3.2%, while Member Company assumed reinsurance written premiums remained consistent with the prior year. We also continued to experience slow but steady growth in North Dakota. Overall, our gross written premium increased by 2.6% and our direct lines policy count increased by approximately 2,150 policies.

Our member company assumed reinsurance program achieved positive results in 2016. Frequency of loss was similar while severity of loss increased year over year. With support from our member companies, we were able to offer stable reinsurance rates for 2017, and renewed reinsurance contracts with all 52 member companies.

As a result of profitable results and regulatory approval from the Minnesota Department of Commerce, we paid our 2016 guaranty fund certificate interest in March of 2017. 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, 2016 AND 2015

<u>Admitted Assets</u>	<u>2016</u>	<u>2015</u>
Bonds	\$ 62,520	\$ 57,561
Common and Preferred Stocks	9,774	7,952
Cash	26,535	22,951
Other Invested Assets	646	279
Cash and Invested Assets	<u>99,475</u>	<u>88,743</u>
Premiums Receivable	8,245	7,906
Other Assets	<u>2,694</u>	<u>3,586</u>
Total Admitted Assets	<u>\$110,414</u>	<u>\$100,235</u>

## Liabilities and Surplus

Liabilities:		
Unpaid Losses and Loss Adjustment Expenses	\$ 20,258	\$19,362
Unearned Premiums	19,687	19,385
Other Liabilities	<u>4,895</u>	<u>4,554</u>
Total Liabilities	<u>44,840</u>	<u>43,301</u>
Surplus:		
Guaranty Fund Certificates	4,745	4,745
Unassigned Surplus	<u>60,829</u>	<u>52,189</u>
Total Surplus	<u>65,574</u>	<u>56,934</u>
Total Liabilities and Policyholders' Surplus	<u>\$110,414</u>	<u>\$100,235</u>

## STATUTORY INCOME STATEMENT *(in thousands)* FOR YEARS ENDING DECEMBER 31, 2016 AND 2015

<u>Underwriting Operations</u>	<u>2016</u>	<u>2015</u>
Net Premiums Earned:		
Direct Premiums Earned	\$ 50,983	\$ 49,085
Reinsurance Assumed	10,771	10,787
Reinsurance Ceded	<u>(13,487)</u>	<u>(13,390)</u>
	<u>48,267</u>	<u>46,482</u>
Net Losses Incurred:		
Direct Lines Losses Incurred	17,334	14,590
Reinsurance Assumed	6,543	3,129
Reinsurance Recoveries	<u>(5,097)</u>	<u>(1,581)</u>
	<u>18,780</u>	<u>16,138</u>
Operating Expenses Incurred:		
Loss Adjustment Expenses	4,176	4,356
Commissions	8,128	8,001
Other Underwriting Expenses	<u>6,586</u>	<u>6,097</u>
	<u>18,890</u>	<u>18,454</u>
Underwriting Income	<u>10,597</u>	<u>11,890</u>
<u>Investment and Other Income</u>		
Net Investment Income	1,516	1,331
Other Income	187	180
Investment and Other Income	<u>1,703</u>	<u>1,511</u>
Pre-Tax Net Income	12,300	13,401
Federal Income Tax Expense	<u>4,146</u>	<u>4,633</u>
Net Income	<u>\$ 8,154</u>	<u>\$ 8,768</u>