

RAM Mutual Insurance Company

Policyholder Statements

Year Ended 2010

Presented at the RAM Annual Meeting

April 13, 2011

Holiday Inn, St. Cloud, MN



The Year in Review

The year 2010 was a very difficult one for RAM Mutual. We posted a pre-tax loss of \$4,755,000 and a net loss after-tax of \$2,961,000. These numbers reflect a miserable windstorm and hail season. Our unprofitable financial results reduced our surplus to \$32,606,000. However, our surplus and leverage ratios remain strong. Our A.M. Best rating was confirmed in December at A- with a stable outlook, and we are thankful for our excellent rating.

Our direct lines claims totaled 4,843, which established a new record for RAM. This compared with 2,605 incurred in 2009, which is an increase of 2,238 claims. Needless to say, our Claims Department was busy handling claims. RAM experienced our most difficult loss year ever with four catastrophe loss events. The loss events were June 16-18, June 24-26, July 17-19, and August 11-13. The two loss events in June both exceeded \$9 million in ground-up loss and now represent the two largest loss events in RAM's history. Just when we thought the windstorm season was over, we incurred another significant loss event in late October as the result of a low pressure system that moved across the country. Mother Nature was extremely active within the state of Minnesota in 2010.

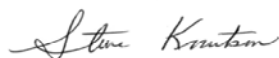
Our combined ratio for 2010 reflects a dismal 125.3%. This compares unfavorably with the 81.5% we posted in 2009. Midwestern storms impacting Minnesota resulted in both elevated frequency and severity of loss in direct lines and to some extent assumed reinsurance. One of our members incurred a large dwelling fire from lightning during one of these storm events, and several members incurred water and sewer backup losses exceeding their retentions in late September. We relied heavily on our responsive reinsurance program and purchased additional reinsurance during the year to protect our financial position.

Our financial performance in 2010, along with the retirement of the 1981 Guarantee Fund Certificate issue, reduced our surplus by \$4,000,733. Overall, our surplus decreased by 10.9% from year-end 2009. However, our gross and net written premium-to-surplus ratios remain strong at 1.3:1 and 0.8:1 respectively. The remaining Guarantee Fund Certificates held by our member companies continue to bolster RAM's surplus and represent approximately 15% of our total surplus. We appreciate the financial support and loyalty our membership has provided to RAM.

RAM incurred acceptable loss experience within our member company reinsurance program. We reflected 45 reinsurance claims in 2010, compared with 46 reinsurance claims in 2009. The severity of these claims increased but remained tolerable. The past two years performance has allowed RAM to provide some rate relief to our member companies.

The soft insurance market persisted during 2010, but RAM was able to increase our direct lines written premiums and policy count. Our direct lines written premiums increased by 3.4 percent, and our policy count increased by approximately 1,500 policies. Our assumed member company reinsurance written premiums decreased by 9.9 percent. Overall, our gross written premiums decreased by 0.5 percent. As a result of the elevated 2010 loss experience, RAM has announced rate increases for several of our lines of business. We will continue to monitor our rating structure and make responsible adjustments as we move forward.

During this most difficult year, RAM persevered, remains financially strong, and met our promise to pay policyholders for losses sustained. We continue to place great emphasis on improving our technology and ultimately our ease of doing business. Thank you for your loyalty and support of RAM Mutual.



Steve Knutson
President/CEO

RAM Mutual Insurance Company

Board of Directors

Tom Mrosla.....Chairman
Bricker Johnsen.....Vice Chairman
Steve Knutson.....President
Jim Svir.....Secretary
Doug Iverson.....Director
Tim Iverson.....Director
Linda Jaskowiak.....Director
Al Muehlhausen.....Director
Doug Oachs.....Director

Other Officers

Jim Faber.....Sr. Vice President
Wayne Johnston.....Treasurer/CFO
Kevin Burkholder.....Vice President
Joleen Christen.....Vice President
Steve Hinnenkamp.....Vice President
Wes Mattsfield.....Vice President
Lynda Nordstrom.....Vice President
Dan Rupp.....Vice President
Bert Tellers.....Vice President



RAM Mutual Insurance Company

STATUTORY BALANCE SHEETS

December 31, 2010 and 2009

<u>ADMITTED ASSETS</u>	<u>2010</u>	<u>2009</u>
Bonds	\$18,260,000	\$29,005,000
Preferred and common stocks	8,183,000	8,062,000
Cash, cash equivalents and short-term investments	30,034,000	25,375,000
Other invested assets	<u>335,000</u>	<u>382,000</u>
Cash and invested assets	56,812,000	62,824,000
Uncollected premiums	5,765,000	5,787,000
Due from reinsurers	1,283,000	154,000
Net deferred tax asset	1,156,000	1,171,000
Accrued investment income	130,000	402,000
Federal income taxes receivable	2,542,000	-0-
Other non-invested assets	<u>473,000</u>	<u>493,000</u>
 Total admitted assets	 <u>\$68,161,000</u>	 <u>\$70,831,000</u>
 <u>LIABILITIES AND SURPLUS</u>		
Liabilities:		
Unpaid losses and loss adjusting expenses, net	\$19,507,000	\$19,182,000
Unearned premiums, net	12,475,000	12,002,000
Commissions payable	322,000	453,000
Ceded reinsurance premiums payable	1,614,000	299,000
Earned but unbilled premium credits	549,000	656,000
Other	<u>1,088,000</u>	<u>1,632,000</u>
 Total liabilities	 <u>35,555,000</u>	 <u>34,224,000</u>
Surplus:		
Guarantee fund certificates	4,895,000	5,899,000
Unassigned surplus	<u>27,711,000</u>	<u>30,708,000</u>
 Total surplus	 <u>32,606,000</u>	 <u>36,607,000</u>
 Total liabilities and surplus	 <u>\$68,161,000</u>	 <u>\$70,831,000</u>

RAM Mutual Insurance Company

STATUTORY STATEMENTS OF INCOME

Years Ended December 31, 2010 and 2009

UNDERWRITING OPERATIONS

	<u>2010</u>	<u>2009</u>
Net premiums earned:		
Direct premiums earned	\$29,897,000	\$28,893,000
Reinsurance assumed	11,011,000	12,148,000
Reinsurance ceded	<u>(16,718,000)</u>	<u>(11,603,000)</u>
	<u>24,190,000</u>	<u>29,438,000</u>
Net losses incurred:		
Direct losses incurred	41,711,000	11,054,000
Reinsurance assumed	5,751,000	4,793,000
Reinsurance recoveries	<u>(27,901,000)</u>	<u>(3,889,000)</u>
	<u>19,561,000</u>	<u>11,958,000</u>
Operating expenses incurred:		
Loss adjustment expenses	1,729,000	2,541,000
Commissions	4,915,000	4,826,000
Other underwriting expenses	<u>4,279,000</u>	<u>4,802,000</u>
	<u>10,923,000</u>	<u>12,169,000</u>
Underwriting gain (loss)	<u>(6,294,000)</u>	<u>5,311,000</u>

INVESTMENT AND OTHER INCOME

Investment income earned	1,297,000	1,916,000
Investment expenses	(470,000)	(491,000)
Net realized capital gain (loss)	538,000	(38,000)
Other income	<u>174,000</u>	<u>162,000</u>
Investment and other income	<u>1,539,000</u>	<u>1,549,000</u>
Net income (loss) before federal income tax expense	(4,755,000)	6,860,000
Federal income tax expense (benefit)	<u>(1,794,000)</u>	<u>2,304,000</u>
Net income (loss)	<u><u>\$(2,961,000)</u></u>	<u><u>\$4,556,000</u></u>

RAM Mutual Insurance Company

MEMBER COMPANY EXPERIENCE

Underwriting Years 2010 and 2009

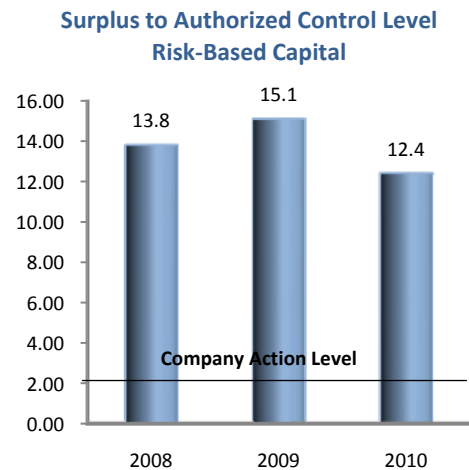
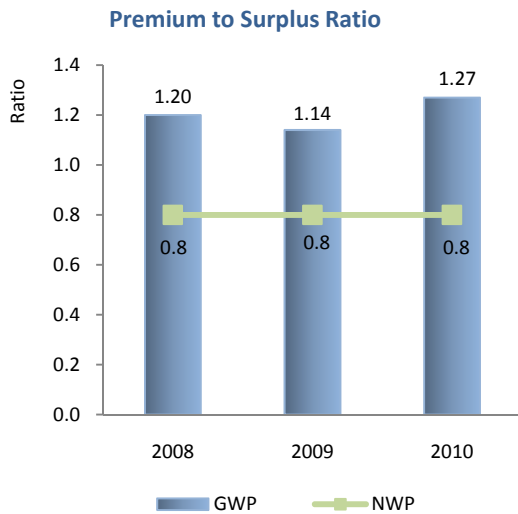
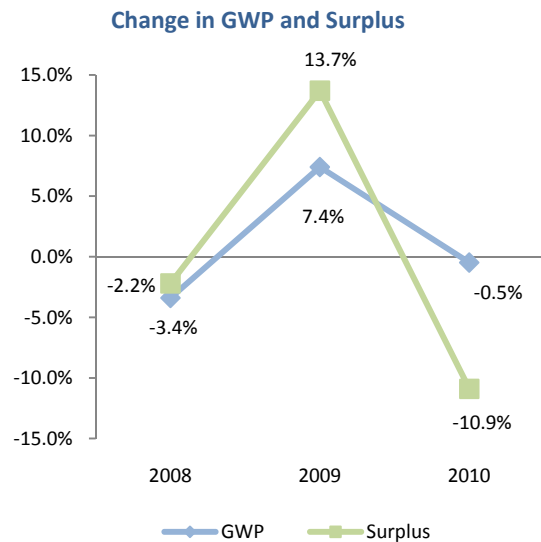
As of December 31, 2010

	<u>UWY 2010</u>	<u>UWY 2009</u>
Gross premiums earned	\$ 8,993,000	\$10,107,000
Reinsurance ceded	<u>(3,744,000)</u>	<u>(4,150,000)</u>
Net premiums earned	<u>\$ 5,249,000</u>	<u>\$ 5,957,000</u>
Gross losses incurred	\$ 5,671,000	\$ 3,643,000
Reinsurance recoveries	<u>(1,602,000)</u>	<u>(973,000)</u>
Net losses incurred	<u>\$ 4,069,000</u>	<u>\$ 2,670,000</u>
Loss ratio	77.5%	44.8%

RAM MUTUAL INSURANCE COMPANY

FINANCIAL TRENDS AND RATIOS

Premium and Surplus Trends



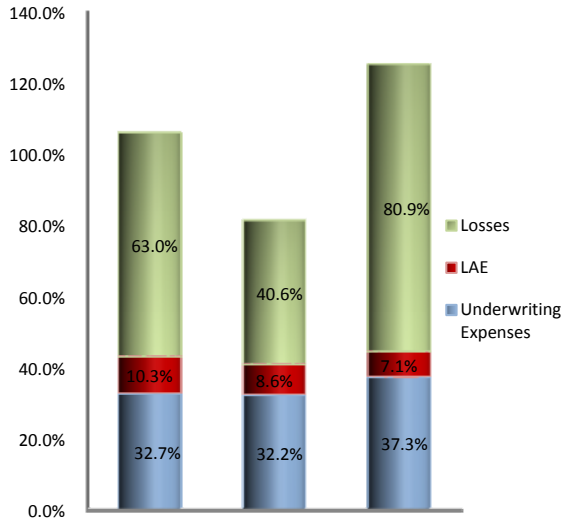
Analysis and Comments: While gross premiums written remained stable during 2010, net premiums written significantly decreased due to additional catastrophe premiums and catastrophe reinstatement premiums ceded. Surplus decreased in 2010 mainly due to underwriting losses and redemption of surplus notes. The premium to surplus ratio remained consistent. The Company's surplus level relative to Risk-Based Capital standards remains strong.

RAM MUTUAL INSURANCE COMPANY

FINANCIAL TRENDS AND RATIOS

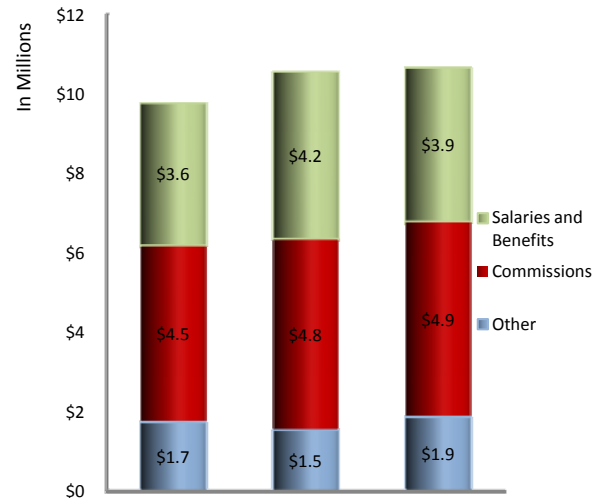
Combined Ratio and Expense Trends

Net Combined Ratio



	2008	2009	2010
Losses	63.0%	40.6%	80.9%
LAE	10.3%	8.6%	7.1%
Underwriting Expenses	32.7%	32.2%	37.3%
Totals	106.0%	81.4%	125.3%

Expense Distribution



	2008	2009	2010
Salaries and Benefits	\$ 3,579,874	\$ 4,198,572	\$ 3,879,990
Commissions	\$ 4,462,207	\$ 4,826,143	\$ 4,915,103
Other	\$ 1,722,510	\$ 1,521,950	\$ 1,860,471
Totals	\$ 9,764,591	\$ 10,546,665	\$ 10,655,564

Analysis and Comments: The Company's combined ratio increased significantly in 2010 due to an increase in claim frequency and severity. Loss adjusting expenses decreased despite the increase in claim activity as the Company was able to more efficiently utilize their adjusters.

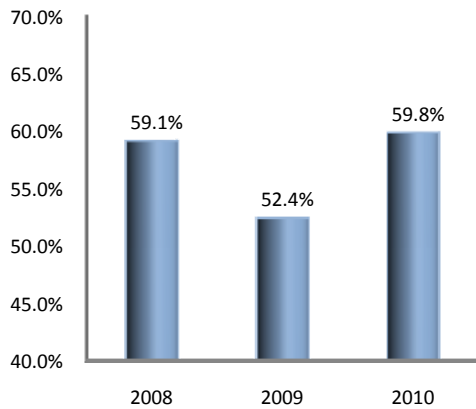
The largest component of underwriting expense, commissions, remained relatively stable during 2010 due to flat premium levels. Salaries and benefits decreased in 2010 due to no profit sharing bonus being paid. Other expenses increased in 2010, due to adjustments in the Special Compensation Fund.

RAM MUTUAL INSURANCE COMPANY

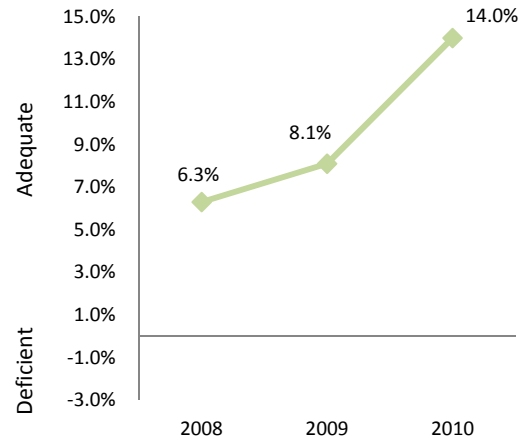
FINANCIAL TRENDS AND RATIOS

Loss and LAE Reserve Trends

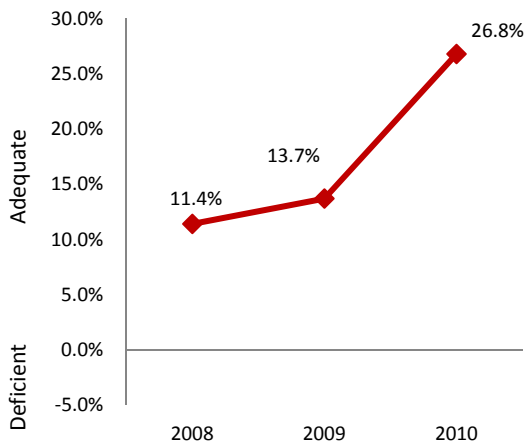
Loss Reserves as % of Surplus



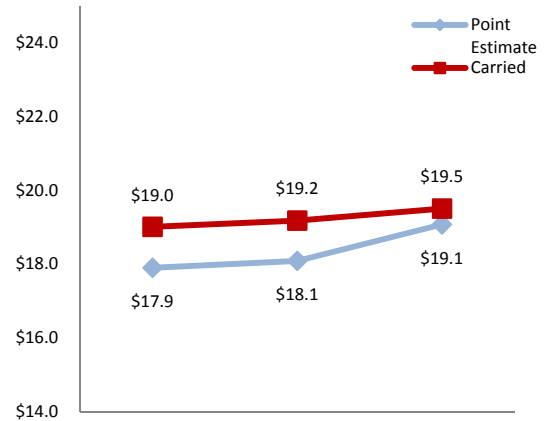
Development as % of Surplus



Development as % of Reserves



Reserves Carried to Actuary's Point Estimate



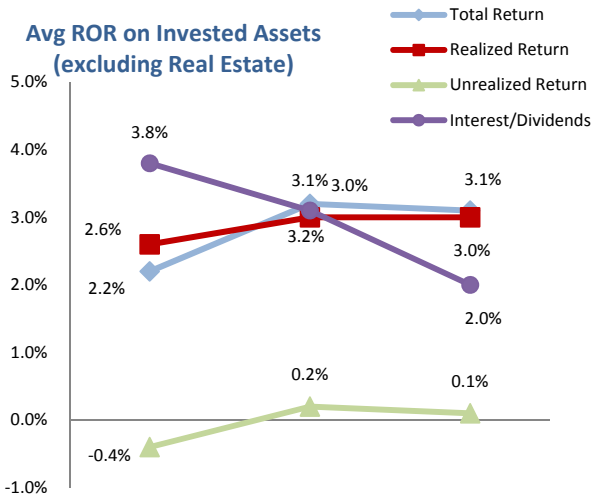
	2008	2009	2010
Point Estimate	\$ 17,900,812	\$ 18,089,252	\$ 19,078,406
Carried	\$ 19,010,491	\$ 19,182,218	\$ 19,506,671

Analysis and Comments: The Company's loss and loss adjustment expense reserves continue to show adequate development, and the carried reserves continue to exceed the actuary's point estimate.

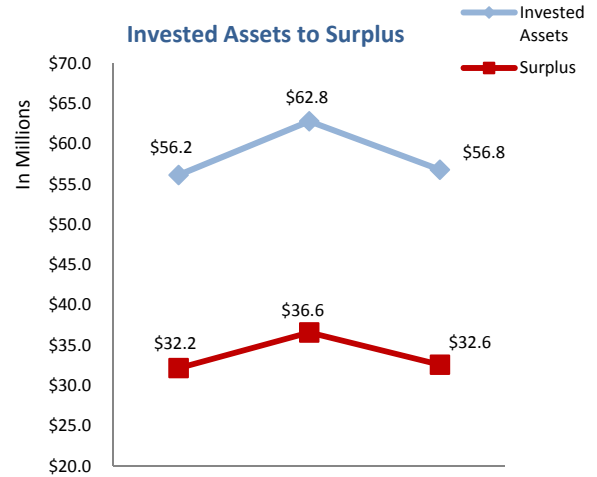
RAM MUTUAL INSURANCE COMPANY

FINANCIAL TRENDS AND RATIOS

Investment Trends

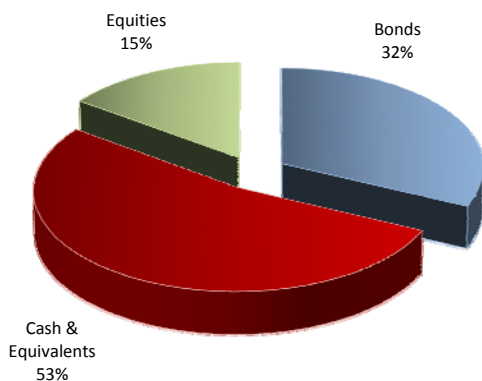


	2008	2009	2010
Interest/dividends	3.8%	3.1%	2.0%
Realized Return	2.6%	3.0%	3.0%
Unrealized Return	(0.4%)	0.2%	0.1%
Total Return	2.2%	3.2%	3.1%

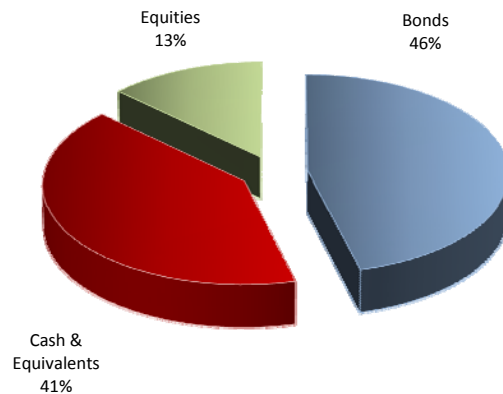


	2008	2009	2010
Invested Assets	\$ 56,157,595	\$ 62,824,490	\$ 56,811,725
Surplus	\$ 32,187,057	\$ 36,606,644	\$ 32,605,911
Ratio	1.74	1.72	1.74

2010 Invested Asset Distribution



2009 Invested Asset Distribution



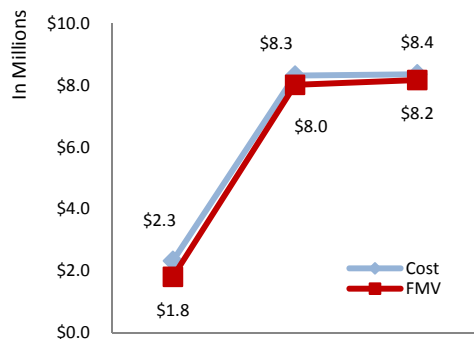
Analysis and Comments: The Company's total rate of return remained stable during 2010 due to consistent realized and unrealized investment gains. The rate of return using interest and dividends only has declined due to lower investment yields and more liquid invested assets. Invested assets compared to surplus has remained fairly stable over the three-year period. The Company is heavily invested in cash and equivalent investments at 53 percent of the total portfolio at December 31, 2010.

RAM MUTUAL INSURANCE COMPANY

FINANCIAL TRENDS AND RATIOS

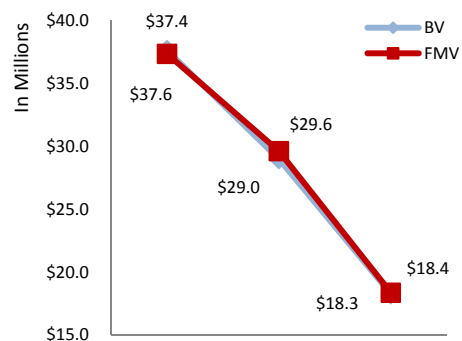
Investment Trends

Stocks Actual Cost vs Fair Market Value



	2008	2009	2010
Cost	\$ 2,326,038	\$ 8,320,578	\$ 8,361,341
FMV	\$ 1,806,303	\$ 8,021,588	\$ 8,174,069
Gain (loss)	(\$ 519,735)	(\$ 298,990)	(\$ 187,272)

Long Term Bonds Book Value vs Fair Market Value



	2008	2009	2010
BV	\$ 37,645,436	\$ 29,005,349	\$ 18,260,226
FMV	\$ 37,362,399	\$ 29,631,336	\$ 18,374,816
Gain (loss)	(\$ 283,037)	\$ 625,987	\$ 114,590

Analysis and Comments: The continued recovery of financial markets in 2010 has resulted in a decline in unrealized loss in the Company's stock portfolio and continued unrealized gains in the Company's bond portfolio.