

Embracing the challenge

2018 Annual Report

Senior Consultant Sarah Palestine tackles the climbing wall at Camp Redwoods (cover)

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WeLCoMe

On October 23rd, 2018, Redwoods employees were asked to show up to work at 7:30 am sharp—arriving to coffee, bagels and a sense of nervous anticipation. With the exception of Senior Leadership, all that staff knew was that this was an important, all-day, all-employee meeting—and that we were holding it to explore ways to rise up to the challenges ahead.

Expecting PowerPoint presentations, spreadsheets, profit and loss analyses and workshops on business rigor, there was a tangible sense of surprise when the true nature of the day was revealed:

Redwoods was headed to camp.

The photos you will see throughout this report stand as testament to a powerful day of celebration, learning and growth. Like any camp, we found ourselves challenged, but we leaned on each other to overcome those challenges. The bonds made at Camp Redwoods will persist for many years to come. We are confident that you—our customers and partners—will be benefiting from what we learned that day.

A big thanks to Camp Kanata in Wake Forest for playing host to Camp Redwoods. We couldn't have done it without you.



Bravery as an operating principle

Kevin Trapani, CEO and Co-Founder | **Gareth Hedges,** President

"No pain, no gain."
"What doesn't kill you makes you stronger."

The notion that challenges can make us better has spawned many idioms we all know by heart. While perhaps cliché to some, we are seeing these words play out in the daily reality of running our business.

This report documents a year full of challenges here at Redwoods. It describes how our teams have bravely stepped up to those challenges. And it shares how they are growing stronger and more effective as a result. We're not the only ones who are finding ourselves in uncharted water. Our customers and partner organizations are seeing significant challenges of their own.

And the same could be said for society at large.

In October of 2018, the UN Intergovernmental Panel on Climate Change (IPCC) published a report suggesting the world has just 12 years to cut emissions almost in half if we are to limit warming to 1.5 degrees. To put it another way, we have two average business cycles—or 3 presidential terms—to navigate a path toward the safer end of potential outcomes.

Clearly, the time for incrementalism is over. Yet, even amid the urgency, there is an important caveat which is becoming increasingly clear:

We can't solve the environmental crisis without thinking about the economy. As evidenced by the "Yellow Jacket" riots that emerged in Paris when President Macron sought to raise gas taxes, any climate action that doesn't also offer solutions for marginalized communities or the struggling middle classes is likely to be dead on arrival. Instead, investors, activists and labor organizations

alike are calling for a 'Just Transition'—including retraining workers and reinvesting in communities that have so far been reliant on the fossil fuel industries. Whether it's a "Green New Deal" being promoted by the Left, or a market-driven approach being advocated by investors, there are competing visions for how to solve the issue. But there is a surprising level of consensus on where we need to get to.

There is, you'll be pleased to know, a lesson here beyond climate: We can't solve problems in isolation.

For example, a 2017 study by researchers from University of Connecticut and Indiana University showed that for every $1 of wage increases, communities see a 10% reduction in instances of child maltreatment. Clearly, living wages are an issue of equity, but they are also one of safety, too. And yet, even as communities enjoy the benefits that aggressive minimum wage policies bring, they will also have to develop strategies for coping with the impacts of a higher cost of labor. We know that many of you, our customers, are experiencing this very challenge first hand. That's why we are exploring ways to support you in navigating a path to sustainable and equitable wage increases while continuing to deliver on your core mission.

It won't be easy. But nothing worthwhile ever is. We at Redwoods can attest to this fact, thanks to our own experiences of watching our teams step up to the difficult environment that we find ourselves in. Despite, and perhaps because of the challenges we face, we are confident that we will emerge stronger, more sustainably profitable and more impactful than we've ever been before. In fact, the results we saw at the end of the calendar year suggested we're already on the right path to doing so. And we couldn't have gotten to where we are today without the support of customers and partners like you.

We invite you to join us as we share some of the challenges we are taking on—and explore the challenges we see in the movements we serve, too. Together, we're not just going to weather these challenges. We're going to thrive and grow as a result.



Kevin Trapani



Gareth Hedges



Gareth Hedges (President), Heather Spicer (Senior Specialist, Claims) and Jill Taha (Specialist, Claims) navigate the lake.



Embracing the challenge

The Redwoods Group Company Report

The core of what we do

Redwoods exists to create safe communities for all.

Yet achieving that purpose requires an engine with which to get us there. For us, insurance is that engine—our enabling transaction. Consider this:

Everything society does involves risk. Insurance allows people to share that risk so that nobody is left stranded. Under Redwoods' model, insurance also allows us to gather data that tells us how tragedies happen and what we can do to prevent them.

Clearly, a lot rests on our insuring transaction. This means that it's incumbent on us to get that transaction right.

Luckily, the same data which helps us to prevent harm also empowers us to refine our insuring practices. And it does so by revealing how the environments our customers operate in are changing. We've now leveraged this insight to develop a new pricing model—a model that will be extremely beneficial for the majority of our customers.

We are now doubling down on the core discipline of our enabling transaction. And we are creating an even better product and service while achieving the sustainable profitability necessary to continue delivering on our mission.

The challenges we face, together

2018 was a challenging year for many around the world.

From Brexit-related turmoil in London to a raging proxy war in Yemen, and from societal collapse in Venezuela to anti-establishment riots in Paris, fractures appeared in the old global order which established Left-Right ideologies seem unwilling or unable to solve. New solutions can and must be developed.

We at Redwoods were under pressure too. And so too were our customers.

Most notably, in a trend we touched on in our last annual report—and which has only grown since then—we continued to see how society is becoming rightly intolerant of abuse. Claims which might never have been opened in the past are now increasingly ending up in court. And when they do, incidents which once settled for $20,000 are now sometimes coming out closer to $2,000,000.

This long overdue backlash, spurred in large part by the powerful #MeToo Movement, is not happening in a vacuum. The mistrust of institutions and perceived elites—which helped fuel the riots in Paris and influenced the decision for the UK to leave Europe—also now extends to the non-profit world.

Community organizations, which citizens (and therefore juries) previously viewed sympathetically are now perceived through the same lens as private companies or governments. This growing



Jody Bagwell (VP, Claims), Kathi Forte (Region Lead, Claims) and Patrick Minor (Business Intelligence Analyst, Data) work together to solve a team puzzle.

mistrust means that when things go wrong—as they sometimes will—claimants are increasingly determined to hold organizations accountable.

Most organizations we work with are fully aware of this issue and are already making determined efforts to improve safety. Yet here too they face a challenge:

As the labor market tightens, it becomes difficult to hire and retain the staff responsible for implementing their efforts.

Redwoods exclusively insures community-serving organizations, putting us in an ideal position not only to recognize this storm, but to use it as an opportunity to improve.

This is a perfect storm.

The good news is, Redwoods exclusively insures community-serving organizations, putting us in an ideal position not only to recognize this storm, but to use it as an opportunity to improve.



Amy Taylor (Consulting Director) explores the lake.

How we respond

For several years now, this challenging environment we find ourselves in has driven up costs in the markets we insure.

Yet some of our customers are more exposed to the growing cost of risk than others. While the function of insurance is—of course—to share and redistribute risk, there is a limit to how much one customer can cross-subsidize another.

The majority of organizations we work with—those who were adequately priced in previous years—are already seeing benefits in their pricing, either in the form of a flat renewal or slight increase.

With this principle firmly in mind, and equipped with decades of data on where and how harm happens, we spent a year developing a predictive analytics tool to more accurately forecast where losses might occur. We then used that tool to redesign our pricing model. Here's how:

Rather than raising rates for all customers, Redwoods' new model was designed to prioritize adequacy and sustainability of each customer's price according to their unique circumstances. The majority of organizations we work with—those who were adequately priced in previous years—are already seeing benefits in their pricing, either in the form of a flat renewal or slight increase.



Chris Kaul (Senior Underwriter) takes a breath at the top of the climbing wall.

In fact, in our end-of-year renewals—which account for a quarter of our customers—our median increase on package insurance was a mere 3%. In other words, the majority of our customers who renewed at the end of the year were extremely happy with what they were hearing, and our renewal rates looked good as a result.

For about 1 in 10 of our customers, however, the conversations were more difficult. It's important for us to note that higher rates are not always a reflection of the organization or its practices. Sometimes, they are simply a recognition of the fact that—due to geography or demographics, location or organizational type—some customers are more exposed than others to the societal challenges that are changing the cost of risk.

As a result, we moved into 2019 knowing we may lose some of our oldest and most loyal customers. But we did so in the knowledge that the prices we were offering were fair, and they were necessary to ensure our long-term sustainability.

Our sole focus on serving community organizations allowed us to identify these trends early. Consequently, we initially expected that—in the short-term—the minority of customers who received significant price increases may find lower premiums in the market. That's why our underwriters have been doing their best to provide long lead times and a transparent process so customers can shop when they need to. And our consultants have been working equally hard to find ways that we can continue to support community organizations, even as they leave us.

In the long-term, however, we are confident that many of these customers will come back to us. The reason for this is simple: The trends we are seeing are society-wide and are impacting all carriers already, whether they recognize it or not. Any temporary price difference—if there is one—will likely be illusory as the markets catch up with reality.

And when customers who left us do return—alongside the majority who choose to stay—they are going to find a Redwoods that's better than ever before. From a full launch of our enhanced consulting engagement model to a vastly improved and strategically targeted Workers' Compensation program, and from increased efficiencies across our underwriting systems to more effective crisis management services, we are taking a long hard look at everything we do to make sure we are operating effectively, sustainably and profitably.

On this front, our year-end results offer some promising signs. Indeed, we saw several customers who received upwards of 65% GL rate increases under the new model decide to stay with us. And this tells us two things:

First, it suggests that we are not actually as far ahead of the market as we might have expected—meaning even when we do have to raise rates, it's more in-line with what other carriers are offering than we originally anticipated.

We are not as far ahead of the market as we might have expected—meaning even when we do have to raise rates, it's often in-line with what other carriers are offering.

Second, and we think more importantly, it shows that we have demonstrated our value as a true partner—meaning customers see the work we are doing above and beyond providing coverage, and they are often willing to invest in that relationship for the benefit of their community.

We are immensely grateful for that trust. We are not, however, ready or willing to rest on our laurels.



Corwyn Dempsey (Senior Specialist, Claims) puts his archery skills to use.



Kevin Trapani (Co-Founder and CEO) MCs our team building exercises, with Mark Kubaczyk (Consultant) and Furonda Manneh (Underwriter) joining the discussion.

How we help you respond

Core to our drive for improvement will be finding new and innovative ways to deliver on our mission.

This work is already well underway.

When we saw that some customers—and some locations—were more exposed to severe slip, trip, fall claims than others, and that this exposure was contributing to raising rates, we sent these customers a mailing of colored salt in the fall as a prompt to double check their inclement weather policies and train all staff on prevention measures. (Colored salt is more effective in preventing accidents, because it is easier to see what areas have and have not been treated.)

When we learned that the automotive industry had made significant improvements in the safety of 12- and 15-passenger vans—improvements which came about, in part, because of the pressure we collectively exerted on the industry—we undertook research and revised our policies to allow very specific, newer models of vans to be used. While we continue to advocate primarily for the use of minibuses, buses and other forms of safer vehicles, it's our hope that this new policy provides a little more flexibility for organizations making choices about how to transport the children in their care.

And when our data showed that drowning victims were spending too long in the water before being rescued, we convened a webinar to revisit and re-emphasize some of the fundamentals of aquatic safety: Including effective and elevated lifeguard positioning; realistic training that actually mimics real-world rescues; and aggressive investigation of the water. (You can view a recording of the webinar on our website.) While previously, our webinars have sometimes been focused on high-level guidance, the priority this year was practical, front-line tactics. This theme of practicality was reinforced by a giveaway of several silhouettes used for aquatic in-service training 'drop drills.' But it's not just what we see in the field that shapes what we do. It's what you see, too.

Our customers, more often than not, are at the forefront of their field.

When customers told us that volunteer training was sometimes a challenge, we developed a child sexual abuse prevention training specifically aimed at child-serving volunteers. And in order to raise awareness of the importance of this topic more broadly across the movements we serve, we made the training available to all community organization, whether or not they were a Redwoods customer.

Similarly, when we learned from our Boys & Girls Club customers how important behavior management is—and how often it is misinterpreted as simply being about discipline—we began developing a comprehensive behavior management training based on a systemic model that prioritizes a proactive, preventive approach. (This training was released in early 2019.) This training was heavily influenced by conversations we were hearing within the Boys & Girls Clubs movement about reimagining and redefining the very idea of behavior management to focus on healthy, safe environments where positive behavior is reinforced and rewarded.

Clearly, the feedback and expertise of the youth-serving professionals we serve is invaluable to us. That's because—as we'll see in the section that follows—our customers, more often than not, are at the forefront of their field.

How you're leading the charge already

We are constantly learning from those we serve.

Among the privileges of operating Redwoods, there can be few more meaningful than getting to witness and support organizations taking on some of society's most pressing challenges. Nowhere is this better exemplified than by the applicants to The Redwoods Group Foundation's 2018 Innovation Grant Challenge.

This year, the challenge centered around "bravery" and sought to recognize organizations and initiatives which were not only innovating to tackle social issues, but which were also willing to take risks and step out of their comfort zones in order to do so. In the same way that we, as a company, are now rethinking our model in the face of changing times, these organizations were willing to rethink what they do and develop new ways of operating as threats and opportunities arise.

The Boys & Girls Club of Durham and Orange Counties, for example, stepped up its efforts to tackle the achievement gap between students who are white or Asian, on the one hand, and students who are African American or Hispanic on the other. Crucially, the Club didn't just increase its tutoring or bring in more resources. Instead, driven by a passionate volunteer, it developed Students to Scholars, a program to increase promising middle school students' access to small classroom, independent schools.

The goal was not, as some critics have argued, to undermine public schools. Instead, it was to provide an immediate, emergency intervention for students who would otherwise fall behind—an intervention which was already available to many white and economically affluent students. Robin Rennells, Director of The Redwoods Group Foundation, explains why this willingness to challenge convention is so important:

"The question of the achievement gap and public versus private education is too often framed as an either/or discussion. But what attracted us to Students to Scholars was the fact that they are willing to move beyond this kind of binary thinking. Instead, they create bridges between different communities and different education models, encouraging discussion, collaboration and continual improvement—but also not letting kids fall by the wayside as we wait and work for more systemic education reform."

Other Innovation Grant Challenge winners included Camp Ga'avah, an LGBTQ day camp run by Friedberg JCC; Fridays at the Clubs, an initiative of Boys & Girls Clubs of Pueblo County responding to public schools transitioning to a four day school week; and The Immigrant Business Owners Association of Champaign County, a project of YMCA of the University of Illinois which offers resources, networking and support to first generation immigrant entrepreneurs.

These projects share a willingness to think broadly and bravely about how they can take calculated risks in an effort to actually solve social problems.

Each of these projects is unique in its own right. What they share is a willingness to not only recognize social problems and inequities, but to think broadly and bravely about how they can take calculated risks in an effort to actually solve them.



Miranda Jacobs (Specialist, Claims) and Mac Kendall (Director, Claims) share a moment during a group challenge.

The mission we all share

Around the world, and among our customer groups, there are countless heroes who are bravely staring down formidable challenges—and who are then developing new and innovative strategies for overcoming them.

We are firmly committed to count ourselves among their ranks.

As we've shared, 2018 was not an easy year. We faced difficulties and we experienced setbacks. Yet even as we navigated a sometimes rocky path, we were reassured by a simple truth: Each challenge we faced pushed us toward changes that were not only necessary, but extremely rewarding, too.

Our company was founded on the idea that insurance could be used to tackle societal injustices such as child sexual abuse and drowning. Over the years, folks have described this idea in many ways:

Ambitious, audacious, principled and maybe even naïve. But one thing that's never been said was that it would be easy. We wouldn't have it any other way.

We're an insurance company.

Insurance is a critical component in delivering on our mission. In the year to come we're going to be doing it better, more effectively and more radically than we have ever done it before.



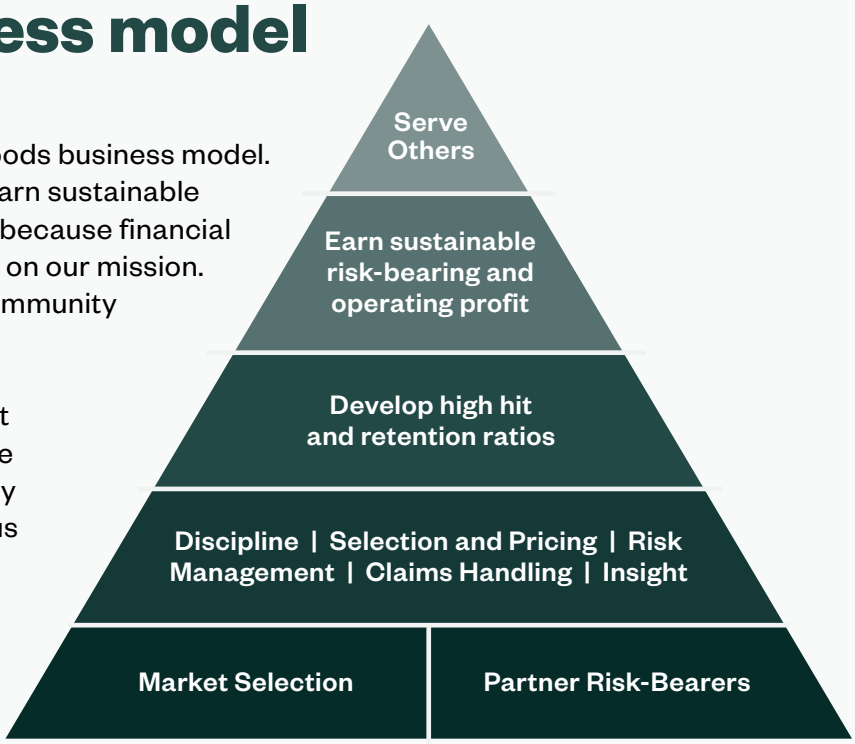
Gathering for the obligatory camp photograph.

Redwoods business model

Serve Others sits at the top of the Redwoods business model. Right underneath that, however, reads “Earn sustainable risk-bearing and operating profit.” That’s because financial sustainability is essential for us to deliver on our mission. In this, we are no different to the many community organizations we serve.

The efforts we have outlined in this report are focused on returning us to sustainable profitability. Indeed, as we’ve shared, early results suggest they are already putting us on a path toward achieving that goal.

We look forward to sharing more with you in the year to come.





Stepping up to new adventures

Robin Rennells, Director, The Redwoods Group Foundation

Just as 2018 was a year of challenge for The Redwoods Group, so too the Foundation's year was marked by some big, audacious challenges—and a profound determination to rise up and meet them.

Most notably, Dan Baum—our Executive Director—announced in October that he was taking a position as Senior Associate of Program Strategy at The Obama Foundation.

Fortunately for us, Dan agreed to stay on our advisory board—meaning the world gets to benefit from Dan's exceptional strategic thinking through The Obama Foundation, and The Redwoods Group Foundation gets to benefit from his expanding connections, insights and reach as we look to our next phase in scaling our work. I have been honored to be asked to step into Dan's shoes and move The Foundation forward.

Alongside our Innovation Grant Challenge (details of which are on page 17 of the company report), much of our work for 2018 was focused on on-going, wide-reaching collaborations where our targeted support could have the biggest reach.

These included:

- **The Alliance of National Youth Serving Organizations for Child Protection:** Serving as a neutral convener of this collaboration between some of the largest youth-serving non-profits, we were proud to welcome a new partner organization—Big Brothers, Big Sisters—and to continue our work to establish leadership buy-in and organizational participation in key campaigns, such as YWCA Week Without Violence and the YMCA Guardians for Child Protection's Five Days of Action for child sexual abuse prevention.

- **The YMCA Guardians for Child Protection:** Our work with The Guardians—a network of YMCA leaders and influencers—expanded further with a 265% increase in registrations for the network's Five Days of Action campaign during April, which is dedicated as Child Abuse Prevention Month. We also surveyed YMCAs about how they are engaging communities on child sexual abuse prevention and worked with our partners at Darkness to Light to get an analysis of the results. We are now using these findings to support The Guardians in developing a plan for deepening and broadening abuse prevention efforts.

- **World's Largest Swim Lesson:** This international event—now in its tenth year—has been growing year-after-year and we were proud to play our part in raising awareness and increasing participation to 603 locations in 27 different countries.

In addition to our national and international collaborations, and our Innovation Grant Challenge, The Foundation also continued to offer grants for frontline efforts in drowning prevention, child sexual abuse prevention and—for the first time ever—emotional safety through our grant-making program. As always, our focus was not just on achieving the broadest possible reach—but on making sure that our targeted interventions actually move the needle where it matters. This distinction showed up in the fact that we supported grantee organizations in removing barriers for participation by providing swim suits and towels to some participants and also in offering swim lessons to children with autism—a key at-risk demographic for non-swimmer drowning.

As always, our focus was not just on achieving the broadest possible reach—but on making sure that our targeted interventions actually move the needle where it matters.

As we look toward the future, we are excited for where we are headed—both in terms of the Foundation itself, and in terms of the partnerships which we have helped to convene, nurture and support.

There are, as always, many challenges in forging such collaboration-based initiatives. But it is in working through these challenges that the true value of our collaboration lies.

4 Innovation Grant Challenge Awards

5 Emotional Safety Grants

6 Child Sexual Abuse Prevention Grants

73 Safety Grants

768 Children Taught to Swim

306 Life Jackets Donated

$205,000 Total Giving

In the summer of 2018, researchers at RMIT University unveiled Sans Forgetica—a typeface explicitly designed to increase how much information a reader retains.

The reasoning behind the design—which features prominent gaps that make it harder to read—was somewhat counterintuitive:

> "When a piece of information is too easily and cleanly read, it can fail to engage our brains in the kind of deeper cognitive processing necessary for effective retention and recall."

Challenges really do make us stronger.

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