

Dear Friends,

Please find attached a copy of our 2018 Annual Report.

The central concept of the report is the idea that challenges make us stronger. This isn't just an idiom, cliché or abstract thought. It's a fact. And it's a fact that we've seen borne out across the global community and in our own experiences.

Our year was marked by some difficult circumstances. And we know that many of our customers are facing similar challenges. But what has stayed with us was not the challenges themselves—but the way that our own teams, and those of our customers and partners, have stepped up to overcome them.

The visual concept—which documents a day of challenge and growth at “Camp Redwoods”—is a natural extension of our theme. As many of you know, there are few experiences more suited to growing your skills and expanding your outlook than camp.

We also wanted to provide an update on two elements that have been featured in previous years' reports but aren't present here—our financial performance, and our third-party social audit:

Financials

Since our acquisition by C&F, we no longer report on our financials separately. For this reason, neither this year's nor last year's reports include the detailed financials that appeared in pre-2016 reports. However, transparency is still an indispensable part of our culture. That's why we are including a table that shows our 2017 and 2018 results. The core story is this:

- Written premiums continued to increase—as they have every year since our acquisition. In 2018, we grew both because we attracted many new customers and because more than 91% of our current customers chose to stay with us at renewal, even at higher prices.
- However, we reported a loss of \$9,247,000, including over \$5 million of development on prior year claims, with a calendar year combined ratio of 129.3%.
- The primary reasons for this lack of profitability is that losses have grown significantly in frequency and severity—and it is this growing cost of risk that has led us to take a renewed look at our selection and pricing model. As detailed in the report, many of our customers are benefiting from fairer, more sustainable pricing as a result – while a few customers have experienced substantially higher premiums.
- Expenses remained steady, and are even slightly down when we consider the claim expenses that are reported within the loss numbers.



2017 & 2018 Financial Results

	2018	2017
WP	\$47,388	\$45,983
Earned	\$44,693	\$42,481
Losses	\$40,480	\$35,745
Commission/taxes	\$3,566	\$3,119
Expenses	\$9,894	\$9,859
AY Loss Ratio	78.9%	84.3%
Prior-Year Development	11.7%	-0.1%
CY Loss Ratio	90.6%	84.2%
Contribution Margin	(\$9,247)	(\$6,242)

Social Audit

Last year, we shared that we would be updating the format of our third-party social audit—aligning it with the process and methodology used for our B Corp recertification. This process is now underway, but it wasn't ready in time for our 2018 report. We will be reporting separately on our progress on B Corp assessment—including our ongoing efforts to improve environmental performance and employee engagement with our social mission. For now, those interested can get access to our latest B Corp certification score here: corporation.net/directory/the-redwoods-group

This report tells a story which reflects well on the efforts of our team, but it also reflects well on the efforts of our customers and partners. While, together, we have faced significant challenges in recent years—and will no doubt face new challenges in the years to come—we continue to be inspired by the idea that we can lean into those challenges and, in doing so, we can grow and improve as a result.

Thank you, as always, for your efforts.

Gareth Hedges
President

Kevin Trapani
Co-Founder & CEO