

Dear youth-serving professionals,
Your work has been a godsend. You've provided young people with a source of stability and connection at a time when it was needed most. And you've helped them to continue growing, and evolving, during a time of disruption.

Yours in gratitude,

Caitlin Walsh, Director of Instruction at
a Boston Public School

The Difference We Make. Together.

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“Dad, I can tell immediately—without asking them—which kids were in camp this summer.”

My daughter Caitlin is a public school administrator in inner-city Boston. She called me at the beginning of the school year to share the insight above. She could see at a glance, she told me, which kids knew how to line up. Which ones knew how to listen to direction. And which ones knew how to make friends, engage with the curriculum and manage their emotions, too. Like many teachers, Caitlin was profoundly grateful for the helping hand she had received from heroes she may never meet.

Heroes like you.

Yet there were other kids who weren't so lucky. And these kids had to play catch up as they returned to in-person learning. It reminded us of that old saying: It takes a village.

As we have met with leaders in your movements, we've discussed the devastating impact of the pandemic and how it affects their work. They describe a landscape in which almost all the children they serve are traumatized in some way. In the best cases, they are traumatized simply by the pandemic itself, and the isolation of home learning. In the worst cases, that trauma is layered upon further harm caused by abuse or neglect—abuse or neglect which persisted for far too long because nobody was there to catch it.

What we hear time and again is that the difference between a challenging environment, and one that causes serious and even permanent harm, can be as simple as whether children have access to Out of School Time (OST) services. This had already been

demonstrated by decades of data. The pandemic merely brought attention to what research (and my daughter!) had been telling us for years. The need has never been more clear, and this means there are fantastic opportunities for our movements.

Can We Meet the Moment?

Yet even as we see an unparalleled recognition of the need for OST services, there are uncertainties about how and if we can scale to meet the challenge. The Directors, CEOs and COOs we speak to warn of workplace shortages, burnout and hiring challenges. These challenges are making it harder to maintain adequate staffing numbers, not to mention training those staff properly. Thought leaders in national youth-serving organizations also often talk to us about financial constraints and outdated business approaches, where the current revenue models don't adequately fund the transformational OST service work that is at the core of their mission—and that needs to scale to address the scope of the challenges kids face today.

And they speak about a minefield of politicization, where discussions of equity or race, poverty or social justice—topics which must be addressed if we are to fulfill our potential as movements—will far too often devolve into proxy battles for societal-level debates that are occurring elsewhere. We

can argue all day about the proper role of government, or the definitions of wokeness and Critical Race Theory. Yet it is hard to argue with the fact that neither safety nor opportunity are equally distributed, nor adequately invested in, in communities across the country.

That's why we have such profound respect for those of you who—despite the challenges placed in your way, and the distractions that society has thrown at us—have found ways to stay focused on the work. Those of you who have found ways to feed, clothe, educate and engage with those who need your services the most. And who have managed to hire, retain and develop diverse teams that reflect the communities in which you operate, and which provide equal opportunity for advancement and growth to all.

We see these efforts in red states and blue. We see them in rural communities and urban ones too. And we see them happening across all the different organizations we serve. The reason they are happening is because good people are staying focused on doing good work. To put it another way, they are allowing love to guide their actions.

We All Must Stay Grounded in Love.

Of course, love alone is not enough. It also takes a fair amount of grit, determination and ingenuity,

Dear Club Director,
 Your work on a daily basis is so important and can be difficult at times. I am sure it has been even more difficult over the past couple of years. The health and safety of our youth is in your hands and I know you don't take that responsibility lightly. I cannot thank you enough for your hard work and your caring heart. You are truly amazing!

Jody Bagwell
 Chief Claims Officer

too. Over the past several years, you have put together emergency childcare for first responders. You have made camping possible and safe. And you have created learning centers where children from many different grades—and even many different schools—were able to continue their education, get a good meal and find rewarding outlets for their time, energy and talents. And you did all this while jumping through social and technological hoops that would have brought lesser organizations to their knees.

Best of all, you have also corralled the support of the community to do what needed to be done. And that's because you have a magic that is rare in these troubling and too often divisive times:

You have the power to convene people based not on political ideologies, or on cultural or demographic similarities, but on the undeniable needs of the community of which you are a part—and on the values you all share.

We Must Work Together.

Redwoods, too, has been working on bringing people together. And we have been working to revise and reinvent how we deliver on our mission. As you have heard us say before, societal trends are dramatically increasing the cost of risk.

Society no longer tolerates that which never should have been tolerated.

Whether it's abuse or neglect, negligence or malice, juries are quick to award plaintiffs record damages when they see someone that has been hurt—sometimes, even when fault is hard to determine.

Dear camp leaders,

When the world came to a halt in 2020, I'm not sure any of us knew what the future would hold. That was especially true for many of you—who had to sit out a season or pivot entirely.

And yet, you powered through. And in doing so, you found new, innovative ways to deliver the camp experience that so many kids need.

I have been amazed and inspired to watch your work.

Queron Smith
Chief Underwriting Officer

The climate we once knew is gone.

Severe weather events are growing more frequent, more dangerous and much harder to predict, whether it's wildfires or hurricanes, flooding or drought.

Workforce challenges impact everything.

It's no secret that hiring is the most competitive it has been for a very long time. And as staffing availability feeds into programming safety, that means the challenges you face in staffing are our challenges too.

Yet just as these trends are coming together to put pressure on you—and, by extension, us—we are heartened by the fact that we can work together to counter them too. In fact, that work is well underway.

Shared Pain Requires a Unified Response.

We are very aware that the pain of rising insurance costs is both widely shared and deeply felt. Understandably, faced by several years of rising rates, some of you did what you had to do by shopping for better rates and—where appropriate—temporarily parting ways. Yet we've also seen how so many of you—whether current Redwoods customers or not—have doubled down on a commitment to safety, and a focus on mission.

Inspired by the incredible work within the movements we serve, we also saw Redwoods employees develop new ways to serve from a distance, new ways to cover risk when the nature of that risk had shifted, and new ways to give back, too. Below are just a few of the highlights:

Scaling across distance.

We have all been missing in-person interactions these past few years, yet we've also found certain advantages to telepresence that we may not have otherwise discovered. Not only has it allowed us to streamline visits and reduce costs, but it has also allowed consultants to visit multiple sites at once, revealing safety issues we never would have seen through in-person visits alone. And it has also allowed us to vastly increase the scale of our interactions—holding webinars, broadcasts, group calls and meetings that simply couldn't be done through traditional, travel-based engagements.

Finding the right fit.

For several years now, our underwriting, consulting, claims and data teams have been working closely together to understand which customers were the best fit for our safety- and prevention-focused work. And they've been revising our models to make sure that our

pricing accurately and fairly reflects those customers' real-world risks. So even as we grow our customer base again—increasing customers by 25% during the pandemic—we are doing so with adequate and accurate pricing that ensures fairness for our customers and sustainable profitability for our work.

Addressing the underlying issues.

Even as we address the immediate challenges ahead of us, we remain deeply committed to also tackling the underlying causes of these challenges. That work takes many forms. On the issue of structural racism and inequality, we have continued to pursue internal growth and understanding experiences—such as a docent-led tour of the Auschwitz Concentration Camp—and we have also convened critical conversations on JEDI (Justice, Equity, Diversity and Inclusion) within the movements we serve. Throughout those efforts, we have sought to move the conversation beyond partisan talking points or trendy buzzwords—instead, keeping the focus on real, practical interventions to address the problems at hand.

In the face of increasingly catastrophic weather, we have also committed ourselves to addressing the climate crisis

through reaching Net Zero emissions by 2030 or before, and we've taken a significant step toward that goal by purchasing renewable energy to cover the energy consumption of our offices and our work-from-home employees.

These are just a small sampling of the work that's being done at our end. But let's jump to the core message we would like you to know on our business model and our pricing:

We Have Passed the Crest of the Wave.

The hard work that we have done together is beginning to pay off. We are subject to the same inflationary pressures as the rest of society, meaning there will be modest increases. Yet thanks to both improvements in safety and a refinement of our business model, the premium increases most of you will be seeing this year are considerably more manageable, and in line with the broader economy. If the number of customers returning to Redwoods is indicative of anything, it's that our competitors in this market are slow in catching up to the trends that we've been talking about for years.

We were profitable on a calendar year basis. (The peculiarities of insurance accounting mean we'll have to wait until later to determine if we're profitable in the 2021 accident year.) It's important for us to share and even celebrate this

news with you because, just like you, we only get to continue our work if we can also balance the books. That means profitability is a prerequisite not just for delivering on our mission, but for allowing us to continue supporting yours.

Yet, as you'll also see from the financial results that follow, that profitability comes after losing a significant amount of money over the past three

years. While we are deeply grateful to be where we are, and thankful for the role that each of you has played in getting us here, we are taking nothing for granted.

We Know More Waves Will Come.

There is nothing inevitable about progress. And reaching the crest of this wave is no reason to rest. Whether for our company, our movements

Dear JCC leaders,

Service to community and family are at the core of your work. And in the face of a crisis your service to others is more powerful than ever.

Your teams selflessly and quickly adapted to meet the evolving needs within your communities. You expanded feeding programs, offered in-person and virtual child care, and helped families become more resilient as they meet new challenges in their everyday life. All while living out your Jewish values.

I'm honored to play a part in supporting your efforts.

-Tonya Roy, Redwoods Chief Consulting Officer

Dear YMCA Friend—

You are amazing and the work you have done these past couple of years to give hope, security and safety to kids is inspiring.

You opened your doors when many were still shut. You created safe spaces where people could thrive. You showed up, and in the lives of children today, that is immeasurable.

I am amazed by you and grateful for you!

Thank you for
being the Y—

Faige Bagwell,
Redwoods COO

or society at large—we can, and we must, continue to move forward. And we must do so with a firm and clear-eyed view of what makes our work special.

While societal-level debates and the political process are important, they can sometimes distract us from the task that is directly ahead.

In fact, I have come to believe that the pandemic and the never-ending political narrative have put us into a slumber that keeps us from seeing our true selves. Those two dynamics isolate and divide us, making it excruciatingly hard to act as a community.

Yet they don't need to constrain our local action.

It's not about 'you' or 'me,' 'them' or 'us,' but rather an honest assessment of our nation, our society and our communities: Who needs help? Who could benefit from a hand up? What would our community look like if everyone stood a fighting chance? And what can each of us do—right here, and right now—to help make those changes happen.

And So, We Press Forward.

As I was writing this letter, I reached out to my daughter to ask permission to quote her. I also asked her if there was anything she would like to say, directly, to organizations that are making OST programming possible. This was her response:

“Your work has been a godsend. You’ve provided young people with a source of stability and connection at a time when it was needed most. And you’ve helped them to continue growing and evolving, during a time of disruption.”

Thank you for who you are and what you do. Thank you for letting us travel on this journey alongside you. Together, we have much work that needs to be done. We look forward to making that work happen.



Kevin A. Trapani

Co-Founder, President & CEO

Financial Performance

	2021*	2020*
GPW	48,805	47,398
NPE	40,590	39,460
Loss & LAE	17,449	38,772
Commission & Taxes	3,281	3,165
Expenses	10,639	10,586
Contribution Margin	9,221	(13,063)

*Calendar Year reporting

“So, were you profitable this year?”

Yes. And, maybe. In most businesses, the answer to this question is relatively simple. In insurance, it gets a little more complicated, because we don't know the ultimate costs associated with policies we sold until years after the sale. As you can see from our financials above, we reported a profit based on Calendar Year results in 2021. However, our Accident Year results are less certain: they don't yet show a profit and they will change in the years ahead. That's because of something called claims development. An incident which may have looked serious when

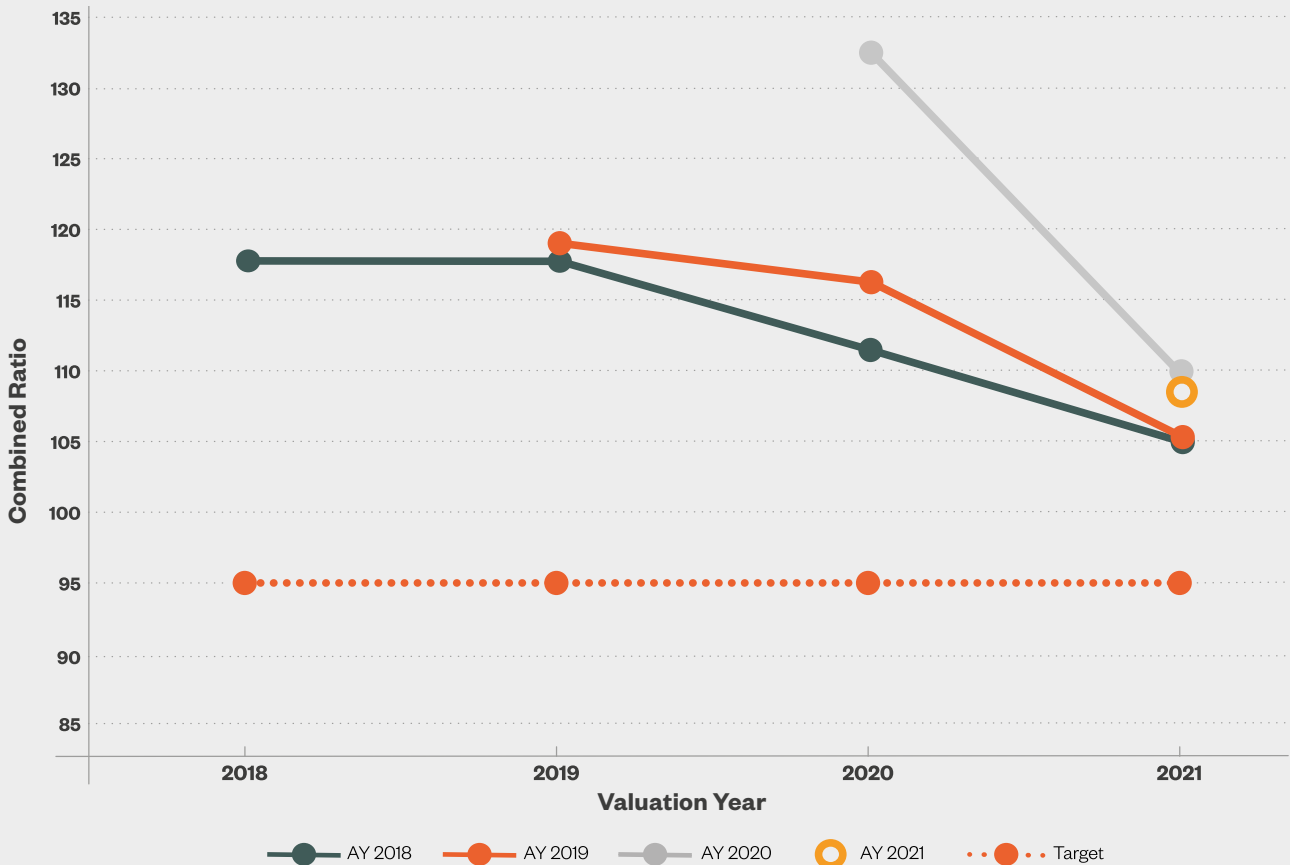
reported, may turn out to be less—or more—serious. An injury may have happened in 2021, but it hasn't yet been reported to us, or to our customer. Accident year results include reserves—estimates—for these kinds of events.

Calendar Year reporting reflects all the financial transactions in a given year, even if the transaction relates to a policy written in a prior year. Accident Year results better reflect the likely profitability of the policies written in the current year.

As you can see from the chart below, our initial estimates for prior years are proving to have been a little high—which is far better than estimating low. You can also see that at the close of 2021, our Accident Year estimate is already better than any of the initial estimates for the three years that preceded it. It’s no coincidence. For four years, we’ve made a concerted effort to reexamine every aspect of our business. That meant reassessing which customers were a good fit for Redwoods’

prevention-focused model of insurance. It meant revisiting our pricing model to ensure that premiums accurately and fairly represented risk. And it meant delivering new and innovative ways to help customers deepen their safety culture.

The downward slopes in this chart—which are now much closer to our target of a 95 Combined Ratio—are promising. And, they’re a great manifestation of the hard work we’re doing together: creating communities that are safe for all.



2021 Highlights and Social Audit

In 2020, The Redwoods Group recertified as a B Corporation—meaning we undertook a rigorous, third party assessment of our social, environmental and employment practices. This past year, our employee-led B Corp engagement committee revisited those scores—and identified some small areas of improvement, resulting in a three point increase in our B Corp score.

That said, we are increasingly aware that our B Corp score—while good—has plateaued. And that’s because a points-based system can only take you so far, and you eventually hit a diminishing return on investment from internal efforts—especially if you are in a business-to-business service model where the core parameters of your operations are largely set.

	2020 Certification	2021 B Corp Committee Update
Governance	16.3	17
Workers	34.3	35.4
Community	15.2	15.7
Environment	8.1	8.1
Customers	30.1	30.8
Total	104.3	107.3

With this in mind, the engagement committee has shifted its focus—maintaining our B Corp score as an important aspect of our overall efforts, but also turning our attention toward societal issues we can influence on a much larger scale.

Currently, these efforts include:

A continued focus on anti-racism work, both internally and through the movements we serve. (2021 saw us work to convene one of the best attended sessions at the NAYDO conference on the theme of the anti-racist Y.)

A commitment to Net Zero emissions by 2030, including a decision to purchase renewable energy credits to cover the energy use from our office and work-from-home operations.

A pilot effort to help our customer organizations install solar power, working with RE-Volv, a California-based non-profit which helps make cost-saving renewable energy technologies accessible to non-profit organizations who might not otherwise be able to benefit.

We are in the process of revisiting our third party social audit process to ensure it accurately captures this shift in approach. In the meantime, we would be happy to answer any questions about this focus: Community@RedwoodsGroup.com

Thank you for who you are.
Thank you for what you do.
And thank you for letting
us walk this journey
alongside you.
- Kevin



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