

This is Bigger Than Any of Us

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Cover: Protesters in Baltimore take on the responsibility of keeping the peace between citizens and police officers.

Cover photo credit: Unknown

Foreword

In April 2015, The Redwoods Group announced that it was joining the Crum & Forster Enterprise. This announcement was a major step in the evolution of our organization and in the scaling of our mission.

As a result of these organizational changes, the 2014 Annual Report was significantly delayed. The simplified report that follows—which is somewhat scaled back on our previous efforts—tells the circumstances that led up to our acquisition and shares a little about the exciting future we see ahead of us.

We look forward to more fully updating you on this journey in our 2015 report.

When We Said Things Would Return To Normal, We Were Wrong.

CEO Letter

When we started The Redwoods Group in 1998, we turned the traditional insurance model on its head. Instead of viewing losses as a drag on our bottom line, we dug deeper to understand the root causes behind the claims we investigated. And then we used those insights to keep children safe.

For many years, this approach served us well.

We enjoyed solid business growth. We developed deep, authentic relationships with the YMCAs, JOCs and camps that we served. And—most importantly of all—we started seeing changes in how pools were guarded, how kids were transported and how communities responded to child sexual abuse. In other words, we saw real progress in delivering on our mission.

But we were making the path by walking. And when you do that, sometimes you hit a rock.

Our rock came in 2008.

As we navigated the financial crisis and its aftermath, we found that our business model was increasingly unresponsive to the changing needs of our stakeholders. Our partner insurers were under increased regulatory scrutiny that required them to micro-manage our transactions, increasing our frictional

costs. Our customers were under serious revenue pressure at the very time that those costs made our rates less competitive.

In the years that followed, our customers heard us tell them to bear with us, that these were temporary challenges, that things would soon return to normal. It took us longer than it should have but, in 2014, we came to the realization that “normal” was not coming back. This was the new normal. Something had to change.

So we set out to make that change.

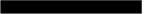
As you now know, in April of 2015 The Redwoods Group became an independent insuring arm of the Crum & Forster Enterprise. This next step in our journey is good news for us, it’s good news for our customers and it’s good news for the communities we serve.

But I’d be lying if I said it was an easy decision.

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In the military, there’s a term called “Duty Brain.” It describes the idea that leaders sometimes have to take a step back—to put their mission before their ownership of that mission—and let others share the burden of responsibility.

That’s a challenging thing to do.



Those of us who are on a mission can often get caught up in our own role, our own ego and our own little piece of the puzzle. Yet the challenges we face in building a better world—whether they be ending child hunger or reversing global climate change—are so immense, and so complex, that none of us can hope to solve them alone. If we’re truly intent on changing the world, we need to prioritize Collective Impact.

Over the past year we—and in particular I—had to engage our Duty Brain like never before. We’ve had to reflect long and hard about the nature of our mission. And we’ve had to ask tough questions about what it will take to succeed and who has the resources and expertise to get it done.

We didn’t actually set out to sell, but rather to engage investors who could help us scale our mission. As the Crum & Forster offer came into focus, however, it became increasingly clear that this was the logical next step. Here was a corporation that has the resources, the expertise, the networks and—most importantly—the deep sense of shared values that we need to move the needle on the issues we seek to address.

In order to deliver on our mission, we had to let go of our ownership of that mission.

We’re not the only ones who have grappled with these issues.

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In 2014, the deaths of Michael Brown, Eric Garner and Tamir Rice, and the execution-style murder of police officers Wenjian Liu and Rafael Ramos, were prominent in our minds.

Debates raged on everything from police body cameras to appropriate use of force. But the most important debates dug deeper: they looked at systemic racism and the legacy of slavery. They looked at the too often fraught relationships between law enforcement officers and the communities they are sworn to protect. And they looked at the role and responsibility of ordinary citizens to keep the peace and build up the community around them.

At their heart, these debates asked a central question about Collective Impact: Who among us has the power to make things better and how can we support them in doing so?

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Yonkers, New York, is a community that has been plagued by poverty, youth unemployment and related gang violence for decades. Understanding

that this problem could never be solved through law enforcement alone, the Yonkers Family YMCA came together with police, youth leaders and community groups to plot a different course.

Under the banner of SNUG (SNUG stands for “guns,” spelled backward), a team of outreach workers—all former prison inmates—was selected to serve as mediators, resolving disputes before they happen and helping at-risk youth to pursue a more productive path. Crucially, because trust is a prerequisite, all SNUG outreach workers follow a strict code of never sharing information with police.

Youth participating in SNUG were given a free YMCA membership, allowing them to access exercise and recreation facilities as well as classes and employment services.

If I put myself in the position of a Yonkers law enforcement officer, I can imagine feeling trepidation at being asked to trust a team of former convicts. I can picture resentment at the idea of youth workers “keeping secrets” and I can imagine feeling challenged by the notion that maintaining order is not just about enforcing the law.

If I put myself in the position of a former gang member, I can imagine how my experiences with law enforcement

might make me fearful of coming to the table, I can understand why engaging with authority figures may be challenging and I can picture a sense of conflicted loyalties.

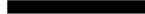
And yet two groups of citizens—too often pitted against each other—were willing to put such concerns aside. They came together to share power and responsibility and to plot a practical path toward a more peaceful community through Collective Impact. They engaged their Duty Brain. And the results were profound.

At the end of its first year of operation, shootings were down by 80% in the zones covered by SNUG.

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When you share power and rethink responsibility, new solutions emerge. That’s certainly been true in our own recent journey.

In selling the company, Jennifer and I—and our employee owners—gave up the ownership and independence of our baby, an organization I consider to be my life’s calling. Yet we came to understand, paradoxically enough, that relinquishing ownership would actually increase our operational autonomy. And, frankly, this specific, mission-aligned partner would allow me to remain at the helm—



continuing to steer our course but with increased resources to draw on.

By freeing ourselves of the constraints of being simply a program administrator, and instead becoming an independent insuring arm of a much larger entity, we have found new and exciting freedoms to develop the solutions our customers need.

Here's what this deal will allow us to do:

- Our products will be more competitive, flexible and efficient than ever before.
- In terms of our service and our team, you'll have the same team working with you as you do now—but with additional staff and resources.
- And in terms of our leadership, we'll be steered by the same visionary, competent and values-driven people you have come to know. Under the terms of the deal, I am blessed to remain President and CEO of Redwoods for at least the next five years.

The bottom line is that, as a direct result of our acquisition by Crum & Forster, more kids will be more safe in more places than they were before. And we'll also have new and exciting opportunities to share our expertise in mission-driven enterprise with the wider Crum & Forster family of companies, advancing the

cause of business as a force for good.

This deal will serve as a proof point that business can and must become a tool for positive social change. And it will show our community that it's possible not only to maintain the mission of a social enterprise through an acquisition, but enhance it.

Yet we can't do this alone. And success is not guaranteed.

As we always have done, we'll be looking to you—our customers, our stakeholders, our employees and our community partners—to hold us accountable, to assert your ownership of our shared mission.

If you're not getting what you need from us, let us know. If we're not as good as we say we're going to be, we want you to hold our feet to the fire. The only way we succeed is by becoming the partner that our customers need and deserve. We believe that our acquisition by Crum & Forster will allow us to do that.

Thank you for the work you do.



Kevin A. Trapani
President and CEO
The Redwoods Group

In Pursuit of Our Mission, We Switched Up Our Model.

Financials

The Redwoods Group began 2014 with a shift to Zurich as our new risk-bearing partner and ended it in search of new investors who could help us scale our work. While Zurich was a strong carrier partner, we came to understand that letting go of our program administrator business model and becoming part of a carrier would allow us to better serve our mission and the mission of our customers. Thus, our search for investors culminated with us becoming an independent insuring arm of the Crum & Forster Enterprise in April 2015, a move that will increase our operational autonomy and efficiency as we continue to pursue our mission.

Redwoods had a modest operating loss in 2014 after several consecutive years of profits. We invested heavily during the course of the year in a revamped Redwoods Institute, our online learning platform, as well as consulting tools that allow us to better analyze data and benchmark safety practices at our customers’ operations.

Working capital at the end of 2014 totaled \$896,000 and stockholders’ equity ended the year at \$1,675,000.

The Redwoods Group extended its goal of shared value for all stakeholders into our investment options. We were approached in the fourth quarter of 2014 with the prospect of selling

the second of our two real estate investments in downtown Durham, North Carolina, to an owner-occupant, eventually reaching a sales agreement that yielded a strong return on investment. Under its new owner, this building, located in the historic “Black Wall Street” section of Parrish Street, will be the home for jobs relocated into the heart of the business district from elsewhere in the Triangle. We will continue to be attracted to investments that have a positive impact on the local economy and are environmentally positive while generating market rate, or better, returns.

With an eye to the future, in 2014 we took the opportunity to manage balance sheet risk by leveraging a group of long-term assets to eliminate a set of long-term obligations. This series of transactions had both a positive impact on earnings in 2014 and positive impact to cash flows in 2015 and beyond, while creating a more certain future financial position for Redwoods.

Our related entity, Redwoods Managers, Inc.¹, had a profitable year in 2014 as the model of purchasing minority interests in other insuring entities continues to bear fruit. The goal is to effect both positive economic and mission oriented change in those entities, spreading the best of The Redwoods Group into additional corners of the insurance industry.

A full set of audited financial statements is available at redwoodsgroup.com. We encourage you to review those along with the accompanying footnotes for more context and detail on our 2014 year.

Obviously, our new status as a wholly-owned insuring arm of the Crum & Forster Enterprise—as opposed to a program administrator—will significantly change our financial picture moving forward, providing us with opportunities to both scale our work and ensure financial sustainability. We look forward to reporting the result of these changes in next year’s report.

In the meantime, thanks for all you do to love, serve and transform your communities.

The Redwoods Group,
a member of the Crum & Forster Enterprise.

Financial Summary	2014	2013
Written Premium	\$43,901	\$48,620
Total Revenues	\$12,143	\$12,139
Net Income	(\$391)	\$138
Total Assets	\$12,544	\$15,439
Stockholders’ Equity	\$1,675	\$2,520

(\$ in thousands)

¹ Redwoods Managers, Inc. became an independent entity in April 2015 as an outcome of the Crum & Forster merger.

To Change the World We Have to Engage Others

Foundation Letter

No single organization can change a system alone. That’s why, as detailed in our last annual report, The Redwoods Group Foundation has moved from solely being a grantmaker to being a changemaker. We are committed to using our networks, our assets and our skills to build movements that bring more people, partners and resources together to address systems that need changing, and to create networks that are big enough to move the needle on the problems we seek to address.

2014 was our first full year of expanding our operations beyond making grants to support others, which required us to raise funds beyond Redwoods to be able to support our movements in new ways. We are delighted to report that we raised \$196,613 from outside sources in 2014. Thanks to the generosity of corporate partners, foundations and individual supporters, we were able to reach more communities with these efforts last year.

As we move into 2015, The Redwoods Group’s new status as part of the Crum & Forster Enterprise brings even more opportunities for us to scale our work. We are immensely grateful for the support and encouragement of the leadership team at Crum & Forster and Fairfax Financial Holdings, and we are delighted to welcome Marc Adee, Crum & Forster’s Chairman and CEO, as our Foundation’s newest board member.

With the new resources, expertise and networks available to us, we’ll be able build on the work we did in 2014 to continue to grow these movements.

2014 Programs

Partnering in Prevention

93% of all child sexual abuse victims are molested by someone they, and the adults around them, know and trust. This statistic suggests that arming communities to identify abuse can have a profound impact in keeping children safe. In 2014, our national network of YMCAs and their local partners trained more than 29,000 more adults on child protection, bringing our overall total up more than 75,000.

Because this training creates more momentum when it saturates a community, we identified the 40 communities most ready to scale the training effort, and focused our efforts on helping them engage large segments of their communities faster. Our network also began to emphasize policy efforts as an important leverage point, as mandates for training in specific places and professions can significantly broaden this initiative’s reach. With our partners at Darkness to Light making their training available for free online through 2015, we’re looking toward reaching even more people in the year to come.

Learn to Swim

The best way to prevent drowning is to ensure that every child knows how to swim. And one of the best ways to reach every child is through the public school system. Sadly, our public school systems rarely prioritize physical education—and in particular swimming. But what if we could make the case for change?

A number of YMCAs do already partner with local public schools to offer swim lessons, and there is anecdotal evidence from teachers that these lessons improve academic performance too. In 2014, we partnered with the USA Swimming Foundation to assess the academic and developmental impact of learning to swim. We believe that if the data can confirm what teachers have been telling us, then it will open doors by helping more schools embrace swimming as an important part of their overall curriculum. We're excited to report those results in 2015.

Green Plus

At Redwoods, we've long believed that business is a key force for good—meaning not just that businesses should have a positive impact on their communities, but also that non-profits have to run strong business operations in order to sustain their mission. That's why we also added a new program in 2014.

Green Plus, a program which started at UNC Chapel Hill, provides triple bottom line coaching and tools to help more businesses and non-profits both embrace that way of thinking and also improve their operations in ways that grow their impact and sustain themselves financially. Green Plus has already impacted more than 300 businesses and non-profits and has been used to teach college and graduate school students about social entrepreneurship. In order to scale its impact though, Green Plus came to us eager to find ways to reach new networks of non-profits, businesses and students. In bringing together Green Plus' tools and content with our networks and our focus on scale, we're hopeful that we can find new ways to reach many more businesses and non-profits in ways that help them grow their positive impact.

Looking forward

While 2014 was marked by exciting growth, our movements are still not nearly as big as the problems they aim to solve. We need more people, partners and places to commit to these efforts in order for them to create the kind of systemic change we seek, and we'll need to continue to actively learn from our work and refine our strategies. We hope you'll join us in 2015, as we continue to look for the most impactful ways we can build systems changing efforts in the year to come.

Holding Ourselves Accountable

2014 Social Impact Audit

The Redwoods Group believes that business can be a tool for positive social change and wishes to measure its social impact each year.

To do so, Redwoods commissions an external auditor to assess the company’s social impact on its stakeholders, community and the environment.

The full Social Impact Audit is available at redwoodsgroup.com.

Executive Summary: From Symptoms To Systems

The Redwoods Group continues to make positive contributions to society both through its business functions and in philanthropic efforts. 2014 proved to be an important year for the organization both in its shift of focus from “Symptoms to Systems,” its recertification as a B Corporation and its numerous social impacts.

In its insurance, risk management consulting and claims operations, The Redwoods Group has maintained significant impact in its customers’ safety awareness and risk management practices during 2014. Of note, Redwoods enhanced its risk consulting by shifting its focus from “Symptoms to Systems” to build safety into an organization’s operations instead of only identifying smaller

signals of safety issues. In doing so, Redwoods hopes to help its customers take a more proactive rather than reactive approach to ultimately prevent harm before it occurs. This shift will increase the value Redwoods brings to its customers and allow it to better compete in the market.

Redwoods certified again as a B Corp in 2014, receiving a score of 102.2 which is well above the requirement to be certified as a sustainable business (80 points) and 5.2 points above the average B Corp (97 points). This score is a decrease from the 2012 score of 117.9. Though the B Corp score has gone down, this is due largely to changes in the assessment criteria. As such, this decline in score does not necessarily reflect a negative change in Redwoods’ impact that it makes on its clients and communities throughout the United States.

Throughout 2014, The Redwoods Group maintained its commitment to its employees and improving society by deploying multiple forms of philanthropic capital totaling in a value of \$760,381. Though this amount has decreased from the total of \$848,040 that Redwoods distributed in 2013, it is a clear testament to the organization’s commitment to positive social impact. Also, The Redwoods

Group Foundation acquired Green Plus, a nonprofit organization that has and will continue to change the way Redwoods will impact the communities it serves. Green Plus shows considerable potential in how Redwoods will help society at large and the environment.

2014 TRG B Corp Score	2014 Average B Corp Score
102.2	97

Philanthropic Efforts	Value
Intellectual Capital	\$88,239
Financial Capital	\$176,269
Human Capital	\$113,205
Social Capital	\$361,142
Physical Capital	\$21,525
Total	\$760,381



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