

A close-up profile of a Navy officer in a khaki uniform and white cap, looking forward. The background is a blurred American flag.

FOCUSED ON TOMORROW

2013 ANNUAL REPORT





Provide Members with quality life insurance that is as close to the net cost as possible.

Secure all government benefits to which our Members are legally entitled.

Educate Members and their families on matters of financial security.

WHILE YOU DEFEND OUR COUNTRY, LET US PROTECT YOUR FAMILY.

At Navy Mutual, we have been providing life insurance for current and former military members and their families for over 130 years.

We understand the needs of servicemembers and their families because we ourselves have served. While there is much that separates us from other insurance companies, perhaps it is our sense of duty that is most significant.

And so we believe it is only right that we are nonprofit and never take commissions. It is only fair that we keep rates low. And we have always held that our life insurance products should never be bound by fine print or restrictions.

While much has changed in the past 130 years, the compass that guides us never has. And it never will.

A REPORT FROM THE CHAIRMAN AND THE PRESIDENT

We are pleased to report that 2013 was another successful year for Navy Mutual. The Association issued life insurance to more than 5,000 new members and their loved ones, generating over \$20 million in net gains from our daily operations. While retaining our commitment to conservative investment, we were still able to generate strong returns in a historically low interest rate environment. Navy Mutual's sound financial strategy and strength were confirmed once again when the Fitch Rating Agency continued our A+ rating with a stable outlook, expressing high confidence in Navy Mutual's future stability.

We at Navy Mutual are working hard to meet the changing needs of our members. We have redesigned the Association's website, installing new capabilities to accommodate mobile devices and enhanced technology for smoother operation. We have significantly upgraded our policy administration system, increasing our capacity and enhancing our ability to serve you. Our significant financial investment in improved infrastructure in 2013 is a critical enabler as Navy Mutual continues to provide our members with high-quality life insurance and outstanding personal service for many years to come.

Military families continue to face significant pressures, and the outstanding value that Navy Mutual provides is more important than ever. We are always looking to the future for ways to enhance the excellent products and services that we provide to you. Navy Mutual's financial strength provides a stable foundation on which we can continue to build, and you can count on us always to offer our very best to our members and their loved ones.

We remain committed to your financial protection and peace of mind, and are proud of the trust that you place in us. As always, the volunteer Board of Directors and professional staff of your Association are grateful for the opportunity to serve you.



Jeffrey W. Oster
Chairman of the Board



Bruce B. Engelhardt
President and Chief Executive Officer

CHANGE FOR THE BETTER

These are just a few of the areas in which we made improvements in 2013 to help serve our Members better, today and tomorrow:

Smart People

We continue to invest in our human capital to build an agile, tech-savvy workforce that will improve our already top-tier service. Recruiting and retaining the right people to meet today's challenges and opportunities enables us to work faster and smarter.

Practical Tools

Our website is more user-friendly with an educational blog, secure online account access for Members and enhanced mobile access. We are enhancing our presence on Facebook and Twitter to give Members more ways to connect for news and advice.

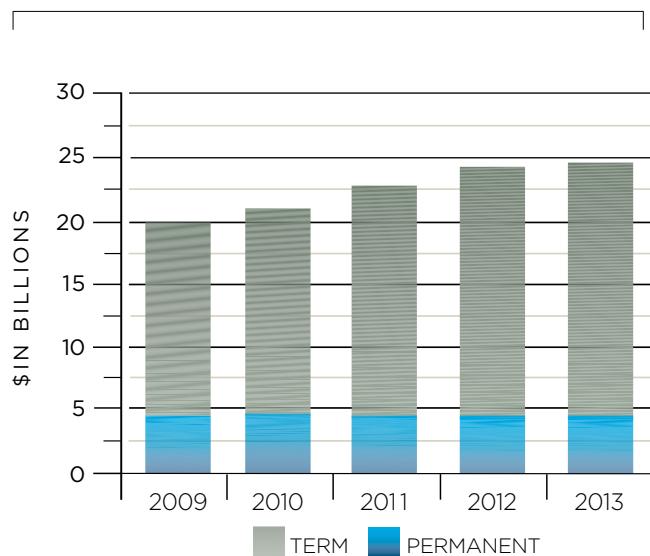
Enhanced Systems

Major upgrades to our IT systems and software position us for continued growth, better customer service and greater efficiencies that allow us to respond to claims and Member questions faster than ever.



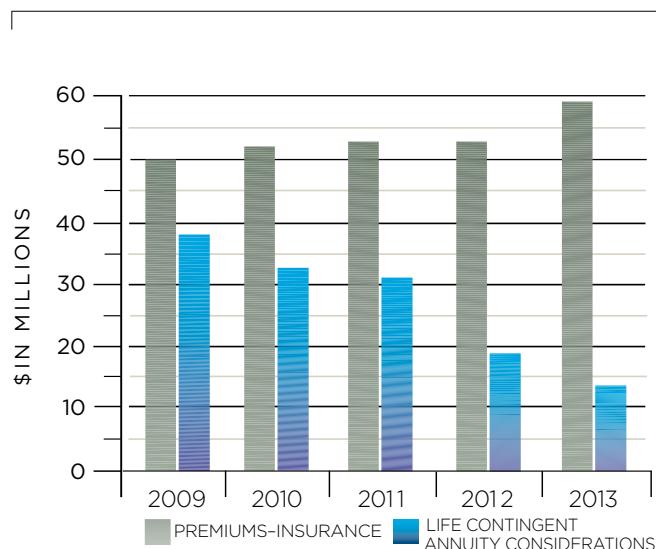
2013: POISED FOR CONTINUED GROWTH

INSURANCE IN FORCE



Insurance in force, beginning of year: \$23,329,284,096
Insurance in force, end of year: \$24,172,721,152

DIRECT PREMIUMS



Total direct premiums, end of year: \$73,524,427

AN A+ RATING; A STABLE OUTLOOK

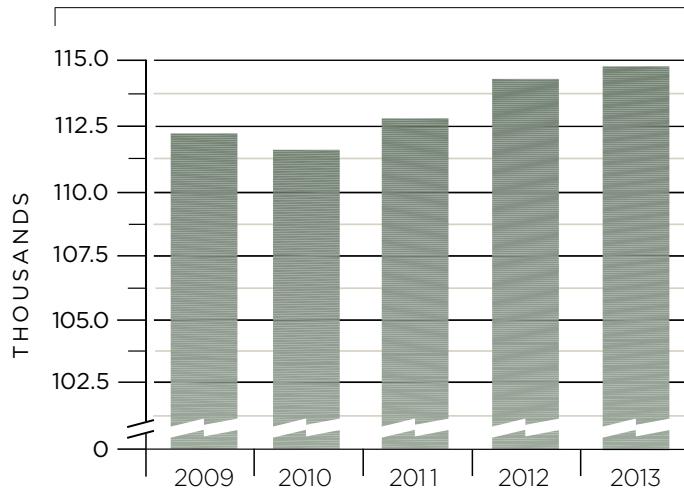
For the 10th year in a row, Fitch Ratings affirmed Navy Mutual's Insurer Financial Strength (IFS) rating at A+, with a Stable Outlook, reflecting the association's strong capital levels, high-quality and liquid investment portfolio, conservative financial profile, and moderate top-line growth.

Fitch views Navy Mutual's conservative reserving, excellent persistency and consistently low expense ratios as additional strengths. – **Fitch Ratings, Chicago, 05 August 2013**



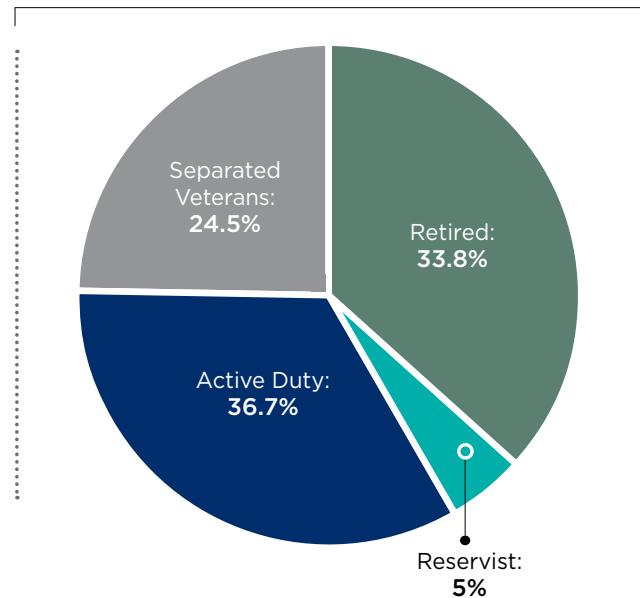
96% MEMBER RETENTION

MILITARY AND FAMILY MEMBERS LIVES INSURED



Total lives insured, beginning of year 2013: 113,822
Total lives insured, end of year 2013: 114,590

MEMBER PROFILE



“The results of the 2013 Navy Mutual Customer Satisfaction study indicate very high levels of appreciation for the efforts the company makes, similar to the results of the past two years. The various measures of customer satisfaction and loyalty included in the survey all receive extremely high ratings.” –The LOMA Organization, a leader in insurance industry analysis, Atlanta, June 2013



OUR MEMBERS SAY IT BEST



The satisfaction of our Members is our primary concern. So we are, indeed, pleased to share just a few of the positive comments we've received over the past year.

“The life insurance professional I spoke with was extremely knowledgeable, patient, and responded professionally to all of my requests and questions as we worked through the process.”

– JEFFREY BROOKS

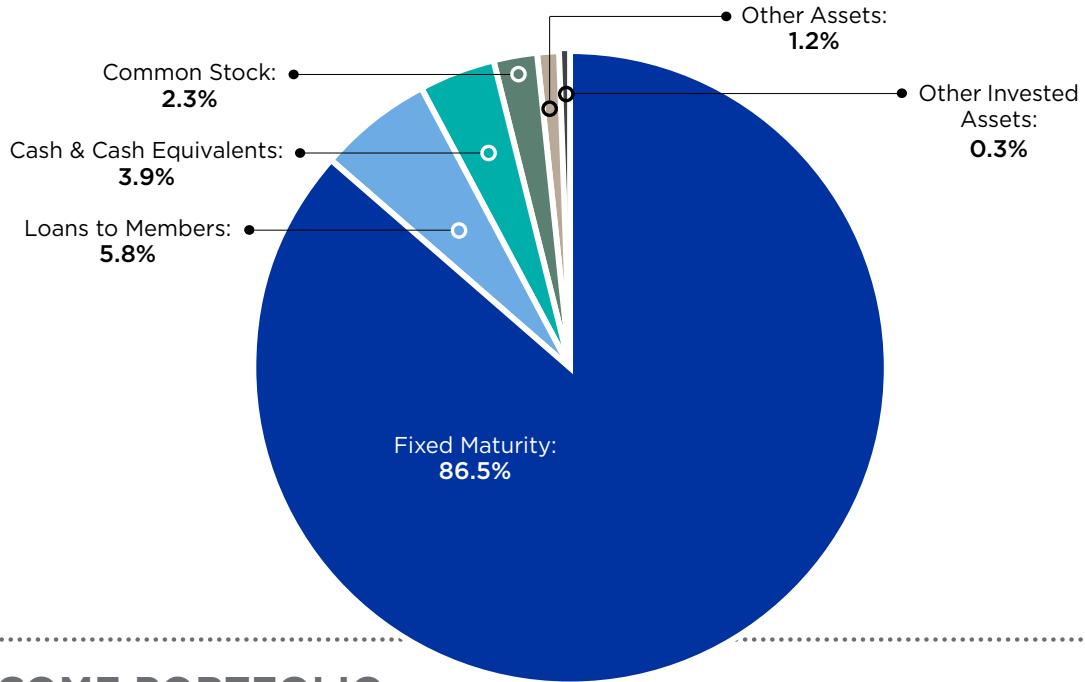
“I’m proud that part of the legacy of my service continues to protect my family today. All five of my grandchildren are insured through Navy Mutual.”

– BOB FAR

“At the time I took out my Navy Mutual insurance policy, I also took out a policy with another firm. That firm and the subsequent companies that bought them have been horrible. In contrast, Navy Mutual has been steady as a rock. It is much appreciated.”

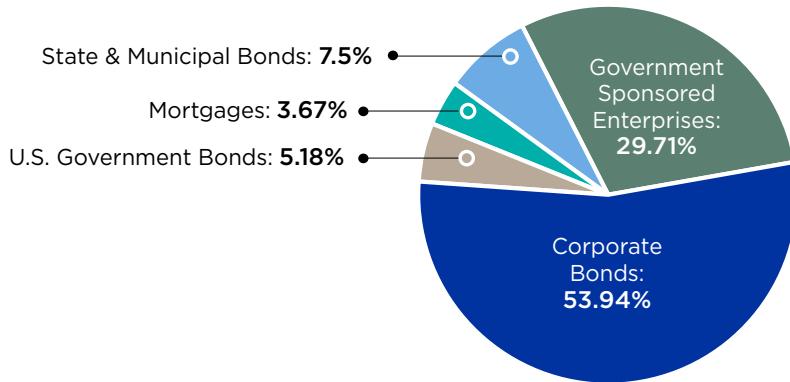
– BILLY BENDIT, USN

2013 ASSETS

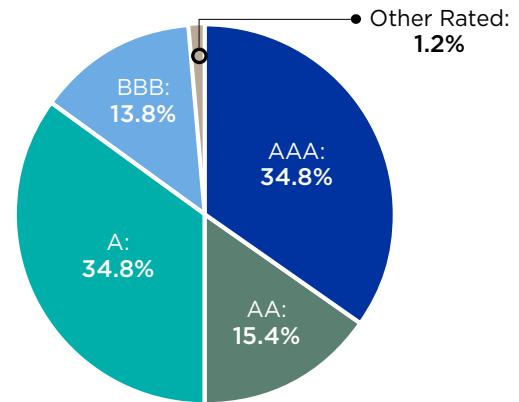


FIXED INCOME PORTFOLIO

SECURITY CLASSES



RATINGS



NET INVESTMENT YIELD: 6.34%

6.34%



SUMMARY OF FINANCIAL POSITION

	December 31,	
	2013	2012
ASSETS		
Bonds	\$2,315,234,601	\$2,288,154,708
Equity securities	63,869,718	67,014,988
Mortgage loans	88,131,791	52,576,987
Cash and short-term investments	108,473,174	85,461,729
Member loans	161,479,677	161,456,725
Other invested assets	9,118,438	10,376,598
Total cash and invested assets	2,746,307,399	2,665,041,735
Other assets	33,134,094	31,832,479
Total assets	2,779,441,493	2,696,874,214
LIABILITIES		
Aggregate reserve for life contracts	2,322,194,654	2,259,741,139
Death benefits payable	30,717,437	27,290,929
Liability for deposit-type contracts	149,604,351	164,551,403
Other liabilities	21,985,074	24,826,887
Total liabilities (excluding asset valuation reserve)	2,524,501,516	2,476,410,358
Asset valuation reserve (AVR)	24,337,474	25,288,305
Net assets	230,602,503	195,175,551
Total net assets and AVR	254,939,977	220,463,856
Total liabilities and net assets	\$2,779,441,493	\$2,696,874,214

Appointed Actuary Statement of Actuarial Option

The reserves and related items make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the company.

SUMMARY OF OPERATIONS

	Years Ended December 31,	
	2013	2012
REVENUE		
Premiums - insurance	\$59,821,640	\$52,591,150
Life contingent annuity considerations	13,720,822	19,744,684
Life contingent survivor income deposits	825,372	2,533,545
Net investment income	165,182,649	163,335,149
Other income	1,050,806	1,026,912
Total revenue	240,601,289	239,231,440
BENEFITS AND EXPENSES		
Member benefits paid	126,904,792	118,961,287
Change in aggregate reserve for life contracts	62,435,515	75,190,361
General operating expenses	31,148,473	22,224,566
Total benefits and expenses	220,506,780	216,376,214
Net gain from operations before net realized capital gains	20,094,509	22,855,226
Net realized capital gains	9,994,078	1,312,874
Net gain from operations	\$30,088,587	\$24,168,100

Statutory Accounting

These summary financial statements are derived from the Association's audited financial statements, which are prepared in conformity with accounting practices used by insurance companies for regulatory reporting purposes. Such accounting practices, referred to as statutory accounting practices, are a comprehensive basis for accounting other than accounting principles generally accepted in the United States (GAAP).

Audited Financial Statements

Johnson Lambert LLP is Navy Mutual's independent accountant. Our audited financial statements are available by written request sent to: Navy Mutual Aid Association, Accounting Division, Henderson Hall, 29 Carpenter Road, Arlington, VA 22212.

THE COMPASS THAT GUIDES US



At Navy Mutual, we're inspired by the Members we serve and driven by a desire to do right by them. Each year, we honor one staff member who exemplifies that standard of dedication and care. This year, Navy Mutual honored Dan Walczuk as employee of the year at the Navy vs. Hawaii game in Annapolis. Pictured here with his family, Dan has been with Navy Mutual for seven years.

Employee of the Year

Dan Walczuk
Sales Representative

"It gives me great satisfaction to be part of a company with as strong and vital a mission as Navy Mutual's. We truly serve the best interest of the Member, with Member-oriented products that are second to none. I've never felt like an 'insurance agent' while working here. Instead, I feel like I'm part of something much bigger – a team that's dedicated to helping servicemembers and their families."



BOARD OF DIRECTORS



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CNOCM Randy Welch,
USN, Ret. Vice-Chair



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USN, Ret. President



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CFM



MGEN Carl Jensen
USMC, Ret.



RADM John M. (Michael)
Luecke, USN, Ret.



RADM Kathleen L. Martin,
USN, Ret.



CAPT Michelle M. McAtee,
SC, USN, Ret.



CAPT Michael H. McDaniel,
USN, Ret.



Brian McDonnell



COL John C. Roots,
USMC, Ret.



CAPT Erica B. Schwartz,
USCG/USPHS



RADM Patrick M. Stillman,
USCG, Ret.



VADM Stanley R.
Szemborski, USN, Ret.



RADM Frank Thorp IV,
USN, Ret.



MGEN Leo V. Williams, III,
USMC, Ret.



GEN Michael J. Williams,
USMC, Ret.



CAPT Mark A. Wilson,
USN, Ret.

OFFICERS 2013

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Chief Financial Officer

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General Counsel and Vice President,
Government Affairs

David Bragg
Vice President of
Information Technology

Michelle L. Brickwedde
Vice President of Human Resources
and Administration

Sangeeta Jacob
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