



2017 ANNUAL REPORT



OUR MISSION

- Provide members with quality life insurance that is as close to the net cost as possible.
- Help secure government survivor benefits to which our members are legally entitled.
- Educate military members and their families on matters of financial security.

GUIDING OUR CULTURE OF SERVICE

Navy Mutual's mission differs from those of most non-profit organizations. Although tax exempt, Navy Mutual has many of the attributes of a private sector life insurance company, with all of the associated accounting, billing and marketing responsibilities.

But our core mission since 1879 remains to provide peace of mind to those who serve the nation in uniform. We do this by providing high quality, low cost, simple life insurance for America's uniformed service members and their families, and ensuring our service remains second to none.

Our employees are motivated each day to provide members and families with the outstanding service they have earned and so richly deserve. Our dedication to service is grounded in the **"Guiding Lights"** our employees themselves developed: to demonstrate COMMITMENT, COMPETENCE, and CHARACTER in all that we do. These are the watchwords your Navy Mutual service representatives have chosen to guide our efforts as we continue to provide protection for those you love.

A LETTER FROM THE CHAIRMAN AND THE PRESIDENT

Dear Members and Friends:

It has been another very good year at Navy Mutual as our policies continue to grow and our services improve. Our recently launched Flagship Whole Life product remains a favorite with current and new members alike, with many members taking the opportunity to purchase protection not only for themselves, but also for their spouses, children, and grandchildren. While growth in policies remains steady, we continue to seek new ways to encourage those who are eligible for membership to join Navy Mutual while they can. So, if you are a satisfied member of the Navy Mutual family, don't hesitate to recommend us to a friend or post a positive online review.

In 2018, we will focus on increasing our marketing and other outreach to better inform those serving the nation – and those about to transition – of the importance of safeguarding their loved ones and the advantages of membership here at Navy Mutual. We will also continue to modernize our systems and services to meet rising member expectations, enhancing both our public website and our members' area.

Change is inevitable and, done correctly, it leads to improvements in both the quality and efficiency of what we deliver here at Navy Mutual. One thing that will not change as we move forward is our commitment to excellence. From customer service to educating those who serve to caring for beneficiaries, Navy Mutual will consistently put the member first in everything we do. That was our commitment when you joined this Association and it has been the hallmark of our efforts for almost 140 years. Our compass never waivers.

Thank you for your continued support of Navy Mutual.



John M. Luecke
Chair of the Board of Directors



Bruce B. Engelhardt
President and Chief Executive Officer

IN THE WORDS OF OUR MEMBERS

"I chose Navy Mutual because you don't work on commission, and the fact that insurance reps from other companies said that this offer sounded too good to be true and that I should accept it if it is this good. Thanks Navy Mutual!"

—Richard Berndt

"I have not found any other Insurance company that offers better premiums and death benefits ... by far the best deal around. The service has also been great for the last 14 years I have had my present policies, and I can say the same for the new policy I have just opened."

—Pete Silvernale

"In my moment of crisis, Navy Mutual was there for me. After my husband passed, Navy Mutual counselors worked to ensure my children received the VA education and other benefits to which they were entitled. It saved my life."

—Laura Armstrong



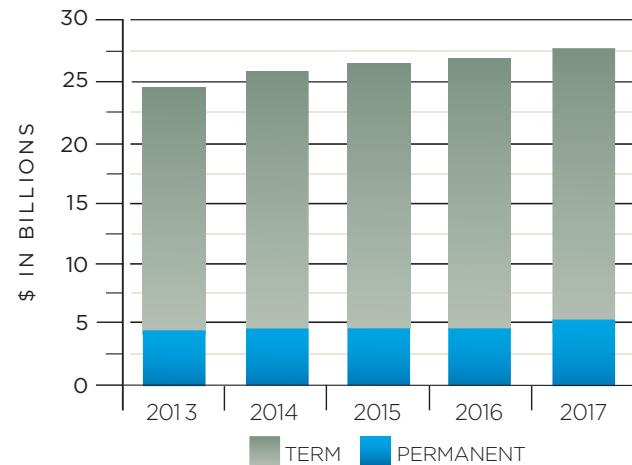
AN A+ RATING, 14TH YEAR IN A ROW

For 14 consecutive years, Navy Mutual has earned a Fitch Insurer Financial Strength (IFS) rating of A+, with a Stable Rating Outlook.

The rating and outlook “reflect the association’s very strong capitalization, good profitability and very strong investment profile. The ratings also consider the company’s small market position and scale along with its interest-sensitive product profile.” – *Fitch Ratings, July 25, 2017*

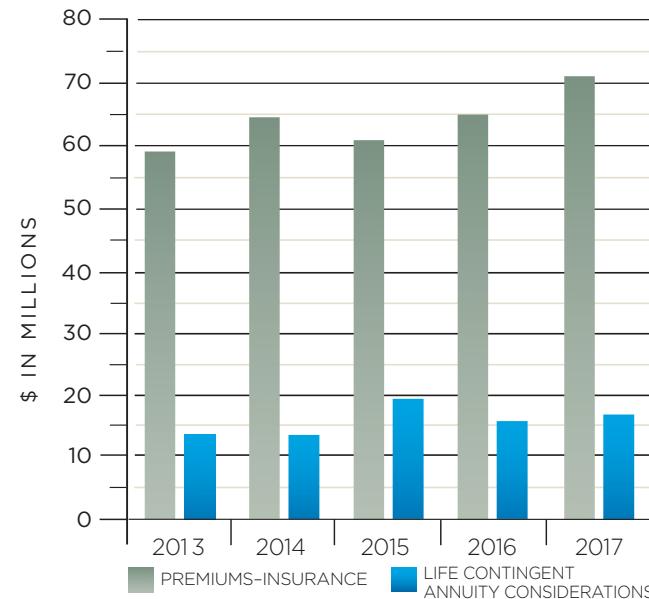


INSURANCE IN FORCE



Insurance in force, beginning of year: \$26,697,955,328
Insurance in force, end of year: \$27,583,449,088

DIRECT PREMIUMS



Total direct premiums, end of year: \$86,932,996

OUR FINANCIAL STRENGTH IS YOUR SECURITY

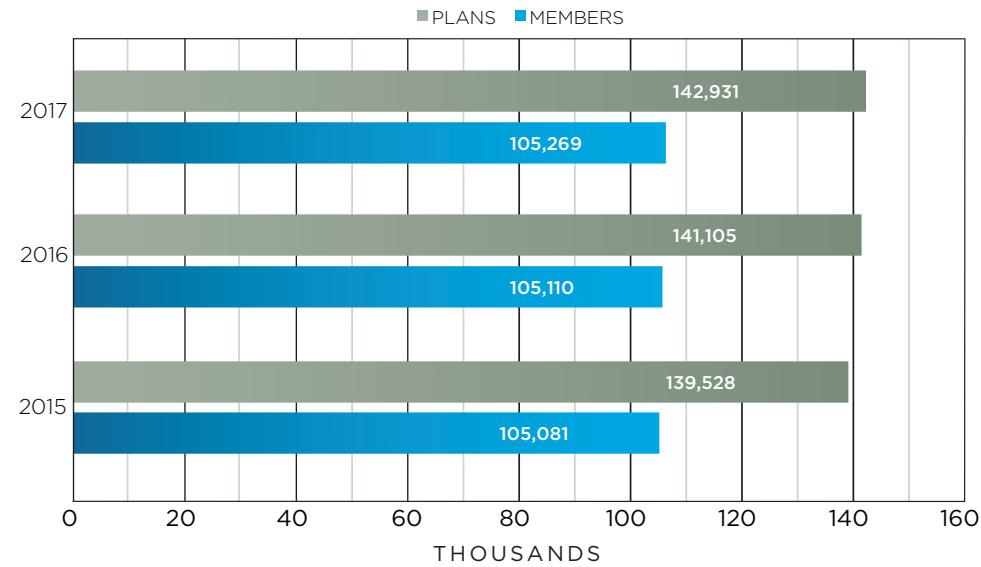
When members or former members of the uniformed services join Navy Mutual by purchasing life insurance to protect their loved ones, they count on this Association to be there for their beneficiaries many, many years down the road. That is why we focus so closely on effective operations and sound, conservative investment of our resources. One year ago, Navy Mutual achieved a significant milestone, surpassing \$3 billion in total assets. Despite the low interest rate environment that only now appears to be showing signs of easing, Navy Mutual continues to grow our assets to safeguard the future of your loved ones while continuing to offer competitive returns on our whole life and annuity products.

We are proud to have once again achieved an A+ rating from Fitch with a stable outlook, and clean audits across the board. Our conservatively managed investment portfolio is the foundation of our promise that we will be around to provide future beneficiaries with the superb service that is our hallmark.



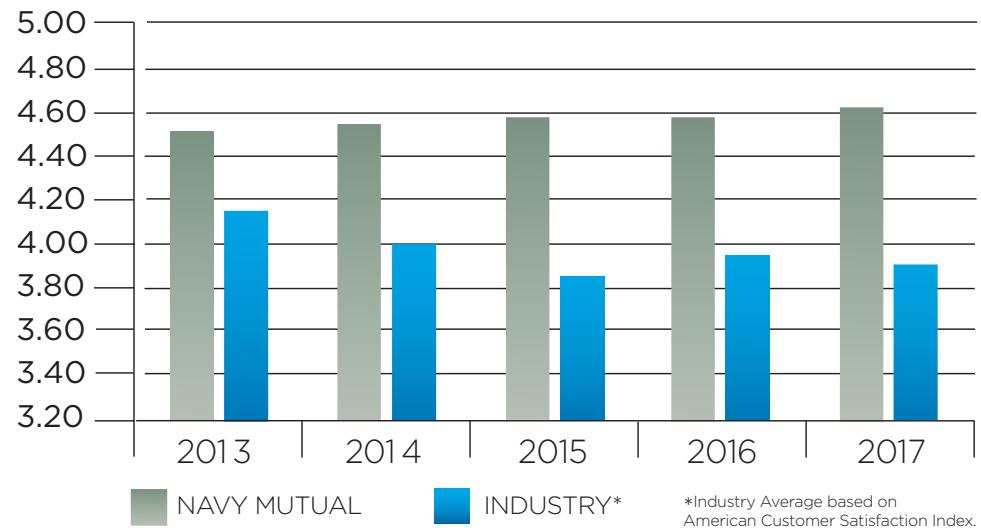
97.3% MEMBER RETENTION

TOTAL PLANS AND MEMBERS



97.3%

MEMBER SATISFACTION SURVEY RESULTS

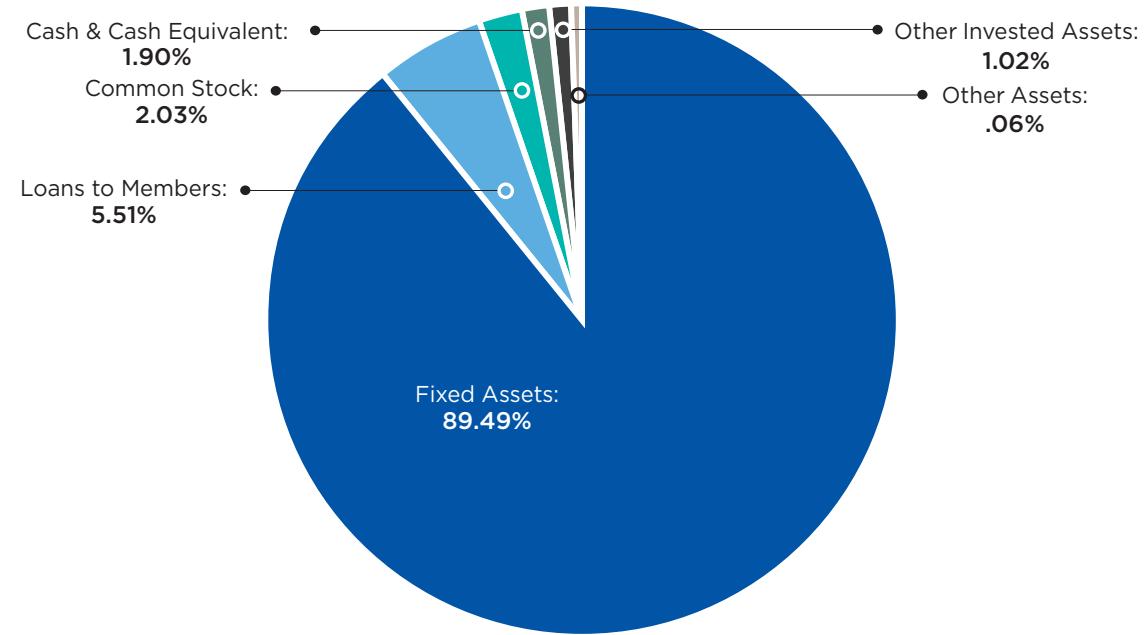


“Congratulations!! As in the past years, the result of the 2017 Policyholder Satisfaction study shows that Navy Mutual delivered high quality experiences to over 90% of its policyholders. The various measures indicate that members care deeply about the company, the service they received was positive and Navy Mutual provided value to most of its members and their families.”

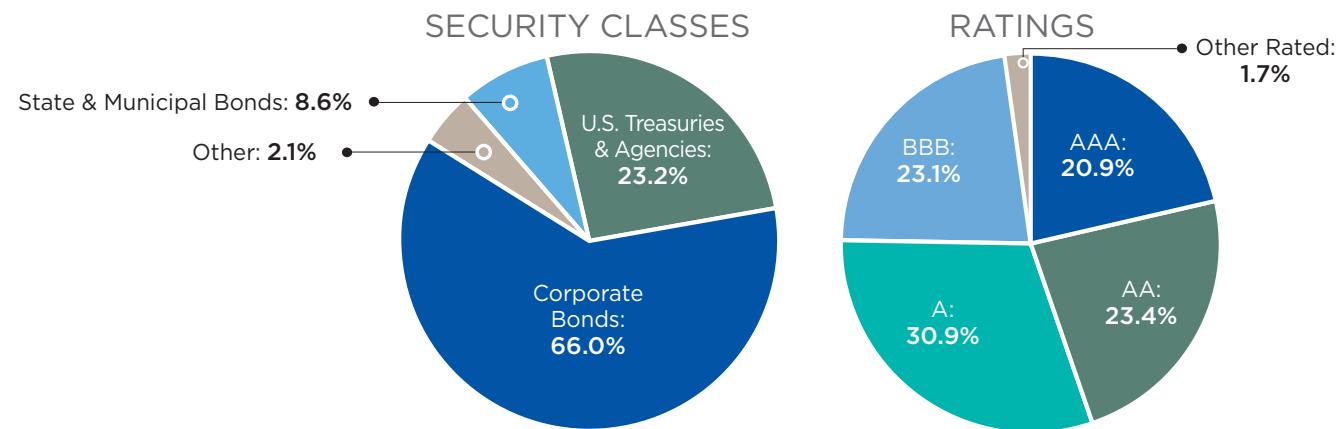
— Forrester, independent survey research, Cambridge, MA, September 2017



2017 ASSETS



FIXED INCOME PORTFOLIO



NET INVESTMENT YIELD: 5.81%

5.81%



SUMMARY OF FINANCIAL POSITION

	Years Ended December 31st	
	2017	2016
ASSETS		
Bonds	\$2,753,514,791	\$2,690,790,280
Equity securities	62,324,010	56,505,625
Cash and short-term investments	58,368,745	54,151,258
Member loans	169,425,914	168,585,637
Other invested assets	1,903,109	2,905,291
Total cash and invested assets	3,045,536,569	2,972,938,091
Other assets	31,382,713	31,014,013
Total assets	3,076,919,282	3,003,952,104
LIABILITIES		
Aggregate reserve for life contracts	2,588,809,009	2,526,855,579
Death benefits payable	25,074,774	30,737,300
Liability for deposit-type contracts	110,826,784	119,147,160
Other liabilities	27,383,590	25,727,744
Total liabilities (excluding asset valuation reserve)	2,752,094,157	2,702,467,783
Asset valuation reserve (AVR)	20,619,362	19,063,715
Net assets	304,205,763	282,420,606
Total net assets and AVR	324,825,125	301,484,321
Total liabilities and net assets	\$3,076,919,282	\$3,003,952,104

SUMMARY OF OPERATIONS

	Years Ended December 31st	
	2017	2016
REVENUE		
Premiums – insurance	\$70,836,846	\$64,681,741
Reinsurance	(4,641,915)	(3,313,365)
Life contingent annuity considerations	14,667,775	13,374,988
Life contingent survivor income deposits	787,187	1,641,292
Net investment income	172,968,861	169,835,933
Other income	1,124,009	1,211,980
Total revenue	255,742,763	247,432,569
BENEFITS AND EXPENSES		
Member benefits paid	147,772,948	135,303,799
Change in aggregate reserve for life contracts	61,953,430	60,632,410
General operating expenses	35,636,614	36,377,343
Total benefits and expenses	245,362,992	232,313,552
Net gain from operations before net realized capital gains	10,379,771	15,119,017
Net realized capital gains	6,903	1,558,406
Net gain from operations	\$10,386,674	\$16,677,423

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 & Co. is Navy Mutual's independent auditor. 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.

EMPLOYEE OF THE YEAR

All Navy Mutual employees strive for excellence when it comes to serving our members. Each year, the officers choose one employee who embodies this ethos as our Employee of the Year.

Since 2016, Roberto Impeduglia has been serving Navy Mutual members as a Senior Investment Analyst, helping to manage almost \$3 billion in assets. His commitment and competence have helped Navy Mutual implement innovative risk management tools, produce best in class research and partner with external analysts to gain valuable insights into our portfolio. Roberto achieved all this while pursuing his MBA at Georgetown University, where he graduated in 2017 in the top 5% of his class.

Roberto continues to help Navy Mutual navigate today's challenging low interest rate environment, delivering significant value to our members. We are proud to honor him as our Employee of the Year!



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USN, Ret.

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All photos courtesy of the Department of Defense