



2014 ANNUAL REPORT





FROM STRENGTH COMES SECURITY.

Navy Mutual was formed 135 years ago by the U.S. Naval Academy classmates of a fallen shipmate. They sought the strength of their numbers to provide for their own when no one else would.

Ever since, we have been providing peace of mind to servicemembers and their families. So our commitment to fiscal strength is more than just a business strategy; it is a requirement of our mission.

Each year, this report gives us the opportunity to check the compass that guides us.

It is a chance to make sure we are staying the course and charting a path that allows us to keep rates low, refuse to take commissions, and continue to offer life insurance products without fine print or military restrictions. And it is a way to renew our commitment to support our brethren: the men and women who courageously serve our country and their families.

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

Secure Government benefits to which our members are legally entitled.

Educate Members and their families on matters of financial security.

A REPORT FROM THE CHAIRMAN AND THE PRESIDENT

Navy Mutual enjoyed another remarkable year in 2014. Based on record-breaking growth in sales, solid financial results and positive feedback from you, our members, we successfully fulfilled our Mission to provide you and your loved ones with the quality insurance products and service that you deserve. The life insurance industry has experienced a challenging market environment for several years now as Americans at-large continue to be underinsured. Even so, we at Navy Mutual expanded our outreach and marketing efforts, and eclipsed our goals for both applications and new members.

One of the primary ways we serve our members is through our commitment to financial strength. The Fitch Ratings Agency reaffirmed our A+ rating and stable outlook in 2014, recognizing Navy Mutual's success in balancing sustainable growth and capital investment with maintaining strong reserves to safeguard our members' benefits. As you'll see in the pages that follow, we conscientiously invested your dollars to maintain attractive crediting rates even in a persistently low-interest-rate environment.

In 2014, we also continued to refine our technology, making it easier than ever for our valued members and beneficiaries to receive high-quality, personalized service. One clear example remains our improved website, which allows ease of access for mobile users, an ever-increasing segment of our customer base. We invested appropriately in better tools for our dedicated customer service team and are committed to continuous and prudent improvements in this vital area. Our members expect — and deserve — nothing less than the highest standard of service here at Navy Mutual.

We also expanded our education program in 2014 by enhancing our online presence. If you have not done so, check out our informative articles and videos about life insurance and military benefits, which we recently posted on our website. Also, in 2014, we established the new Navy Mutual Ambassador program, which will connect speakers with local veterans groups in 2015 and beyond. We are excited about these initiatives. It has never been more important to educate our members and their families on financial matters, so they can make better-informed decisions about their future.

On a personal note, General Jeff Oster's term as Chairman of the Board of Directors came to a close in 2014. In gratitude for his decade of exceptional service, the board established the Jeffrey W. Oster Volunteer Service Award, honoring General Oster and future volunteers who devote exceptional time and talent to the Association.

As we move forward in 2015, we intend to offer our members even better choices in products, methods of communication, and control over plans and personal information. We will strive, as always, to give you — our members and families — an outstanding, personalized experience. Thank you for your continued trust in Navy Mutual.



Kathleen L. Martin
Chairman of the Board



Bruce B. Engelhardt
President and Chief Executive Officer

BUILDING FOR TOMORROW

In 2014 we made important investments to better serve our members. These improvements position us to effectively pursue our 2015 goals, which include new products and systems, as well as expanding our capacity to provide prompt, quality service.

Technology and Security

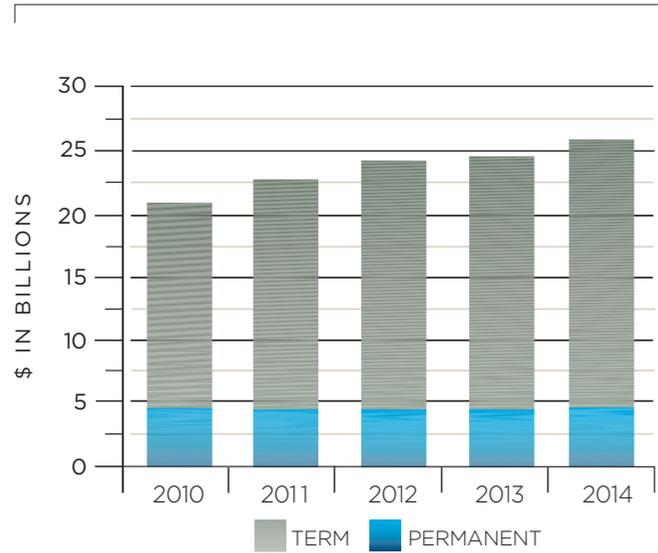
- Launched a responsive mobile website for members and applicants on the go
- Developed an online insurance application that provides automatic inputs to our administrative systems
- Upgraded IT hardware and completed 100 percent of recommended cybersecurity actions
- Implemented new automated investment tracking

Superior Service

- Maintained growth with a record of more than 10,000 applications received
- Decreased application processing time by 40 percent
- Achieved our strongest financial capital position in modern Association history
- Continued to generate very high levels of satisfaction among members and beneficiaries

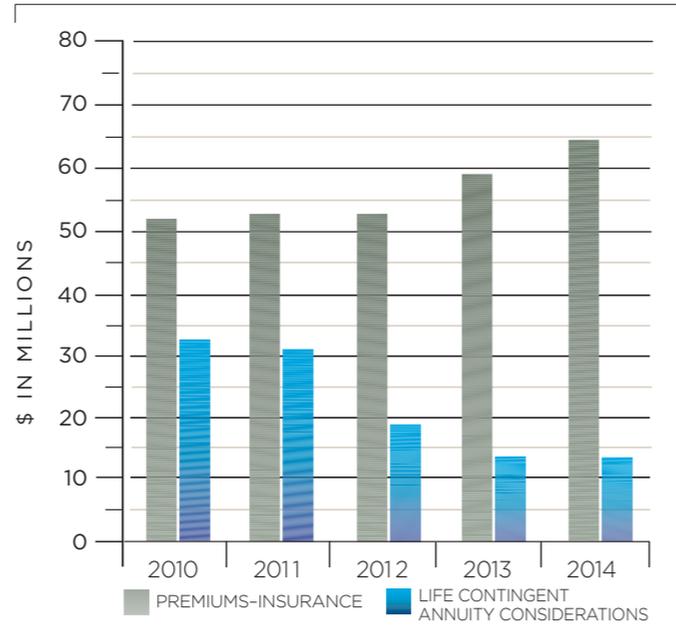
2014: INTELLIGENT GROWTH

INSURANCE IN FORCE



Insurance in force, beginning of year: \$24,172,721,152
 Insurance in force, end of year: **\$25,146,889,728**

DIRECT PREMIUMS



Total direct premiums, end of year: **\$76,876,106**

AN A+ RATING, 11 YEARS RUNNING

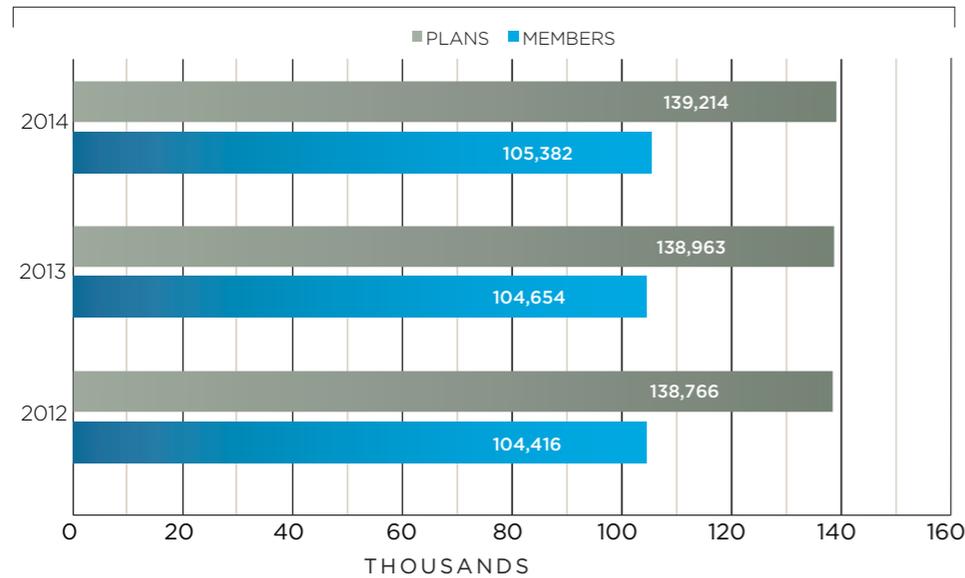
For the 11th year in a row, Fitch Ratings affirmed Navy Mutual's Insurer Financial Strength (IFS) rating at A+, with a Stable Outlook.

Fitch considers NMAA to have a secure position in its niche as a provider of insurance to its membership, based on its service quality, efficient operations and exceptionally competitive insurance products. – **Fitch Ratings, July 18, 2014**



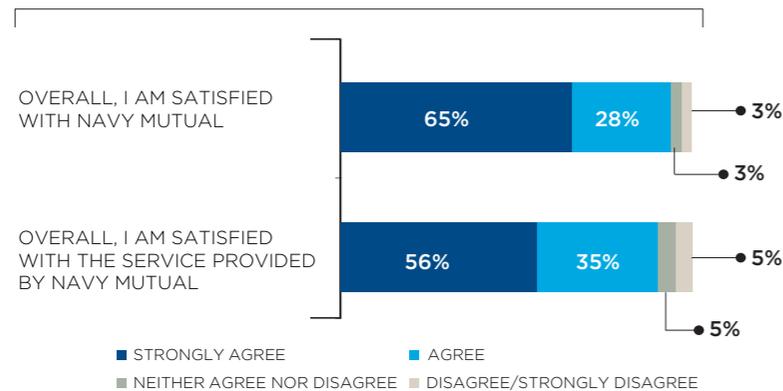
96.5% MEMBER RETENTION

TOTAL PLANS AND MEMBERS



96.5%

LOMA MEMBER SATISFACTION SURVEY



AVERAGE RATING

2014	2013	2012	2011	2010
4.57	4.52	4.55	4.57	4.53
4.41	4.43	4.46	4.50	4.45

Rating is based on 0-5 scale

“More than 90% of respondents agree or strongly agree that they are satisfied with Navy Mutual and the service provided by the company.” – The LOMA Organization, a leader in insurance industry analysis, Atlanta, October 2014

INSPIRED BY OUR MEMBERS' STORIES



Each of our 105,382 members has a special story to tell. In 2014, Navy Mutual began a campaign to document some of these stories. These quotes are taken from those interviews, and we're proud to say they reflect the level of satisfaction that we strive for in all of our member relations.

“I've enjoyed 23 years of a great service from Navy Mutual. I chose it because they're competitive in their offerings, from life insurance [to] annuities. I find them to be extremely customer friendly and accommodating.”

– PHILIP PFEIL, USN

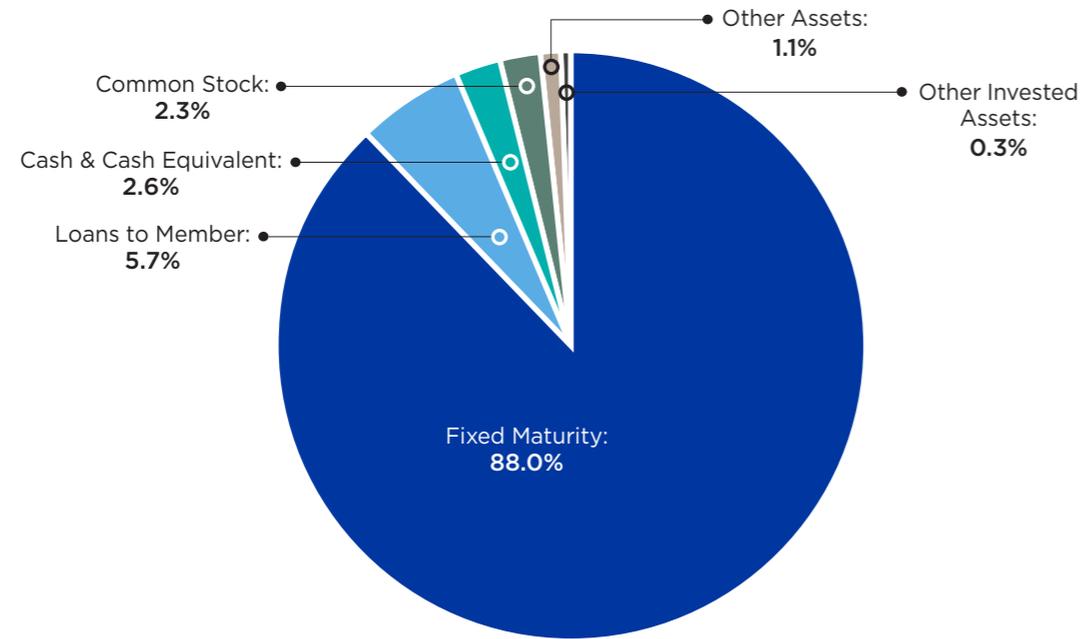
“When I went into the Navy Mutual office a week after [my husband passed away], it was a complete surprise to me ... they already knew the reason I was there. I walked into nothing but love. It was like a family.”

– TANGIE PHAIR, USMC

“The thing about Navy Mutual is they're nonprofit. You don't have these guys working on commission, trying to get a quick sale. I think you'll find their rates are some of the lowest in the industry. I know that from experience shopping around.”

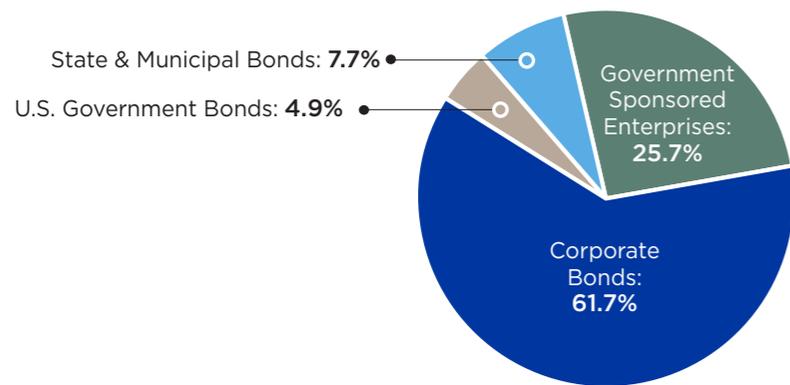
– JOHN DAY, USN

2014 ASSETS

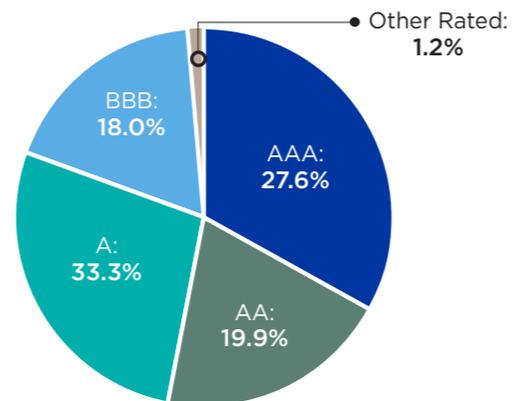


FIXED INCOME PORTFOLIO

SECURITY CLASSES



RATINGS



NET INVESTMENT YIELD: 6.28%

6.28%



SUMMARY OF FINANCIAL POSITION

	December 31,	
	2014	2013
ASSETS		
Bonds	\$2,507,570,349	\$2,403,366,392
Equity securities	66,571,026	63,869,718
Cash and short-term investments	72,968,475	108,473,174
Member loans	163,143,824	161,479,677
Other invested assets	8,005,788	9,118,438
Total cash and invested assets	2,818,259,462	2,746,307,399
Other assets	30,058,670	33,134,094
Total assets	2,848,318,132	2,779,441,493
LIABILITIES		
Aggregate reserve for life contracts	2,399,672,990	2,324,173,518
Death benefits payable	23,192,545	30,717,437
Liability for deposit-type contracts	131,534,103	147,625,487
Other liabilities	24,539,066	21,985,074
Total liabilities (excluding asset valuation reserve)	2,578,938,704	2,524,501,516
Asset valuation reserve (AVR)	17,638,780	24,337,474
Net assets	251,740,648	230,602,503
Total net assets and AVR	269,379,428	254,939,977
Total liabilities and net assets	\$2,848,318,132	\$2,779,441,493

SUMMARY OF OPERATIONS

	Years Ended December 31,	
	2014	2013
REVENUE		
Premiums – insurance	\$63,554,483	\$59,821,640
Life contingent annuity considerations	12,570,669	13,720,822
Life contingent survivor income deposits	1,240,657	825,372
Net investment income	167,626,409	165,182,649
Other income	1,205,744	1,050,806
Total revenue	246,197,963	240,601,289
BENEFITS AND EXPENSES		
Member benefits paid	129,782,126	126,904,792
Change in aggregate reserve for life contracts	75,499,472	62,453,515
General operating expenses	32,589,049	31,148,473
Total benefits and expenses	237,870,647	220,506,780
Net gain from operations before net realized capital gains	8,327,316	20,094,509
Net realized capital gains	1,613,314	9,994,078
Net gain from operations	\$9,940,630	\$30,088,587

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 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



The heart of Navy Mutual's mission is superior service to our members. Each year, we select one staff member who embodies this high standard of care and commitment. This year, Navy Mutual honored Ron Farthing as employee of the year at the Navy vs. Western Kentucky game in Annapolis, Maryland. Ron has been with Navy Mutual for two years and is pictured here with his family.

Employee of the Year

Ron Farthing
Facilities Manager

"I am extremely thankful to be a part of the Navy Mutual team. While Navy Mutual strives to provide exceptional life insurance products and services, it is my personal goal to support my team by providing a safe and comfortable work environment in which they can continue doing what they do best — supporting our valued members and their families. Thanks for the fulfilling opportunity."



BOARD OF DIRECTORS



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USN, Ret. Vice-Chair



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USN, Ret. President



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USCG, Ret.



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USMC, Ret.



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SgtMaj Alford L. McMichael,
USMC, Ret.



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USN, Ret.



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USN, Ret.



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USMC, Ret.



GEN Michael J. Williams,
USMC, Ret.

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All photos courtesy of the Department of Defense