

The text "2018 ANNUAL REPORT" is displayed in a bold, blue, sans-serif font. It is positioned on a white background that features a red diagonal bar on the left side, creating a dynamic graphic element.



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.

WHY WE CONTINUE TO SERVE

Navy Mutual is privileged to be headquartered on a historic military installation overlooking Arlington National Cemetery.

Each day, as our employees come to serve you, our Members, we are surrounded by reminders of the importance of our mission. Each day, our sales, customer service, and veteran services representatives strive to bring you the benefits you have earned. Each day, we pledge to be here for your loved ones after you have answered the final bugle call.

We are not saddened by our view of Arlington National Cemetery. Rather, we see it as a celebration of the service of those who have gone before us, and it only strengthens our resolve to assist our Members with character, compassion and competence.

A LETTER FROM THE CHAIRMAN AND THE PRESIDENT

Dear Members and Friends:

We have much to celebrate as we begin the year of Navy Mutual's 140th birthday! Your Association has certainly changed and grown since our inception in 1879, but one steadfast commitment remains as firm as ever: we exist to serve those who have chosen to serve this Nation in uniform. And we do that by providing service that is truly second to none and quality life insurance and annuity products at low cost and without service restrictions or commissions. We are proud to say that spirit and focus remain strong in our staff and our Board to this day.

To improve our service to Members, our actuary team has worked hard to provide even more competitive rates of return on our annuity products. These products can be terrific tax-deferred alternatives to other traditional low-risk savings vehicles and unlike some commercially available products do not incur surrender charges. Check out our rates online. We continue to review all of our products to ensure they meet the needs of our Members and provide better value than those offered by our competitors.

Plan growth remains strong in a continued down insurance market, and our new Member growth is improving. You can help spread the word about Navy Mutual's commitment to service and outstanding products. If you know others in your workplace, community or command that are eligible for Navy Mutual membership, do them a favor and recommend that they talk to one of our representatives to review their life plans to see if their current coverage meets their needs.

The Navy Mutual Board and staff wish to thank each of our Members and their families for supporting our continuous improvement efforts. In the past couple of years, we have refreshed our operating systems and renovated our workplace to position this Association for continued success for another 140 years. None of this is possible without the loyalty of our military families. Thank you.



John M. Luecke

Chair of the Board of Directors



Bruce B. Engelhardt

President and Chief Executive Officer

IN THE WORDS OF OUR MEMBERS

"Everyone was so cooperative and helpful with my dad's insurance. Navy Mutual was the first group to respond and the first to make payment. Thank you!"

—*Laura Moore*

"As I transitioned from active duty, Navy Mutual did a great job of helping me assess what my life insurance needs were and gave me great cost-effective options to meet those needs."

—*Shaun Doheney*

"It was very easy talking to your staff. They were able to find the account and tell me what I needed to do very simply. I certainly appreciate the ease it took to accomplish as there were so many people I was speaking to and contacting at the time of my husband's death. Thank you so much."

—*Suzanne Ward*



AN A+ RATING, 15TH YEAR IN A ROW

For 15 consecutive years, Navy Mutual has earned a Fitch Insurer Financial Strength (IFS) rating of A+, with a Stable Rating Outlook.

According to Fitch Ratings, Navy Mutual "targets a level of profitability that maximizes value to its Members while supporting new business growth and providing a cushion against unexpected losses." – July 17, 2018

A+

\$28 B

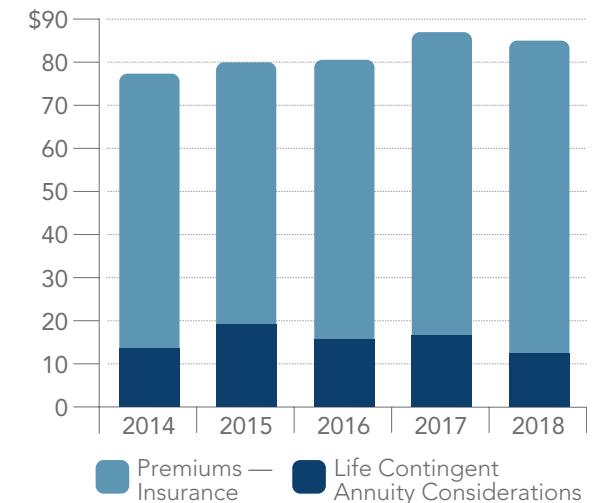
INSURANCE IN FORCE (\$ in Billions)



Insurance in Force
 Beginning of year: \$27,583,449,088
 End of year: \$28,560,949,248

\$85 M

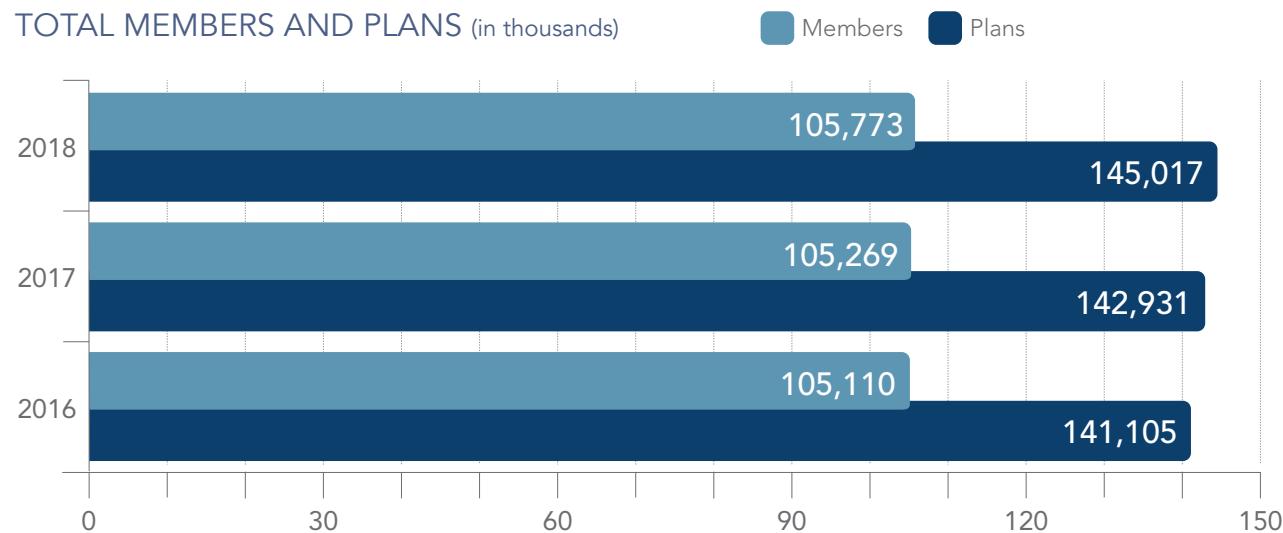
DIRECT PREMIUMS (\$ in Millions)



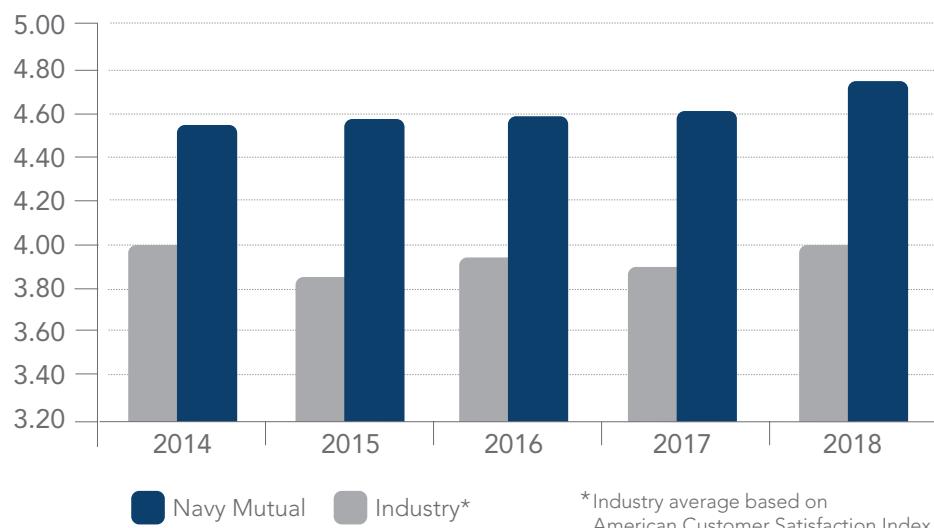
Total Direct Premiums
 End of year: \$85,019,914

98.4% MEMBER RETENTION

TOTAL MEMBERS AND PLANS (in thousands)



MEMBER SATISFACTION SURVEY RESULTS



4.74/5

"Navy Mutual falls in the upper range of insurance companies surveyed. The various measures indicate that its Members and their families received a high-quality experience."

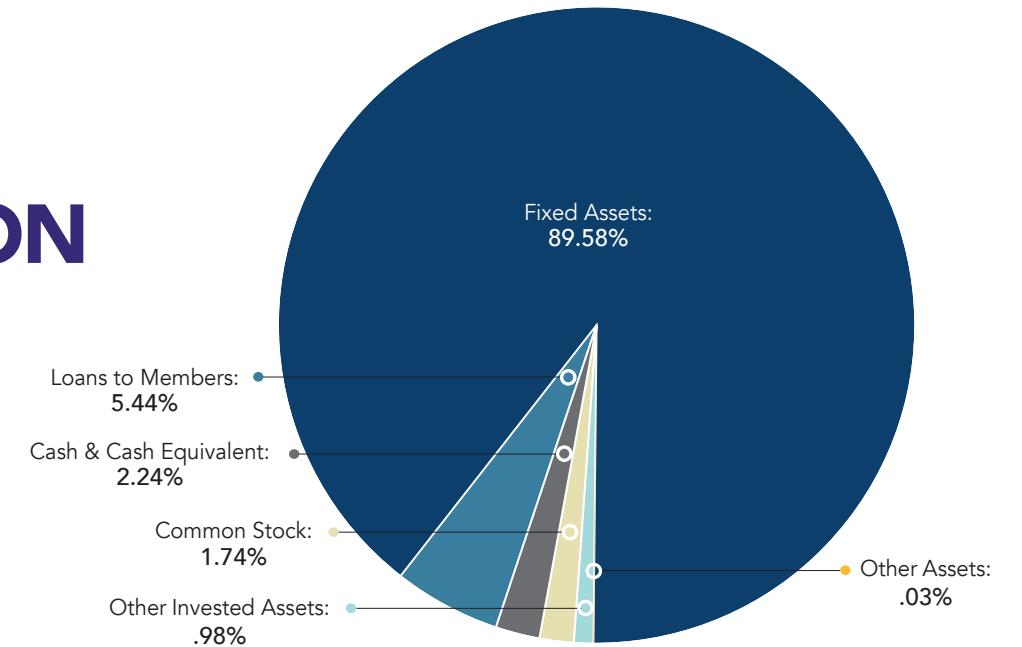
— Forrester, independent survey research
Cambridge, MA 2018



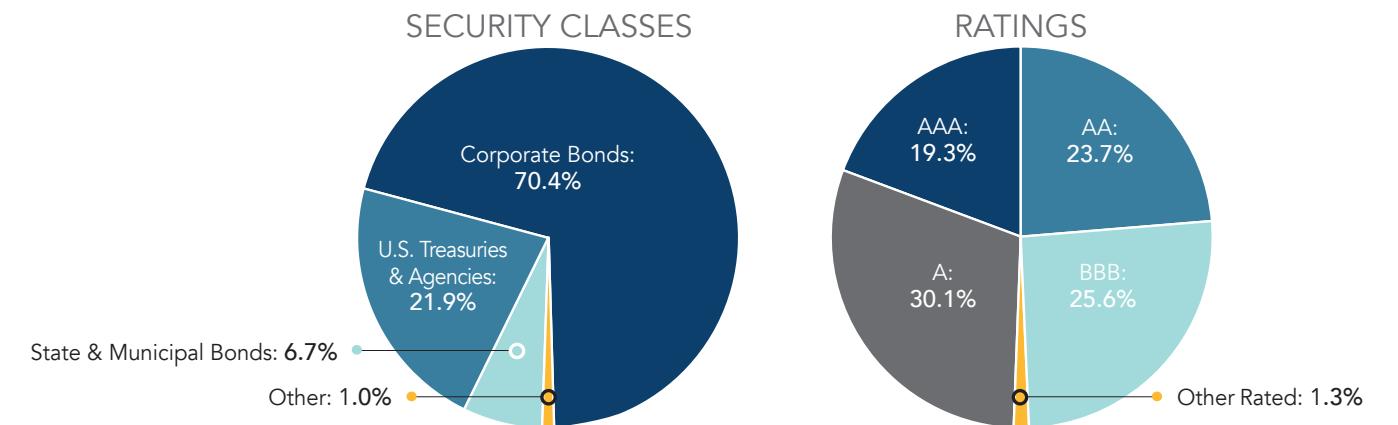


2018 ASSETS

\$3.12 BILLION
TOTAL ASSETS



FIXED INCOME PORTFOLIO



5.67%
NET INVESTMENT YIELD

SUMMARY OF FINANCIAL POSITION

	Years Ended December 31st	
	2018	2017
ASSETS		
Bonds	\$2,798,625,960	\$2,753,514,791
Equity securities	54,250,799	62,324,010
Cash and short-term investments	70,021,643	58,368,745
Member loans	169,934,206	169,425,914
Other invested assets	842,637	1,903,109
Total cash and invested assets	3,093,675,245	3,045,536,569
Other assets	30,448,461	31,382,713
Total assets	3,124,123,706	3,076,919,282
LIABILITIES		
Aggregate reserve for life contracts	2,639,041,223	2,588,809,009
Death benefits payable	27,781,416	25,074,774
Liability for deposit-type contracts	103,760,556	110,826,784
Other liabilities	30,813,919	27,383,590
Total liabilities (excluding asset valuation reserve)	2,801,397,114	2,752,094,157
Asset valuation reserve (AVR)	15,905,241	20,619,362
Net assets	306,821,351	304,205,763
Total net assets and AVR	322,726,592	324,825,125
Total liabilities and net assets	\$3,124,123,706	\$3,076,919,282

SUMMARY OF OPERATIONS

	Years Ended December 31st	
	2018	2017
REVENUE		
Premiums — Insurance (Gross)	\$72,542,261	\$70,836,846
Reinsurance	(6,113,110)	(4,641,915)
Life contingent annuity considerations	11,467,438	14,667,775
Life contingent survivor income deposits	790,530	787,187
Net investment income	169,532,013	172,968,861
Other income	1,070,184	1,124,009
Total revenue	249,289,316	255,742,763
BENEFITS AND EXPENSES		
Member benefits paid	159,981,710	147,772,948
Changes in aggregate reserve for life contracts	50,232,214	61,953,430
General operating expenses	34,906,674	35,636,614
Total benefits and expenses	245,120,598	245,362,992
Net gain from operations before net realized capital gains	4,168,718	10,379,771
Net realized capital gains	(2,779,419)	6,903
Net gain from operations	\$1,389,299	\$10,386,674

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 work hard to demonstrate our internal guiding lights of commitment, competence, and character. Each year, our officers identify an employee who continues to raise the bar as our Employee of the Year.

Since 2012, Lindsay McFarland has committed herself to making the Association stronger. Lindsay has helped establish system enhancements, process improvements and training programs to advance the Member experience. As the Customer Service Manager, Lindsay makes our organization's unwavering commitment to best-in-class service her top priority.

Lindsay continues her dedication in advocating for our Members and the Association. We are proud to honor her as our Employee of the Year!



BOARD OF DIRECTORS



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Mr. Eric J. Candelori
CFM, Vice Chair



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USN, Ret., President & CEO



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USMC, Ret.



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CAPT Nita Sood
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USMC, Ret.



VADM Anthony L. Winns
USN, Ret.

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RDML Brian E. Luther, USN, Ret.
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New Business

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Vice President of Investments

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Vice President of Finance
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INSURING THOSE WHO SERVE

www.navy mutual.org

Henderson Hall, 29 Carpenter Road, Arlington, VA 22212 • 1-800-628-6011

All photos courtesy of the United States Department of Defense