



Navy Mutual Aid Association

2010 Annual Report



fair winds and following seas....

Our Mission

Providing our Members, with certainty and promptness, life insurance at as near the actual net cost as possible.

Securing for our Members, without cost, the federal benefits to which they may be legally entitled.

Educating military members and their families on matters of financial security.

Our Vision

To be the first choice provider of exceptional life insurance products and services for Sea Service members and their families.

Serving the Sea Services

Navy ■ Marine Corps ■ Coast Guard ■ Public Health Service ■ NOAA Commissioned Officer Corps

Open to: Active Duty, Retired, Reserves, and Honorably Discharged Veterans





A Report from the Chairman and the President

2010 was an outstanding year for Navy Mutual even as other U.S. insurers were hit hard by the lingering effects of the recession. As you will see from the information contained in this Annual Report, your Association continued to grow and prosper while providing exceptional service to you and your loved ones. Our Association thrives because of careful attention to four key principles that serve as the cornerstones of everything we do:

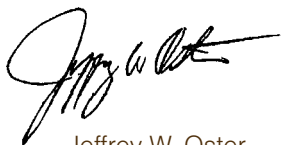
Value. For over 130 years, Navy Mutual has provided military families with high quality life insurance products at the lowest possible cost. In 2010, our conservative investment strategies permitted us to earn a 6.3% net yield on our investments and \$239 million in income (increased from \$235 million in 2009). Our careful stewardship permitted us to provide a crediting rate on Permanent 'Plus' and settlement options that few, if any, other insurers can equal.

Integrity. In 2010, other insurers were criticized for withholding benefits from the grieving families of fallen warriors. We assured you that Navy Mutual does not engage in those practices and that you would not be subjected to fine print or complicated payout restrictions in our policies. We insure our Members regardless of where they go or how they serve. We have no service restrictions, no terrorism clauses, and no limits on where our Members deploy.

Trust. Our Members and their families demonstrated their trust in Navy Mutual in 2010 with satisfaction survey responses that were both gratifying and humbling. We had over 7,000 survey responses compared to only about 2,000 last year. 94.3 percent of those who responded agreed or strongly agreed that they were satisfied with Navy Mutual. This compares with the industry average, as provided by the Life Insurance Marketing Research Association, of 77.5 percent. In addition, the results of our first beneficiary satisfaction survey were astounding: 98 percent of respondents reported that they were strongly satisfied and the remaining 2 percent said they were mostly satisfied. Clearly, you can count on Navy Mutual to treat you and your loved ones with the utmost compassion and respect.

Stability. We have honored our commitment to our Members through wars, depressions, and changing investment environments since 1879. After a rigorous review, the Fitch rating agency renewed our A+ rating in 2010. Navy Mutual will be here, ready to care for your loved ones, for generations to come.

It has been our honor to serve you. Earlier this year, ADM Richard W. Mies completed his term and stepped down from his position as Chairman of the Board. We are thankful for his nine years of dedicated service. We are also grateful for the trust you have placed in Navy Mutual and we thank you for the opportunity to serve you.



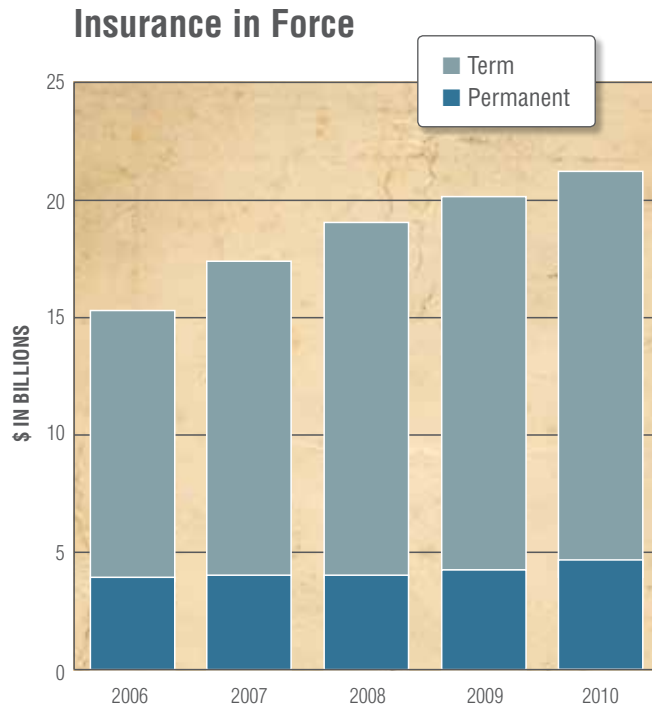
Jeffrey W. Oster
Chairman of the Board



Bruce B. Engelhardt
President

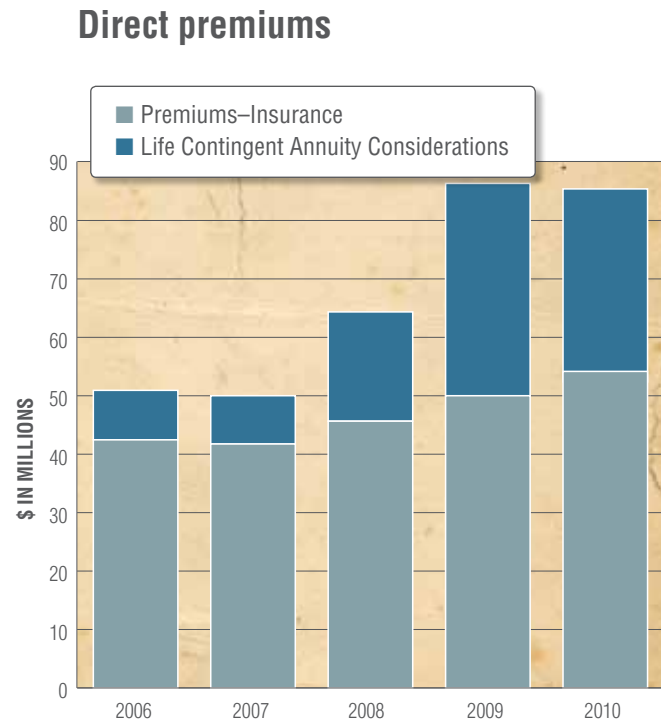


Insurance in force
increased 5.15%



Insurance in force, beginning of year	20,454,730,563
Insurance sold in 2010	2,066,732,038
Death benefits incurred	70,357,319
Terminations and other changes	942,034,055


Insurance in force, end of year **\$21,509,071,227**



Total direct premiums, end of year **\$86,462,923**

POINTING MEMBERS IN THE RIGHT DIRECTION. A unique approach that combines the trusted advice and guidance Members want with a personalized plan focused on individual needs.

- Direct premium growth has increased 46% since 2007 while the industry average has declined 19%.
- 50% of the growth achieved in 2010 was from new members – an important fact that verifies the long-term stability of the Association.
- New plans issued to both current and new members totaled more than \$2 billion in life insurance.
- We provided beneficiaries \$65.5 million of support in death benefits.



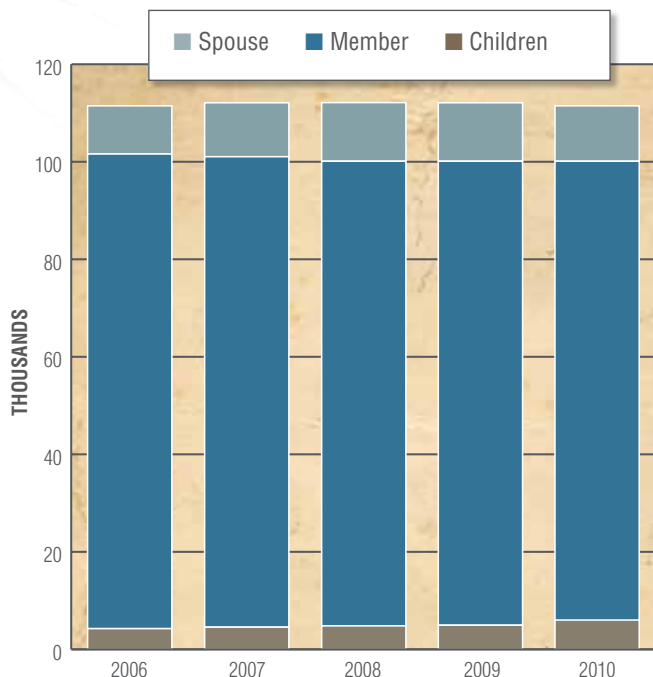
"Navy Mutual is the only provider with
the serviceman's interest at heart."

—Allan Ward, USN (Retired)

**"I've been with Navy Mutual for 30+ years. They have always
provided the best life insurance products at the lowest cost,
and best tax deferred savings growth of any company I have
ever known."**

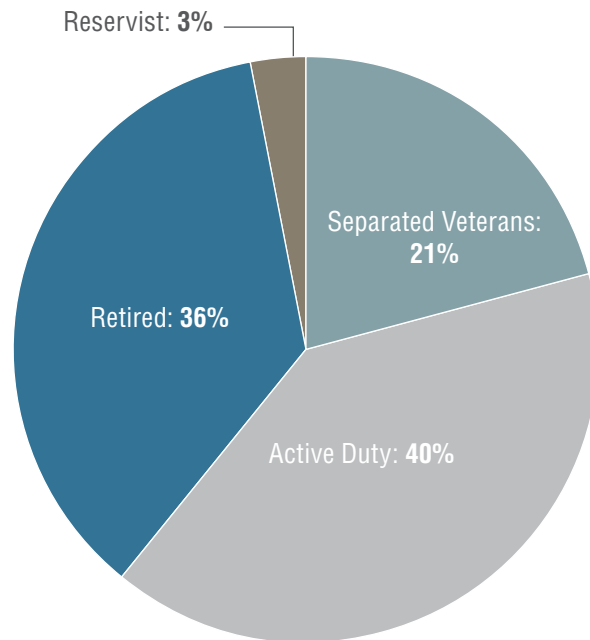
—Jim McClean, USN

Members & Families



Members, beginning of year	94,349
Gains	1,375
Losses (including deaths)	2,622
Members, end of year	93,102
Spouses & Children, beginning of year	17,834
Increase	968
Spouses & Children, end of year	18,802
Total, end of year	111,904

Member Profile



Member
Retention
Rate of 97%

PRODUCTS TO FIT EVERY STAGE OF YOUR LIFE.

Term Life Insurance

- **Flex Term:** For those under 50 looking for maximum coverage at little cost.
- **Level II 'Plus':** For those 50 to 85 looking for a specific amount of protection at a level cost.

Permanent Life Insurance

- **Permanent 'Plus':** For those ready to move to lifelong protection plus cash growth.
- **Generations:** Lifelong insurance you can purchase for your children and grandchildren.

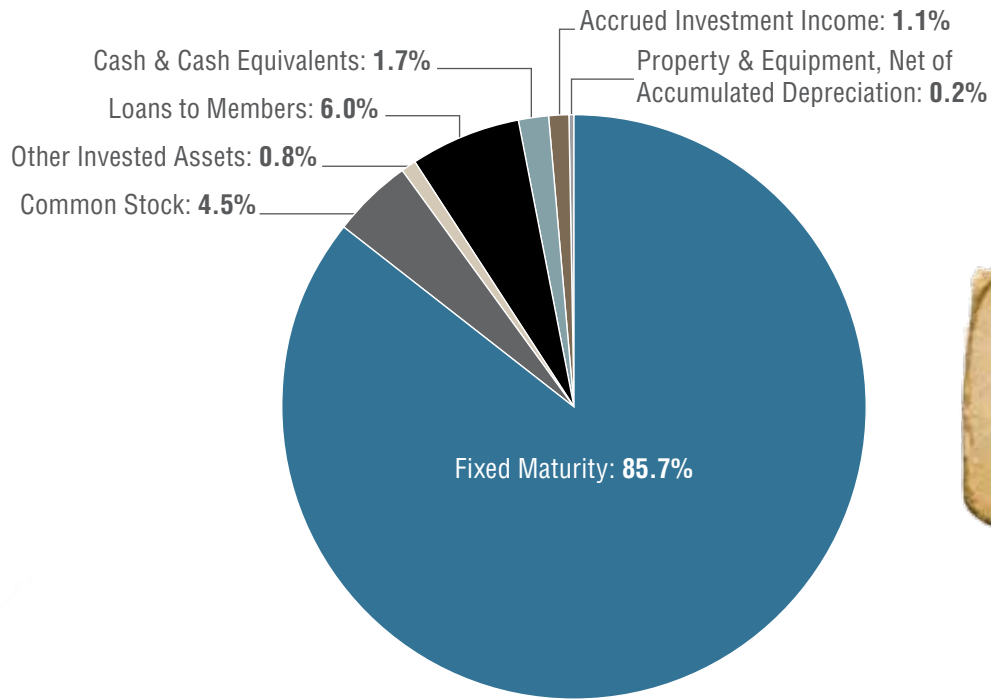
Deferred Annuities

- **Flexible Premium:** Save for retirement with flexible contribution amounts.
- **Single Premium:** To create a future income stream with a lump-sum payment now.

Immediate Annuities

- **Single Premium:** To start paying yourself now and for the rest of your life.

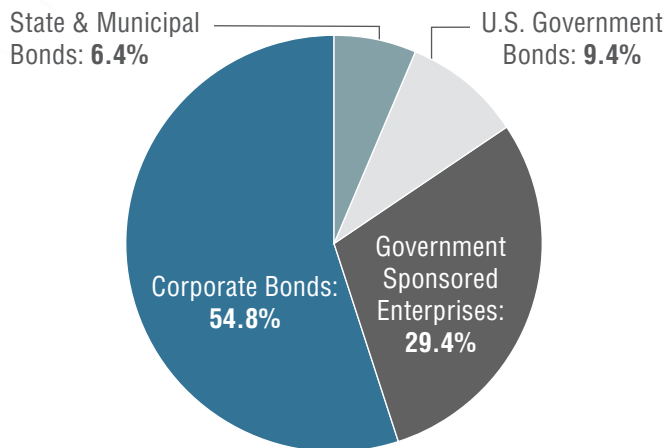
2010 Assets



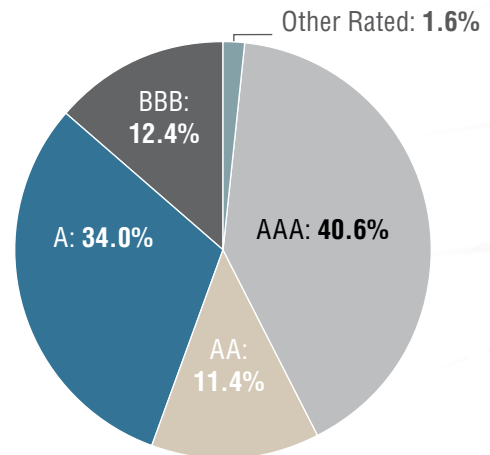
Net
Investment
Yield of
6.3%

Fixed Income Portfolio

Security Classes



Ratings



“NAVY MUTUAL AID ASSOCIATION’S IFS RATING AT ‘A+’.

NMAA’s IFS rating reflects the association’s very strong capital levels, high quality, liquid investment portfolio, and favorable business profile with a strong niche position as a low cost provider of insurance protection products to the United States sea services and their families. Fitch views as additional strengths NMAA’s conservative reserving, excellent persistency, and consistently low expense ratios. Fitch believes that NMAA’s ‘war risk’ is prudently managed and that mortality experience is within expectations despite the current conflicts in the Middle East.”

— **Fitch Ratings, Chicago**, 27 September 2010

“Navy Mutual Aid insurance policy is the only one I have kept as I have gotten older and my needs and finances have changed.”

—*John W. (Wes) Mitchell, USN*



Statements of Admitted Assets, Liabilities and Net Assets – Statutory Basis

	December 31,	
	2010	2009
ADMITTED ASSETS		
Fixed-maturity securities	\$ 2,116,015,696	\$ 1,955,126,184
Equity securities	115,586,810	97,286,976
Mortgage-backed securities	46,469,816	45,735,566
Mortgage loans	15,417,703	15,087,373
Other invested assets	4,686,261	6,681,381
Securities lending reinvested collateral assets	44,158,198	-
Member loans	153,389,800	148,036,439
Career Assistance Program loans, net	250,393	635,343
Cash and short-term investments	43,502,907	69,567,089
Total cash and invested assets	2,539,477,584	2,338,156,351
Investment income due and accrued	28,500,241	38,202,386
Home office building, net	3,792,061	3,901,672
EDP equipment, net	89,546	153,592
Total admitted assets	\$ 2,571,859,432	\$ 2,380,414,001
LIABILITIES AND NET ASSETS		
Liabilities		
Aggregate reserve for life contracts:		
Life insurance	\$2,002,024,617	\$1,886,206,799
War risk and other adverse deviations	76,197,616	76,197,616
Total aggregate reserve for life contracts	2,078,222,233	1,962,404,415
Death benefits payable	19,603,129	19,263,161
Liability for deposit-type contracts	194,726,843	183,004,499
Employee benefit liabilities	6,468,853	5,770,873
Asset valuation reserve	25,810,001	25,076,482
Interest maintenance reserve	7,138,260	5,939,452
Payable for securities	409,705	-
Payable for securities lending	44,673,497	1,461,390
Other liabilities and deferred income	3,481,487	2,855,844
Total liabilities	2,380,534,008	2,205,776,116
Net assets	191,325,424	174,637,885
Total liabilities and net assets	\$ 2,571,859,432	\$ 2,380,414,001

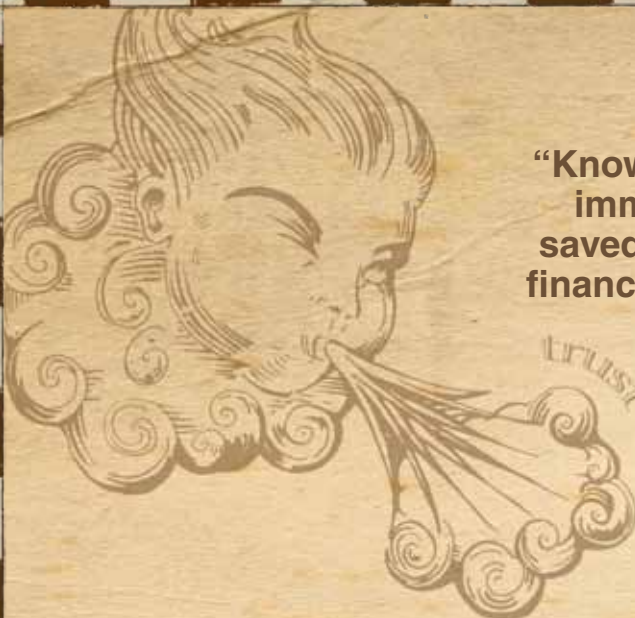
STATEMENT OF THE ASSOCIATION'S CONSULTING ACTUARY, A.C. EDDY, INC. "In my opinion the reserves of the Association are necessary and sufficient to provide for liabilities to its membership, and will achieve the objective of distributing the Association's assets to Members and/or their beneficiaries in an equitable manner."

Statements of Operations and Changes in Net Assets – Statutory Basis

	Years Ended December 31,	
	2010	2009
INCOME		
Premiums earned, net	\$ 53,144,782	\$ 50,086,521
Annuity considerations	33,318,139	37,614,139
Survivor income deposits	1,009,043	1,466,078
Net investment income	150,901,465	145,698,979
Amortization of interest maintenance reserve	905,554	795,244
Total income	\$ 239,278,983	\$ 235,660,961
BENEFITS AND EXPENSES		
Death benefits, excluding war claims	63,762,773	63,383,250
Death benefits from war claims	1,600,000	450,000
Total death benefits	65,362,773	63,833,250
Surrender benefits	16,721,419	16,537,360
Annuity benefits	7,732,288	7,320,808
Survivor income	1,228,724	1,170,071
Change in aggregate reserve for life contracts	85,191,159	72,344,552
Change in reserves for war risk and other adverse deviations	-	-
Interest on deposit-type contracts	10,166,740	9,353,418
General operating expenses	12,713,771	11,141,730
Total benefits and expenses	\$ 199,116,874	\$ 181,701,189
Increase from operations before excess interest credits and term refunds	\$ 40,162,109	\$ 53,959,772
Excess interest credited to life benefit reserves	(30,626,659)	(32,416,103)
Term refunds	(1,659,769)	(1,741,159)
Increase from operations before realized losses	7,875,681	19,802,510
Net realized gains (losses)	(5,015,487)	(10,110,483)
Increase in net assets from operations	2,860,194	9,692,027
Net assets, beginning of period	174,637,885	139,851,302
Change in accounting estimate - reserve valuation basis	-	6,800,511
Change in unrealized appreciation (depreciation) of equity securities and other invested assets	14,718,511	23,170,333
Change in asset valuation reserve	(733,519)	(4,028,479)
Change in additional minimum liability for pension and postretirement benefits	(478,452)	(1,132,230)
Change in non-admitted assets	320,805	284,421
Net assets, end of period	\$ 191,325,424	\$ 174,637,885

STATUTORY ACCOUNTING: These financial statements were 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 of 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. 9



“Knowing about the military benefits available to me immediately after my husband’s death would have saved me many sleepless nights worrying about my financial future. Once I contacted Navy Mutual, I had answers within minutes.”

—Jennifer Zellem, Beneficiary

“My only regret is that I did not call Navy Mutual first. You were so helpful, it could have avoided my making calls you would have made for me.”

—Julia Stevens, Beneficiary

“I want to thank Navy Mutual Aid Association for their understanding and help. Over the years, my husband said to me many times, ‘What is the first thing you do when I die?’ and I’d say, ‘You tell me to call Navy Mutual Aid.’ And that is about all I was able to do.

—Mary Ryan, Beneficiary



Our mission, first and foremost, is to be of service to our Members.

We are committed to providing the best in personal customer service to our members and to their families.

- Our Customer Service Representatives are available to provide exceptional service that takes care of your questions, concerns, and needs professionally, completely, and correctly.
- At Navy Mutual, we know the value of a positive Customer experience. Here you get in touch with a person who can help you immediately, without the confusing menus, pins and passwords.
- We utilize award winning customer relationship management software to help us remain responsive to your individual situation and needs.
- The Association currently maintains a 94% customer approval rating and a 97% member retention rate.
- We deploy customer feedback surveys to ensure that we are aware of and understand your needs.

The LOMA Organization, a leader in life insurance industry analysis, surveyed our membership in 2010; the praise for Navy Mutual was substantial:

“The various measures of customer satisfaction and loyalty included in the survey all receive very high ratings that hover around the 90% mark. All exceed the benchmark from other companies that have participated in similar LOMA surveys...

With such a strong and consistent showing, it is hard to recommend anything but staying the course. Navy Mutual has succeeded in achieving a level of customer experience that is the envy of any insurance company.”

Trust Navy Mutual to protect
the people you love when
you no longer can.



“Your calls and letter of concern meant a great deal to me as I felt I was floundering in the sudden death of my husband. It is now 4 months and I’m still in shock but knowing that I can call on you if need be, is very reassuring.”

—Helen Jubinski, Beneficiary

“Navy Mutual is the best insurance decision I ever made. I wish you had a savings plan available that earned the 7% my Navy Mutual Insurance has been earning.” —*CDR Thomas Dade, USN (Retired)*



2010 Board Members



ADM Richard W. Mies,
USN, Ret. *Chairman*



LTGEN Jeffrey W. Oster,
USMC, Ret. *Vice-Chair*
Chairman effective 3/10/11



RADM Bruce B. Engelhardt,
USN, Ret. *President*



Mr. Eric J. Candelori, CFM



CAPT James A. Carman,
USN, Ret.



RADM Isaiah C. Cole,
USN, Ret.



RADM Jan C. Gaudio,
USN, Ret.



CAPT Gary L. Labuda,
USN, Ret.



CAPT R. Gillem Lucas,
USN, Ret.



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



RADM Kathleen L. Martin,
USN, Ret.



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



CAPT Michael H. McDaniel,
USN



COL John C. Roots,
USMC, Ret.



CDR Erica Schwartz,
USCG/USPHS



RADM Patrick M. Stillman,
USCG, Ret.



CNOMC Randy L. Welch,
USN, Ret.



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



CAPT Mark A. Wilson,
USN, Ret.

Service Liaisons

RADM Denise S. Canton, RNDN, USPHS
VADM Mark Ferguson, USN
SMMC Carlton W. Kent, USMC
RDML Dennis J. Moynihan, USN
MCPON Rick West, USN

Officers 2010

RADM Bruce B. Engelhardt, USN, Ret., CLU, President
Thomas A. Benton, Vice President, Technology & Systems
Lauren M. Bloom, Esq., General Counsel & Vice President, Beneficiary Services & Education
Michelle L. Brickwedde, Vice President, HR & Administration
D. Timothy Eddy, FSA, MAAA, Vice President, Risk Management
Allen M. McCray, CFA, CLU, Vice President, Investments
CDR John M. McVeigh, USN, Ret., Vice President, Membership

uncharted territory

value

stability

Navy
★ Mutual

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