



Armed Forces Insurance

OUR MISSION IS YOU.™

2018

ANNUAL REPORT

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Armed Forces Insurance has been serving military families for over 132 years. We are proud of our rich heritage and our ability to demonstrate value to our members in their time of need.

2018 was a year of frequent and rather severe natural catastrophes throughout the country. These events included tornadoes, hailstorms, hurricanes, wildfires, an earthquake, and to top off the list, a volcanic eruption. I am extremely proud of our employees who responded admirably in delivering assistance and comfort to our members in their time of need. These catastrophes impacted over 2,300 of our members.

Armed Forces incurred claims from these events of \$36,000,000. This is almost three times the amount we would anticipate in a “normal” year. Driven by these elevated catastrophe losses, Armed Forces incurred an operating loss of \$5,500,000 in 2018. However, we plan for these types of years and helping our members recover from these events is why we exist. We remain financially strong and ready to assist you, our members, in the future.

We continue to focus on innovative ideas that bring value to those we serve. We will be offering “Smart Home” devices (these include fire/smoke and water detectors) to selected members in 2019, as a multi-carrier study to estimate the value of these devices in decreasing frequency and/or severity of losses. We are a limited partner in a private equity fund which will invest in various “InsurTec” companies who are developing new tools to dramatically improve the insurance experience in a number of critical areas.

I want to thank you, our members, for your continued loyalty and trust you place in us, as well as our dedicated employees who again, provide top tier service to all we serve. We aspire to live our tagline “Our Mission is You” in everything we do.

A handwritten signature in black ink, appearing to read 'Kurt Seelbach', with a long, sweeping flourish extending upwards and to the right.

Kurt H. Seelbach

CPA, CPCU, ARe
President & Chief Executive Officer



Stanley "Sid" E. Clarke III

Lt Gen, U.S. Air Force, Retired
Chairman of the Board



Kurt H. Seelbach

CPA, CPCU, ARe
President &
Chief Executive Officer



Joyce DiMarco

Colonel, U.S. Army, Retired
SAC Chairman



Arlen Briggs

CPA
Chief Financial Officer &
Chief Risk Officer



Lynn Crawford

Vice President, Claims



Kevin J. Lund

Chief Information Officer &
Chief Innovation Officer



Michael T. Nixon

CPCU
Vice President, Insurance
Operations & Underwriting

President, Armed Forces
Insurance Agency



Lori L. Simmons

Vice President, Marketing &
Corporate Communications

President, Armed Forces
Insurance Foundation



Tracey Sommerla

CPCU
Vice President, Risk Management

Board of Directors

Lieutenant General Stanley E. Clarke III

Air Force, Retired
Chairman, Board of Directors

Colonel Joyce P. DiMarco*

Army, Retired
SAC Chairman

Colonel Myron J. (Mike) Griswold*

Army, Retired
SAC Vice-Chairman

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Army, Retired

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Army, Retired

Mr. Paul E. Heacock**Ms. Lucille K. Pittard*****Mr. Kurt H. Seelbach***

President / CEO (ex officio)

Chief Master Sergeant Danny R. Walker

Air National Guard, Retired

Lieutenant Colonel Michael J. Yaguchi*

Air Force, Retired

Mr. George J. Zock*

**Subscribers' Advisory Committee Member*



AFI Foundation

The Armed Forces Insurance Foundation has also partnered with a number of additional organizations to provide education and resources. These include:

- National Military Spouse Network (NMSN), the pre-eminent networking, mentoring and professional development organization committed to the education, empowerment and advancement of military spouses.
- National Veteran-Owned Business Association (NaVOBA), an organization dedicated to contracting opportunities for America's Veteran's and Service-Disabled Veteran's Business Enterprises (VBEs/SDVBEs) through certification, advocacy, outreach, recognition and education.
- National Veteran Small Business Experience (NVSBE) by the Veterans Affairs.
- MilSpouse Fest, an interactive military spouse event series held throughout the year and across the country.

2018 AFI Employee Community Involvement



AFI employees participated in the local Veteran's Day parade. 2018 marked the 100th anniversary of WWI.



AFI employees celebrated the holidays by donating goods to local charitable organizations.





Lauren Herzog

Lauren Herzog has been with AFI since July, 2017. Originally from Rochester Hills, Michigan, Lauren enjoys live music, crafting, the outdoors and volunteering.

In 2005, Lauren received her B.S. in Social Science & Human Resources from Michigan State University. She is married to her husband Josh, a Field Artillery Major in the Army who previously served in the National Guard. Before becoming a military spouse, Lauren was a financial advisor. Over the past four years, she has also worked as a para-legal and now, an insurance agent.

Lauren and Josh currently reside on El Paso, Texas and are expecting their first child in September. In addition to working with our members, Lauren really appreciates how AFI embraces and supports military spouses through telework options and the Armed Forces Insurance Military Spouse of the Year® program.

Orienna Fitzpatrick

Orienna Fitzpatrick has been with AFI since August, 2017. Orienna is originally from Ontario, Canada and has lived in Leavenworth for about a year and a half with her husband, who is active duty Army.

Orienna received her B.S. from the University of Waterloo in Ontario Canada and has held a wide array of interesting positions throughout her career endeavors. She has served as a government contractor with the Army Education Center in Germany, an English teacher in South Korea, ran a go-kart track one summer in Canada and worked in a chocolate factory in Australia as she was passing through while traveling.

Orienna and her husband of 9 years have two fur-babies, love the mountains and coasts but believe that Leavenworth has been a wonderful home for the past couple of years. She most enjoys the team atmosphere at AFI and loves that each employee always has our members' needs in mind.



CyberScout™

All AFI members receive free Identity Theft Advocacy Services powered by CyberScout™; the nation's leading provider of resolution services and fraud education. Members have access to:

ID RiskCompass - an easy-to-use tool that evaluates whether a member is effectively protecting their personal information. A report will also provide helpful tips on how to safeguard the member's identity and shield them from potential risk.

Protect Yourself - offers numerous tips to keep a member's identity safe on social media, and in real life.

Ask the Expert - offers expert tips and insights to help members stand up to identity theft and fraud by providing answers to frequently asked questions.

News Alerts - offer timely information on cyber threats, data breaches, tax fraud and more.

MyHomeWorks™

MyHomeWorks™ is a complimentary service that offers AFI members practical tools and information to help maximize your home's energy efficiency, minimize your energy costs and help you protect the systems that run your home, such as:

Home Efficiency Center - a go-to resource for selecting, using and maintaining home systems for optimal efficiency.

My Tech Support – a personal computing “help desk” for the home, providing technical expertise year-round. From devices and networks to parental controls, we support your entire digital domain.

Virtual Home Tour - a fun, interactive way to find energy and money saving opportunities in every room of the house.

Insure My Property - provides brief explanations of common home systems, equipment and underground utility line risks, tips to reduce them and examples of paid claims.



Every Member, Refer a Member

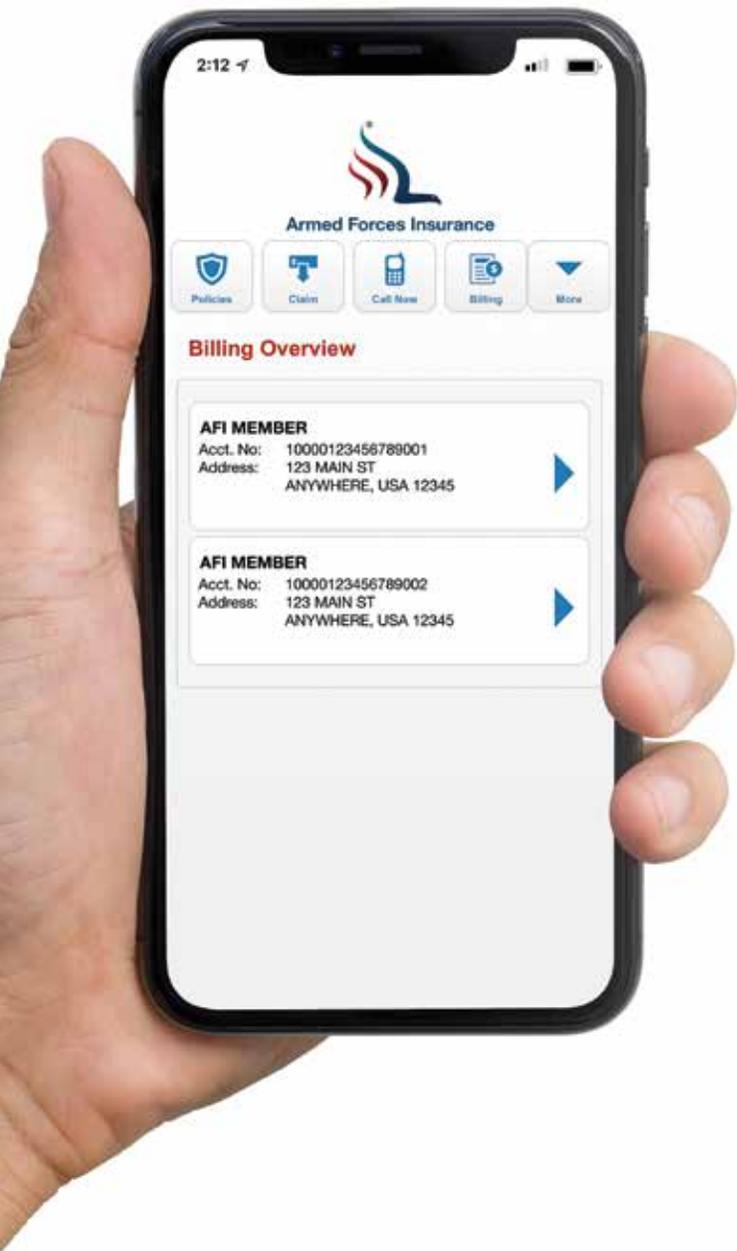
For over 130 years, AFI's growth strategy has relied extensively on member referrals. We realize that each and every member referred to us over the years has placed their trust in our products, our services and our people, because in everything we do, Our Mission Is You®.

The best compliments we receive always come from members like yourself, when referring friends, family or colleagues to AFI. We appreciate every opportunity to grow the AFI family and consider it an honor to provide your friends and family with the high touch service AFI is known for.

If you know someone who would benefit from becoming a member of the AFI family, we invite you recommend us to them by visiting afi.org/referral.

Membership Eligibility

- Active duty, retired or honorably discharged military, including National Guard and Reserves
- Active or retired Department of Defense civilian employee
- Spouse or surviving spouse of an active duty, retired, or honorably discharged military, including National Guard and Reserves
- Service Academy including Merchant Marine or ROTC cadet
- Active, retired or former commissioned officer of the NOAA or PHS
- Former spouse of a current or former AFI member
- Child of a current or former AFI member
- Former AFI member (once a member, always a member!)



AFI Mobile App

The Armed Forces Insurance Mobile app was successfully launched in May of 2018. The app allows members to quickly and easily access account information, file a claim, pay bills and much more. The app can be downloaded from the mobile app store and is yet another example of how AFI works to deliver services tailored specifically to the needs of our members.





Home

An AFI homeowner policy offers broad coverage that insures a member's home and personal property against fire, wind, hail, lightning and other perils. It also covers theft and vandalism, and provides personal liability protection at or away from a member's home.



Collector Vehicles

Standard auto policies won't provide the necessary coverage for classic cars. A classic car policy covers antiques, muscle cars, street rods, modern classics, trucks and vehicles under active restoration.



Renter

AFI renter policies give members broader coverage and better value than conventional policies. In addition to insuring household goods anywhere in the world, we also cover losses from fire, theft, wind and losses that other policies omit; including items in storage or lost in transit. Our policies also include personal liability protection should a member ever face a claim for bodily injury to others or property damage.



Boat/Personal Watercraft

Half of all boating accidents result in injuries. Not everyone on the water is an experienced operator. Boat insurance covers members, their family, gear and a wide variety of watercraft. A boat policy provides important liability coverage and can also protect your boat and permanent equipment against direct physical damage.



Auto

An auto accident can happen in the blink of an eye. Through one of our affiliated partners, we can help tailor our member's policies to meet their specific auto coverage needs; including liability and property protection.



Condominium

Although condominium associations generally carry a policy covering building structures, coverage varies. Condominium policies protect a member's personal property inside their condo and, if needed, additional coverage for interior improvements and additions, as well as assessments for losses to common property of the association.



Motorcycle/ATV/Golf Carts

Members who ride an all-terrain vehicle (ATV) in the field or a motorcycle on the highway need coverage, too. Many states require additional insurance for motorcycles and ATVs, as well as golf carts operated off a member's premises.



Flood

Standard homeowner policies do not cover flood damage. AFI can issue flood coverage for residences in all 50 states and the District of Columbia for anyone who qualifies under the provisions of the National Flood Insurance Program (NFIP). Private flood insurance is also available in several states.



Business

AFI offers insurance solutions through highly rated national carriers for many different types of businesses, including medical, dental, or legal practices, contractors, ranch or farm operations, and veteran organization facilities, such as American Legion and VFW halls. There are many policy options available that cover business liability and business property coverage.



Mobile Home

Mobile and manufactured homes require a policy that addresses special exposures that are typically associated with mobile homes. AFI will put our members in touch with well-known and trusted specialty carriers to ensure our members have the unique coverage they need.



Motorhome/Travel Trailer

A standard auto policy will generally not cover a motorhome or travel trailer. Motorhome and travel trailer insurance covers several kinds of vehicles, such as Class A, Class B, and Class C motorhomes. Travel trailers, pop-ups and fifth wheels also have unique coverage options available.



Valuable Items Protection

Most homeowner and renter policies include coverage for personal items such as jewelry, watches, and firearms. However, many policies limit the dollar amount for theft of these valuable personal possessions. Our valuable items policy provides additional coverage for valuable items with no out-of-pocket deductible.



Umbrella

Umbrella insurance offers protection beyond military homeowner insurance, personal liability and auto insurance. This affordable coverage can be easily coordinated with existing policies to create an “umbrella” of additional liability protection against unforeseen events or judgments that exceed your basic home or auto coverage.



Armed Forces Insurance is proud to continue our partnership with First Command Financial Services, Inc. in providing our property, casualty and business insurance programs to First Command clients. This exciting alliance has extended a host of benefits to First Command clients by building on the exceptional customer service they've become accustomed to.

First Command Financial Services and its subsidiaries, including First Command Financial Planning and First Command Bank, coach our nation's military families in their pursuit of financial security. Since 1958, First Command Financial Advisors have been shaping positive financial behaviors through face-to-face coaching with hundreds of thousands of client families.



Armed Forces Insurance has teamed up with Armed Forces Bank to provide insurance products to its members.

Armed Forces Bank is a family-owned business dedicated to supporting the financial well-being of the individuals and businesses within their communities. They provide a wide variety of affordable, competitively priced, and easily accessible credit and retail banking services. Established in 1907, Armed Forces Bank has a footprint of branches on 27 military installations throughout the country and has provided a first-class standard of care for service members.



Armed Forces Insurance is pleased to continue our partnership with the Military Warriors Support Foundation (MWSF) as the preferred insurance company for MWSF programs. The MWSF, through Homes4WoundedHeroes, the homes donation program, awards 100% mortgage-free homes to combat wounded veterans.

The Homes4WoundedHeroes program is also available to Gold Star Spouses of Heroes who have fallen in combat. In addition to the home, each family receives three years of family and financial mentoring so that they may learn the skills necessary to become happy and successful homeowners. This program not only changes the lives of the Hero and their family, but it also changes the lives of the generations that follow.



AFI is excited to continue our alliance with PCSgrades as they provide an innovative digital platform that empowers military and veteran families by giving them much needed resources when it comes to a PCS or relocation. This interactive digital site allows user to voice their opinion and read the trusted reviews of their peers on everything from neighborhood information and base housing specifics to local realtors, mortgage lenders, schools and more.

PCS Grades is a company founded by veterans and run by veterans and military spouses. With years of combined moving experience, the team at PCSgrades are truly the PCS problem solvers. Check out the site; we encourage you to create your own free account today at PCSgrades.com. Every review submitted helps build the database and helps our military and veteran families.

Military Spouse Advocacy Network

Armed Forces Insurance is excited for our third year in partnership with the Military Spouse Advocacy Network (MSAN). As part of our relationship, we support MSAN's mission to create stronger military families through education, empowerment and support.



MSAN believes in working with military spouses and their communities to create national and local awareness of the importance of both a military spouse support network and knowledge of benefits and resources. Through AFI's support, MSAN's team of Chapter Advocates, mentors, coordinators and staff will continue to develop programs and resources focused on finance, deployment, career and employment, education, mental health and peer-to-peer mentorship to close the gaps.

Patriotic Employer Award

Theresa Shore, on behalf of AFI, received a Patriotic Employer Award from the Office of the Secretary of Defense – Employer Support of Guard and Reserve. Theresa, our Member Sales & Service Manager, was nominated by AFI agent Bill Bailey who had recently returned from military deployment with the Missouri National Guard.



(Left to Right) Major General George Harris, US Army (Retired), Theresa Shore, Bill Bailey

The Patriotic Employer Award is an honor that reflects the efforts made to support citizen warriors through a wide-range of measures including flexible schedules, time off prior to and after deployment, caring for families, and granting leaves of absence if needed.

Snowball Express

We are so proud to continue our sponsorship and support of the Snowball Express. AFI employees volunteer their time each year by going to Kansas City airport and greeting the families of fallen soldiers who will be attending Snowball Express.



Since 2006, the mission of Snowball Express has been a simple, yet profoundly important one: provide hope and new happy memories to the children of military fallen heroes who have died while on active duty since 9/11. Snowball Express brings children together from all over the world for a four-day experience filled with fun activities like sporting events, dances, amusement parks and more. Children who attend the event walk away knowing they are not alone and often return year after year to reunite with the friends they have made.

In 2017, Snowball Express became an official Gary Sinise Foundation program, and they are committed to maintaining the wonderful tradition while finding new and exciting ways to serve the families of the fallen.



December 8, 2018 - Armed Forces Insurance employees greet the families attending Snowball Express

Sky Ball

AFI is a sponsor of Sky Ball, a fundraising event established by the nonprofit Fort Worth Airpower Foundation. Sky Ball has helped the Foundation give millions of dollars to programs that directly support members of all military branches and their families, such as contingency funds at the Naval Air Station, Fort Worth, Joint Reserve Base and other programs. Sky Ball contributions have also helped fund:



- **Heroes on the Water** - Healing veterans through fellowship and fishing
- **Freedom Flight** - Taking heroes of the Greatest Generation, our WWII Veterans, to visit their Memorial in Washington, D.C.
- **Wounded Warriors Veteran's Day Weekend** in Las Vegas
- **Snowball Express** - Helping children of fallen military personnel heal and make new memories

Plus many of the other programs and causes that directly and solely support of veterans, military members, wounded warriors and military families - we're proud to help.



2018 Armed Forces Insurance Branch Spouses of the Year (Back to Front) Stacy Bilodeau, Krista Anderson, Shelia Brookins, and Brian Alvarado with Lori Simmons



Discovering Your Spark

AFI is a proud sponsor of Discovering Your Spark; an interactive workshop that encourages military spouses to find their passion and live their military life with purpose. Facilitated by our 2017 Armed Forces Insurance Military Spouse of the Year®, Brittany Boccher, the workshop is designed to take military spouses "back to the basics" and work through life moments and fears to determine what is stopping them from living their lives with passion and purpose.





(Left to Right) Lt. Gen Stanley E. Clarke III, US Air Force (Retired), Jake Wood and his wife Indra Petersons

Great American Patriot Award

Team Rubicon, an international disaster response nonprofit organization, was the recipient of the 2018 Lockheed Martin Armed Forces Bowl Great American Patriot Award. Presented by Armed Forces Insurance, the Great American Patriot Award honors a candidate in recognition of their exemplary service to the United States.

Team Rubicon unites the skills and experiences of military veterans to rapidly provide relief, free of charge, to communities in need following disaster. Since its founding in 2010, Team Rubicon has been involved in more than 300 disaster operations in 19 countries, including Hurricanes Harvey, Sandy, Michael, Florence, Irma and Maria, and the 2013 Moore tornado.

During the operations, more than 14,000 volunteers, known as Greyshirts, have generated the equivalent of more than \$22 million in volunteer labor for communities in need. Team Rubicon currently maintains a roster of more than 92,000 volunteers who are able to deploy throughout the United States and world whenever or wherever disaster strikes.

Team Rubicon joins a prestigious group of previous Great American Patriot Award recipients that includes Navy SEAL Chris Kyle, General Mark Welsh, General Peter Pace, Medal of Honor Recipient Salvatore Giunta, Admiral William McRaven, General Norton A. Schwartz, Congresswoman Kay Granger, among others.

Military Spouse of the Year® Acquisition

As the longtime sponsor of the Armed Forces Insurance Military Spouse of the Year® awards for the last nine years, we are proud to announce that AFI has moved from sponsor to owner of the national program.

Heading into its twelfth year, the Armed Forces Insurance Military Spouse of the Year® program represents the more than 1.1 million past and present military spouses who dedicate their lives and families to service of a grateful nation and give back to communities in need. The award program honors military spouses from all six branches of the Armed Forces who are making a difference in their communities. The selection process begins with national nominations with subsequent rounds of voting, based on five categories of qualification, to determine base level and branch level winners culminating in the overall Armed Forces Insurance Military Spouse of the Year® being named in May of each year.



Krista S. Anderson Military Spouse of the Year®

2018 has been a life-changing year for the Armed Forces Insurance Military Spouse of the Year®. In her own words, Armed Forces Insurance Military Spouse of the Year®, Krista Anderson, describes how her opportunities to impact her community have grown since the award.



My military spouse career began in 2008. Five years in I would begin a journey every military spouse fears. My husband, Army Green Beret SSG Michael H. Simpson, would be killed in action serving in Afghanistan with 1st Special Forces Group on 1 May 2013. I began this unimaginable journey by giving back to the very community that stood by our family in our darkest times. I co-founded The Unquiet Professional, volunteered with wear blue: run to remember, sat on the speakers board for Folds of Honor, sat on the advisory board for Raise for Rowyn and served as the Gold Star Liaison for the Green Beret Foundation. My ultimate goal was to make a greater impact and assist our military in creating a consistent, uplifting program for our Gold Star and Surviving family members that empowers them in their journey, but I knew I needed to prove myself first.

One year after remarrying my husband, Army Green Beret MSG Gus Anderson, I was awarded the Armed Forces Insurance Military Spouse of the Year® and our senior military recognized what I was doing and my good intent. I have been blessed to sit on the Army's Survivor Advisory Working Group, began work with Army Emergency Relief as their Military Spouse Ambassador, receive invitations to sit on panels discussing my experiences and provide insight for change within our military programs. This award has legitimized all I have been doing for years. Since entering the AFI-MSOY community I have gained confidence in what I have to offer which has led me to broadened my mission. My goal, as I partner with other AFI MSOYs, is to provide a tool box to encourage military spouse success. I believe if given the right tools we can wholeheartedly support our service members in their military career while thriving in our ever changing challenging environments.

Being apart of the AFI MSOY community provides more than spouses with amazing platforms, resources, passion and purpose. We are a family of spouses that believe in serving our nation, right here at home. I will forever be grateful to Armed Forces Insurance and the Armed Forces Insurance Military Spouse of the Year® program for encouraging and empowering me to create the greater impact I have always dreamed of. They fully encompass their mission , "Our Mission is You®".

Armed Forces Insurance continued to grow again in 2018 as efforts like our new affinity partnership with Armed Forces Bank and support from both our existing affinity partners and our current members allowed our Agents to increase total premiums by \$3.6 million (3.6%) over previous year’s levels. It’s clear that both new and existing members appreciate the value and service AFI provides.

After an increase in expenses in 2017 to invest in technology improvements to benefit our members, management was able to reduce expenses by 4.0% in 2018 while continuing to work on improvements to our core policy and claims systems. These efforts are scheduled to continue over the next few years, and will elevate our expenses slightly for the duration of this project, but should provide much needed enhancements for our members and produce operational efficiencies in the future. At AFI, we constantly work to keep operating expenses as low as possible so that premium dollars received will be available to pay member claims while maintaining a highly qualified and professional staff to serve our members.

Armed Forces Insurance invests available funds in safe and secure investments. Despite a small increase in bond interest rates in 2018, we continued to experience a historically lower interest rate environment. As the vast majority of our investments are in high quality bonds, the low interest rates reduce the investment income off of this portion of our investment portfolio and reduced overall Investment Income for the year. Armed Forces Insurance does invest a small portion of our funds in high quality, dividend paying stocks. Returns on the stocks were lower in 2018 as the markets dipped in the last quarter of 2018. Overall investment income declined by 5.5% compared to 2017.

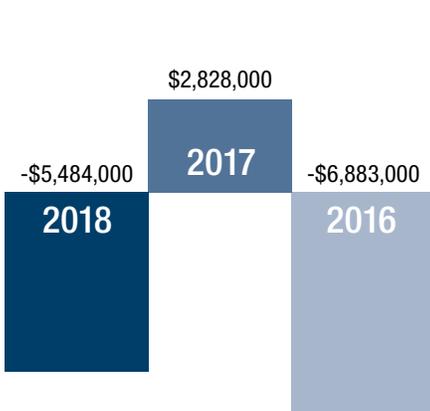
Premium



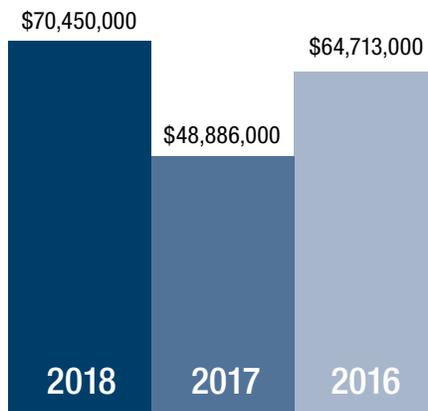
Expenses



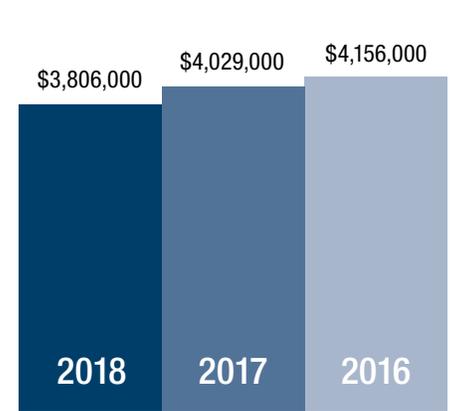
Net Income



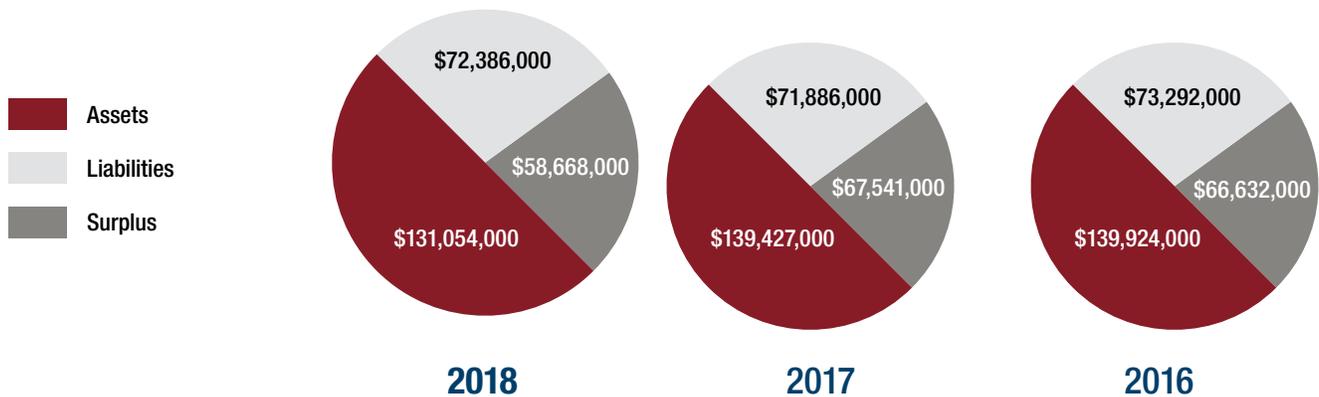
Losses



Investment Income



Assets, Liabilities, and Surplus



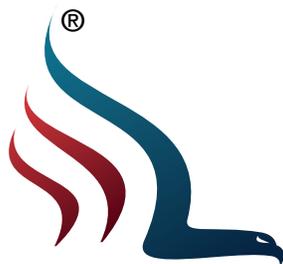
2018 was by all measures the most active year for catastrophic losses we have seen since 2005 when our members dealt with Hurricanes Dennis, Katrina, Rita and Wilma. The year was quite different in the number and variety of different types of catastrophic losses. AFI began the year with nor'easters and catastrophic freezing in the east, which rapidly transitioned into a heavy tornado/hail season for much of the country. Summer brought volcano losses to Hawaii and a particularly severe late season hail event along the front range of the Rockies. Fall began with devastating hurricanes in the southeast and tragic wildfires in the west. AFI members finished the year with an earthquake near Anchorage Alaska. The catastrophic losses of members drove AFI's 2018 losses \$10.8 million higher than an average year and was the primary driver of AFI's net operating loss in 2018.

Catastrophe losses for 2018 were certainly much higher than a normal year, but fortunately the other types of "non-catastrophe" losses (theft, electrical fires, water losses, etc. . .) were average for the year. When all the member losses were combined with lower expenses and lower investment income, AFI sustained a \$5.5 million total net operating loss for the year. While the results

are disappointing, they are not unexpected. AFI plans for these types of years periodically and helping our members recover from unexpected losses is the reason for our existence.

Armed Forces Insurance was created over 130 years ago to protect its members and we exist specifically for years like 2018. Investments were utilized to pay claims and our Surplus (or built up reserves) that provide protection for our members in tough years was used to support our members in 2018. While the elevated level of catastrophic loss events produced an overall net loss for the year, Armed Forces Insurance provided the support our members need during tough times and is still strong and ready to protect our membership in the future.

Overall, 2018 was a year of helping many members through difficult times, the type of year when we hope our planning and dedication reflects positively on the service we strive to provide. Our President and CEO, Mr. Kurt Seelbach put it best when he commented to our employees that "...we should be proud that AFI helped a lot of our members this year". Because at Armed Forces Insurance, Our Mission is You®.



Armed Forces Insurance

OUR MISSION IS YOU.®

home | renter | auto | business

AFI.org