



Armed Forces Insurance

OUR MISSION IS YOU.®

**20
22**

**ANNUAL
REPORT**

Annual Report Contents

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A message from our president

“At Armed Forces Insurance, our goal is to provide the best long-term value in the insurance industry to our members.”

2022 has been a challenging year for many Americans and neither our members nor our company are immune to the issues that are continuing to impact all of us at this time. At Armed Forces Insurance we are not ones to dance around difficult topics, so my letter this year will focus on the primary drivers that are impacting our members, our company and the entire insurance industry - Inflation, Weather and the Economy.



Inflation has certainly dominated the news in 2022 and it has also significantly impacted Armed Forces Insurance. All Property & Casualty insurance companies are typically negatively impacted by inflation. Policies are priced to cover expected member losses based on historical costs to repair or replace damaged homes or goods. When rapid inflation occurs it leaves insurance companies in a bind as premiums were set with the expectation that repair costs to our members' damaged homes would be much less than the actual "inflation impacted" repair costs. As you can imagine, every insurance company, including Armed Forces Insurance, is dealing with this situation and is in the process of making sure that both the rebuild value of member's homes and the policy premiums are properly adjusted for the increased cost of goods, materials and labor to repair damaged property.

Catastrophic weather has not been kind to anyone in the United States in recent years. According to national insurance data, catastrophic property losses (Tornadoes, Hail, Wind, Hurricanes, Wildfires and Freeze events) have been running 2 – 3 times higher than the long-term historical average for the last 6 years in a row. This has been true for Armed Forces Insurance as well. Historically, it was not uncommon to see a year or two every decade run at these levels, but 6 years in a row has turned the industry on end with every company, including Armed Forces Insurance working to adjust premiums and coverages to adequately manage and price for the higher catastrophe losses being incurred in practically every area across the United States.

One of the ways Armed Forces Insurance works to keep premiums as low as possible is by using our investment income to help offset losses and expenses. As all of you know, 2022 was a brutal year for the economy and financial investments. One investment manager expressed his sentiments about 2022 as “There was just nowhere to get a positive return...” as both equities and bonds declined. It is a rare event for both equities and bonds to have negative returns for a calendar year, yet 2022 was one of those years. Fortunately, management was forecasting interest rate increases and re-positioned our investment portfolio in late 2021 and early 2022 to minimize risk and mitigate losses, so while our investment results were not stellar, they were certainly better than many of our peers.

With all that said, Armed Forces Insurance was able to claw out a small profit in 2022 for the first time in multiple years, however the unfavorable financial markets did drag our overall surplus (our savings account) down by about 9 ½ percent. We are still very sound and solid, however our management team’s biggest concern is that in this inflationary and weather heavy environment we cannot sustain acceptable results going forward without continuing to adjust prices to adequately cover member losses.

Our challenges are the insurance industry’s challenges. Our Agents are having numerous conversations with individuals who moved to an insurance company to get a slightly lower price, only to get a large rate increase at their renewal. In a volatile market like this, there will be temporary price fluctuations between different insurance carriers but know that at Armed Forces Insurance, our goal is to provide the best long-term value in the insurance industry to our members. When you are with Armed Forces Insurance, our experienced agents will give you insights and advice on how to best navigate this volatile insurance market.

No one likes to deliver difficult news but be assured that here at Armed Forces Insurance our focus is not to make stockholders or Wall Street analysts happy at our members’ expense. Our goal is to walk the fine line between doing what must be done and minimizing any negative impact as much as possible to our membership – you.

I want to thank you, our members, for continuing to put your trust in Armed Forces Insurance. You have many pressing concerns, so we thank you for continuing to let us help take care of your insurance needs.

Our Mission is You.®

A handwritten signature in black ink, appearing to read "Arlen L. Briggs", with a stylized, flowing script.

Arlen L. Briggs

President and
Chief Executive Officer

A message from our chairman

“When you have been around for 136 years, you learn a thing or two.”



A stylized, handwritten signature in black ink, consisting of several loops and a long, sweeping tail.

**Lieutenant General
Stanley E. Clarke III**

Chairman, Board of Directors

When you have been around for 136 years, you learn a thing or two. At Armed Forces Insurance, we started with a simple purpose that is still foundational to what we believe about ourselves as a company and what we believe about our membership. The statement that we protect those who serve has been with us a long time. Our employees and management use that as the starting point for any discussion about our operations and our values. It is woven through our strategy and our mission statement.

When you operate as a mutual insurance company you also stay as close to your membership as possible. We remain open to your feedback. Indeed, we solicit it. Combined with our insurance experts at the management level and our Board of Directors, your feedback shapes who we are and what we will be. For those of you who have been members of Armed Forces for a long time, we say thank you. For our newest members, we also want to thank you for placing your trust with us. Lets grow older together - we have just started our journey at 136 years old.

Armed Forces Insurance

Leadership

Board of Directors

Lt Gen Stanley E. Clarke III

Air Force, Retired
Chairman, Board of Directors

Lt Col Michael J. Yaguchi*

Air Force, Retired
SAC Chairman

CMSgt Danny R. Walker*

Air National Guard, Retired
SAC Vice-Chairman

Mr. Arlen L. Briggs*

President/CEO (ex officio)

Ms. Becky S. Blades

Mr. Thomas M. Fogt

Mr. Scott T. Forland

LTC Michelle M.E. Garcia*

Army, Retired

COL Norman D. Greczyn*

Army, Retired

Mr. Paul E. Heacock

LTC Randy T. Johnson*

Army, Retired

Ms. Lucille K. Pittard*

Mr. Kenneth A. Selzer

COL Kay K. Wakatake*

Army, Retired

Mr. George J. Zock

AFI Management Team

Arlen L. Briggs

President and Chief Executive Officer

James R. Bengston

VP, Actuarial & Chief Actuary

Lynn C. Crawford

VP, Chief Claims & Operations Officer

Kevin J. Lund

VP, IT Services & Facilities
Chief Information Officer
& Chief Innovation Officer

Deryck M. Malone

VP, Finance & Accounting
Chief Financial Officer

Lori L. Simmons

VP, Chief Growth & Marketing Officer

Tracey R. Sommerla

VP, Risk Management, Chief Risk Officer

*Subscribers Advisory Committee member

Armed Forces Insurance

Community involvement

United Way

Armed Forces Insurance is one of the United Way's strongest supporters and largest contributors in Leavenworth County and pledged \$18,670 in 2022.

As an incentive to contribute both financial resources and time to worthwhile charitable causes, AFI instituted a new community service policy a couple of years ago. Those contributing to the United Way campaign were granted an Administrative Day in 2022. This time was for volunteering with a charitable service organization of their choice. 100% of contributions stayed right here in Leavenworth County.

Armed Forces Insurance also supports its local area school districts, as well as several civic organizations that continue to support the community and are dedicated to improving the lives of others.



The Salvation Army

Armed Forces Insurance and its employees raised over \$2,921 for the Salvation Army Red Kettle during the 2022 holiday season. In addition to our employees raising money, they also manned over 20 hours of bell ringing at a local grocery store.

Membership eligibility

AFI's current eligibility categories include:

- Active duty, retired or those with general discharge under honorable conditions of all branches of the U.S. military, including the National Guard, Reserves and Coast Guard
- Active or retired U.S. Department of Defense and U.S. Department of Veterans Affairs civilian employees
- Service Academy including Merchant Marine or ROTC cadet
- Children and parents of a current or former AFIE or AFIA member
- Spouse or surviving spouse of an active duty, retired, or honorably discharged military, including National Guard, Reserves and Coast Guard
- Active, retired or former commissioned officer of the NOAA or PHS
- Members of the Civil Air Patrol, Coast Guard Auxiliary, Merchant Marine, Military Auxiliary Radio System and Marine Corps Auxiliary
- Former spouse of a current or former AFIE or AFIA member
- Former AFI member (once a member, always a member!)

Every Member, Refer a Member

For over 135 years, AFI's growth strategy has relied extensively on member referrals. We realize that each 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 your 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 caliber service AFI is known for.

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



Our insurance offerings

Home

Protect your largest investment against damage, destruction and loss. In addition to coverage for your home and contents, a homeowner policy safeguards your assets if you are found liable for someone else's injuries or property damage.

Auto

Auto insurance is required in most states, and we aim to provide the highest level of service and quality for our members.

Renter

Protect your belongings from unexpected damage or loss such as fire, theft, water damage and other circumstances. We also offer personal liability coverage for added protection. Renter insurance from AFI will cover your household goods anywhere in the world.

Umbrella

Umbrella coverage helps protect you if a lawsuit against you results in a judgment that exceeds your basic liability coverage from your homeowner insurance or auto insurance.

Business

Find the right solution for medical, dental, or legal practices, contractors, ranch or farm operations and veteran organization facilities, such as American Legion and VFW halls.

Condo

Protect your personal property inside your condo and safeguard your assets if you are found liable for someone else's injuries or property damage.

Dwelling Fire (Landlord)

A dwelling fire policy, sometimes called landlord insurance, insures the dwelling from fire, wind and hail damage and vandalism.

Flood

Flood coverage is available in all states for communities that participate in the National Flood Insurance Program (NFIP). Private flood insurance options are available in select areas.

Our insurance offerings

Boat/Personal Watercraft

Whether your boat or personal watercraft is tied up or you're out on the water, make sure you and your watercraft are protected against damages and liability.

Collector Vehicle

Policy options are also available for antiques, muscle cars, street rods, modern classics or trucks, and include vehicles under active restoration.

Motorcycle & Off-Road Vehicle

Motorcycle and off-road vehicle insurance will cover a variety of bikes as well as ATVs, UTVs and golf carts.

Motorhome/Travel Trailer

Recreational vehicles may require specialized coverage for your Class A, B and C motorhomes as well as travel trailers, pop-ups and fifth-wheels.

Mobile Home

Mobile and manufactured homes require a policy that addresses the special exposures that are typically associated with them.

Valuable Item

Expand your standard policy limits for theft of certain types of items such as jewelry, watches and firearms with a policy that provides additional coverage with no out-of-pocket deductible.

Pet Health

Caring for your pet goes beyond routine vet visits. One in three pets require unexpected medical care each year. We offer plans to cover your cat or dog against accidents and illnesses.

Life

Because life insurance protection is so important, we offer life insurance options that have both competitive prices and features.

Supporting our military community

At Armed Forces Insurance, we are passionate about supporting the military community and we take pride in providing personal service to those who serve. We're honored to partner with other organizations that share the same commitment.



AFI Foundation

The Armed Forces Insurance Foundation — founded in 2014 — has partnered with several additional organizations to provide education and resources to military service men and women. These include: the National Military Spouse Network (NMSN), the pre-eminent networking, mentoring, and professional development organization committed to the education, empowerment, and advancement of military spouses; the National Veteran-Owned Business Association (NaVOBA), an organization dedicated to contracting opportunities for America's Veterans and Service-Disabled Veteran's Business Enterprises (VBEs/SDVBEs) through certification, advocacy, outreach, recognition, and education; and the National Veteran Small Business Experience (NVSBE) by the Veterans Affairs.



Armed Forces Benefits Association

Armed Forces Insurance has partnered with Armed Forces Benefits Association (AFBA) for all of our member's life insurance needs. AFBA was founded in 1947, in the basement of the Pentagon, with the support of the General of the Army, Dwight D Eisenhower. AFBA's original mission was to ease the strain on military members and their families by providing supplementary life insurance benefits that were not available to service members at that time. Today, AFBA continues to honor its mission for those who serve this great nation, including our military, emergency first responders, government employees, contractors, and their families. AFBA products include life insurance, health plans, and life plans for their 650,000 members and has paid nearly \$2 billion in death benefits to military families since their inception.

Supporting our military community

Association of the United States Army



AUSA supports soldiers, their families and Army civilians, provides a voice for the Army, and honors those who have served. As the Army's premier, nonprofit, educational and professional association, we:

- **Educate** those we serve (soldiers and their families, Army civilians, retired soldiers and veterans, and the businesses and industries that support the Army) with programs, products, resources and events...
- **Inform** our members, Congress and the American public about issues affecting America's Army – Regular Army, Army National Guard and Army Reserve, and...
- **Connect** America's Total Army, its industry partners, like-minded associations and other supporters at the national, regional and chapter levels.

Armed Forces Insurance is proud to be a corporate member of AUSA and participate in our local Henry Leavenworth AUSA Chapter activities and events.

Berkshire Hathaway Home Services



**BERKSHIRE
HATHAWAY**
HomeServices

Armed Forces Insurance is a preferred vendor for the real estate professionals at Berkshire Hathaway HomeServices and Real Living Real Estate.

Berkshire Hathaway HomeServices is one of the world's fastest-growing residential real estate brokerage franchise networks, with more than 50,000 real estate professionals, nearly 1,500 offices throughout the U.S., Canada, Mexico, Europe and the Middle East, and more than \$138 billion in real estate sales volume.

Real Living Real Estate is a full-service real estate brokerage franchise with a comprehensive and integrated suite of resources for franchisees and their sales professionals, as well as for consumers who work with them. Based in Minneapolis, Minn., HomeServices of America, Inc. is the second-largest, full-service residential real estate brokerage firm and the largest brokerage-owned settlement services.

Supporting our military community



Boyer Hill Military Housing – Hill Air Force Base

Boyer Hill Military Housing is the on base provider of housing for military families who are stationed at Hill AFB. For nearly 1,100 military families, Boyer Hill Military Housing has created an award-winning Privatized Military Housing Community with all the amenities of outside residential communities.

Hill AFB is an Air Force Materiel Command base located in northern Utah. It is the Air Force's second largest base by population and geographical size, and is home to many operational and support missions.



Discovering Your Spark

Armed Forces Insurance 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.” Boccher also helps them work through life’s moments and fears to determine what is stopping them from living their lives with passion and purpose.

Supporting our military community

Frontier Community Credit Union



Armed Forces Insurance has an Affinity Partnership with Frontier Community Credit Union located in Leavenworth KS. AFI provides personal insurance options for all members of Frontier Community Credit Union.

Founded in 1954, FCCU serves all military personnel, Federal Civil Service personnel employed, retired military personnel of the US Government, retired Federal Civil Service personnel residing within a 100-mile radius of Ft. Leavenworth along with other residents who work, worship, or belong to organizations in the following Kansas Counties: Atchison, Brown, Doniphan, Douglas, Franklin, Jackson, Jefferson, Johnson, Leavenworth, Miami, Osage, Shawnee, and Wyandotte.

MilHousing Network



MilHousing Network connects military families with pre-screened military real estate experts all over the country. The company was built by military spouses to help military spouses and military families PCS better. Every home sold within their network directly supports the military spouse community by creating employment opportunities for spouses.

Armed Forces Insurance provides insurance education opportunities by writing an educational blog every month highlighting AFI's insurance products, facilitating home buying webinars, VA Loan Classes, and contributing to Facebook Live events that support MilHousing Network's Movie Night. All of these activities help to support MilHousing Network of military clients and families.

Supporting our military community



Military Warriors Support Foundation

Armed Forces Insurance has had a long-standing relationship 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.



Stronghold Community Food Pantry

The 2022 Armed Forces Insurance Army Spouse of the Year, Monica Bassett saw a need for a food pantry with 1 in 4 military families struggling with food insecurity. Stronghold Community Food Pantry is a not-for-profit, 100% volunteer operated organization on Ft Leavenworth, Kansas. Due to a generous donation of space by Armed Forces Insurance, Stronghold Food Pantry operates out of the old AFIE headquarters at 655 Biddle Blvd on Fort Leavenworth. This has allowed Stronghold Food Pantry to directly reach the soldiers and their families at Ft. Leavenworth through weekly food pickups and special drive through events such as: Spring Cleaning with Stronghold, Easter Holiday with Stronghold, Family Valentine's Day event, Cookies With Santa, and Stretch Your Thanksgiving Meal event.



United Communities: Joint Base MDL

Armed Forces Insurance signed an Affinity Partnership with United Communities LLC at Joint Base MDL which is located just outside of Trenton, New Jersey. With over 2,200 housing units under their control, United Communities LLC has partnered with AFI to offer our industry leading military renter insurance program to United Communities' current and future residents.

Joint Base MDL, N.J., is home to five wings. The 87th Air Base Wing is the host wing. The wing's mission is to provide unrivaled installation support to all mission commanders and to provide mission-ready, motivated, expeditionary Airmen to our combatant commanders.

The 87th ABW provides installation support to more than 88 mission partners spread across 42,000 acres at McGuire, Dix, and Lakehurst — the Department of Defense's first joint base and only joint base that consolidated Air Force, Army, and Navy installations.

Great American Patriot Award



L to R- Lori Simmons,
Chris Cassidy

Chris Cassidy, the current President and CEO of the National Medal of Honor Museum Foundation, retired U.S. Navy SEAL captain and former Chief Astronaut at NASA, was the recipient of the 2022 Great American Patriot Award. Presented annually by Armed Forces Insurance at the Lockheed Martin Armed Forces Bowl, the Great American Patriot Award honors a candidate in recognition of their exemplary service to the United States.

Cassidy, who was named President and CEO of the National Medal of Honor Museum Foundation in August of 2021, leads the project of building the National Medal of Honor Museum in Arlington, Texas, the National Medal of Honor Monument in Washington, D.C., and the National Medal of Honor Institute. Through education, leadership and inspiring spaces for learning and reflection, the National Medal of Honor Museum Foundation preserves and expands the impact of the 3,511 award recipients and the more than 40 million Americans who have served in the U.S. Armed Forces since the Civil War.

During his service as a Navy SEAL, Cassidy was awarded the Bronze Star with combat 'V' and received a second Bronze Star for combat leadership service in Afghanistan. In 2004, the platoon he commanded was awarded the Presidential Unit Citation for a nine-day operation at the Zharwar Kili Cave on the Afghanistan/Pakistan border.

Cassidy was selected as an astronaut in 2004 and is a veteran of three space flights and 10 space walks. Cassidy has flown to the International Space Station (ISS) aboard the Space Shuttle Endeavor and the Russian Soyuz spacecraft. In 2015, he became NASA's 14th Chief Astronaut and served in that capacity for two years. In all, he has accumulated 377 days in space, including his most recent six-month spaceflight in 2020.

Cassidy completed Naval Academy Prep School in Newport, R.I., in 1989 and received a Bachelor of Science in Mathematics from the U.S. Naval Academy in 1993. He later received a Master of Science in Ocean Engineering from the Massachusetts Institute of Technology and has Honorary PhD's from Husson University and the University of Maine at Augusta.

Candidates for the Great American Patriot Award must be of high moral fiber and good character, having spent their lives and/or careers serving the common good of the United States. They must have gone beyond the call of duty to serve and protect this country, with proven dedication and loyalty in upholding the Constitution and the laws of the nation. Finally, the award winner must have worked tirelessly to make the U.S. a better and safer place for all its citizens.

Cassidy joins a prestigious group of previous Great American Patriot Award recipients that includes General Mark Welsh, Admiral William McRaven, General Peter Pace, Navy SEAL Chris Kyle, Medal of Honor Recipient Salvatore Giunta, General Norton A. Schwartz, Congresswoman Kay Granger, Team Rubicon, Staff Sergeant David Bellavia, General Charles Q. Brown Jr. and Gary Sinise among others.

Ranger Competition



Dedication, fitness and professionalism: all are hallmarks of American Rangers, and all were exhibited by Captain Russell B. Rippetoe, a Ranger who lost his life while fighting in Iraq in April, 2003.

Captain Russell B. Rippetoe was a field artillery officer assigned to A Company, 3rd Ranger Battalion, 75th Ranger Regiment. He grew up in a military family, as his father, Col. Joe F. Rippetoe, served as a career officer. An athlete, high school homecoming king and Eagle Scout, Capt. Rippetoe worked his way through the University of Colorado, where he obtained his commission through the ROTC program in 1999. Prior to becoming a Ranger, he served with the 82nd Airborne at Ft. Bragg, N.C. He also served in Afghanistan in 2002 in support of Operation Enduring Freedom prior to being deployed to Iraq

Each year, Armed Forces Insurance honors his memory and sacrifice with the Captain Russell B. Rippetoe Trophy to the winners of the road march competition at the annual Best Ranger Competition at Fort Benning, GA.

The Best Ranger Competition is one of the most difficult competitive events in existence today, comprised of 60 straight hours of grueling physical tests, skill evaluations and mental challenges. Less than 30 percent of the Rangers who begin the competition remain to the finish. The road march events are performed over an unknown distance (between 18-25 miles) by warriors carrying a 65-pound pack with all equipment. It routinely culls the field by 50 percent. The team or teams that win the road marches usually are a contender for the overall championship.

A Message from the 2022 Armed Forces Insurance Military Spouse of the Year®



When my spouse left for bootcamp, I answered his goodbye call from a White House hallway, en route to shake hands with the President I had worked for all semester. My spouse and I went on to “geo-back” for 1.5 of our first 2 years married in order for me to progress in my government career. That’s how far I kept the military world away from my personal world.

That slowly changed in 2018. Through my work in state politics, I started to see the value of sharing my and others’ military spouse stories with our civilian neighbors. Turns out they cared about voting for policies that would support my community – if only someone would tell what those were!

In 2020, I turned that realization into my full-time passion when I launched Secure Families Initiative. We’re a nonpartisan nonprofit that mobilizes military voters to register and cast their ballots on time. We also coach military partners, parents, and kids on how to be effective advocates for themselves and their families – whether to local school boards or all the way up to the White House.

Receiving the 2022 AFI MSOY title has amplified tenfold my ability to have a positive impact on the world. I have met the most incredible professionals through this network – one of whom I hired, two of whom serve on my Board of Directors, and dozens more who have volunteered on my organization’s projects. I have leveraged my title when speaking to lawmakers and the media, both to popularize the program’s brand in the halls of power, as well as to demonstrate credibility in my work.

But perhaps most importantly, AFI MSOY introduced me to lifelong friends among my fellow 2022 Branch Winners, who are already making “good trouble” together. Due to the dedication of these incredible individuals, our group is in the process of: 1) Launching a brand-new food pantry and raising funds for it, 2) Obtaining official recognition for the hundreds of military spouse volunteers who supported Afghan refugees evacuating, and 3) Expanding electronic ballot return options for military voters in New York State. I can’t wait to see what we do next! Thank you, AFI, for supporting our dreams.

Military Friendly Employer



In 2022, Armed Forces Insurance earned the 2022 Military Friendly® Employer designation.

Institutions earning the Military Friendly® Employer designation were evaluated using both public data sources and responses from a proprietary survey. Over a thousand companies participated in the 2022 Military Friendly® survey.

Methodology, criteria, and weightings were determined by VIQTORY with input from the Military Friendly® Advisory Council of independent leaders in the higher education and military recruitment community. Final ratings were determined by combining an organization's survey score with an assessment of the organization's ability to meet thresholds for Applicant, New Hire Retention, Employee Turnover, and Promotion & Advancement of veterans and military employees.

"As an insurance company that benefits active military, veterans, and their families, Armed Forces Insurance is proud to be designated as a Military Friendly employer. Hiring military veterans, National Guard and Reserve members to work for our company is a trifecta approach to customer satisfaction. At AFI, we value the contributions of our military who understand the importance of excellence in all that we do. Hiring military personnel is not only the right thing to do, it's the smart thing as well. Our non-military employees gain a lot from the experience of our prior or current military employees." Said Lt Gen Sid Clarke US Air Force, Retired, Chairman, Armed Forces Insurance.

"Companies earning the Military Friendly Employers® designation create and elevate the standard for military programs across the globe, they have invested in substantive programs to recruit, retain and advance the veterans and service members within their organizations," said Kayla Lopez, Director of Military Partnerships, Military Friendly®. "To them, hiring veterans and servicemembers is more than just the right thing to do, it makes good business sense."

Armed Forces Insurance

Financial highlights

Consolidated gross written premiums for the Armed Forces Insurance group – representing premiums written internally on the Exchange and premiums placed via the Agency with external carriers - increased by 2.7% to \$99.9 million reversing several years of declines. As a member organization, we strive to ensure that we provide a fair and accurately priced product to our members while maintaining underwriting discipline to ensure that we remain viable for the next century. As discussed below, loss experience over the last several years has remained elevated. This coupled with inflationary pressures, including rising costs in building materials, has necessitated rate increases on select lines and states which contributed to the growth. Additionally, we have actively worked to stabilize the membership base by attracting new members and ensuring our existing members' insurance needs are met. We made progress on that front in 2022 by executing on our affinity strategy with the addition of several new military focused affinity partners. We also enhanced our online quoting system, Quote Hub, adding two new products to the online quote application during 2022. Additionally, we have increased our online presence including optimizing our web search capabilities, introducing new Product videos on platforms like YouTube and Facebook, and providing Knowledge on Demand content to both prospective and current members.

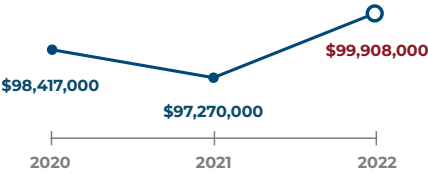
On the loss side, non-CAT weather-related losses for 2022 were in line with our forecasts for the year. Unfortunately, however, weather related losses continued to plague the property insurance market, highlighted by Hurricane Ian, the third costliest disaster on record which caused widespread damage in Florida and surrounding states. While our hurricane related losses, including Ian, remained in line with modeled forecasts, convective storm activity (wind, hail, tornado) continued to remain elevated relative to historical norms, and weather-related losses from these convective storms events for 2022 were nearly double expectations. Partially, mitigating these losses, we were able to realize additional reinsurance recoveries from our reinsurers. These recoveries included recoveries on weather related losses in prior years as a result of a review by our claims teams utilizing new meteorological tools which more accurately confirms the date of loss of those weather-related claims.

Managing underwriting expenses continues to be a key focus area as it, in turn, is a key element to ensuring our premium pricing remains competitive for our members. 2022 underwriting expenses were largely unchanged compared to 2021, but it is worth noting that underwriting expenses have declined significantly since 2019 due to a variety of initiatives introduced by management resulting in a reduction in spend coupled with improved efficiency and productivity. Overall, underwriting expenses have been reduced by \$6.9 million relative to 2019 and the expense ratio of 35.9% for 2022 is 5.5 points lower than 2019.

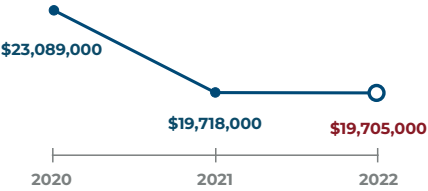
Armed Forces Insurance

Financial highlights

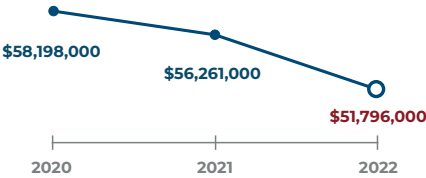
Premium



Expenses



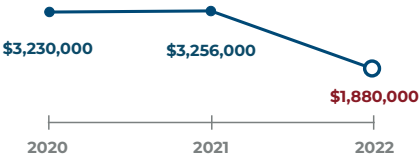
Losses



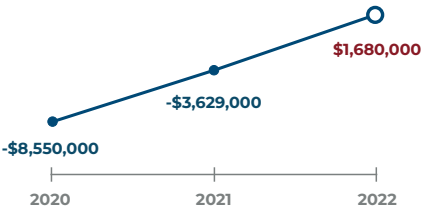
The investment markets in 2022 proved to be extremely problematic with inflation hitting a 40-year high, prompting the Federal Reserve to aggressively implement a series of interest rate increases. The effect of those sharp rate increases, coupled with unsettled global events, lead major benchmarks for both stocks and bonds to post declines for the year. We addressed the market volatility by taking defensive action, including shortening the duration of our bond portfolio and moving into large cap, dividend paying value stocks. Unfortunately, even with these actions, we were not immune to the overall market with investment income declining 42% in 2022 compared to the prior year. Nonetheless, our investment portfolio remains conservative with high quality securities and will continue to be managed in a prudent manner to support our insurance operations.

While the investment market volatility and storm related losses were disappointing, the ability to realize additional reinsurance recoveries on prior accident years, coupled with some one-time, non-recurring benefits from strategic initiatives, enabled us to return to profitability in 2022, recording net income of \$1.7 million compared to a loss of \$3.6 million in 2021.

Investment Income



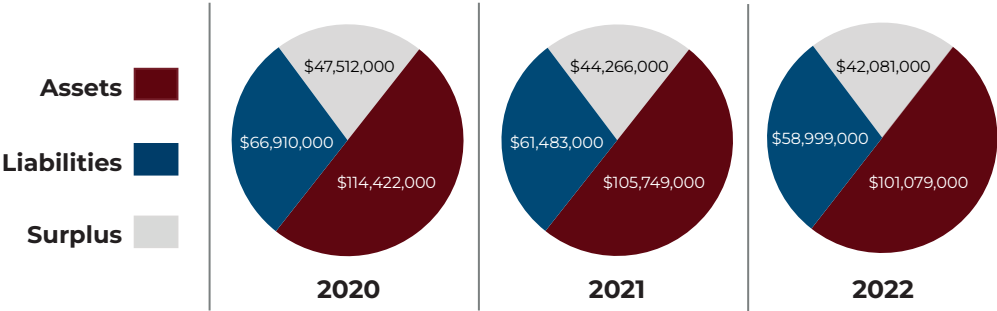
Net Income



Armed Forces Insurance

Financial highlights

Despite the challenges in 2022, our balance sheet remains strong. Surplus – the money set aside to meet claim obligations - declined slightly to \$42.0m, largely driven by changes in unrealized gains/losses within the investment portfolio, but our Risk Based Capital ratio, a key measure of financial strength used by insurance regulators, remained largely unchanged at 459%. We, at Armed Forces Insurance, remain committed to our motto of 'Our Mission is You' in helping members with their insurance needs and we look forward to building on our success in the years ahead.





Armed Forces Insurance

OUR MISSION IS YOU.®

2022