



# FFVA MUTUAL

THE CHOICE FOR WORKERS' COMPENSATION



2009 ANNUAL REPORT

## **BOARD OF DIRECTORS**

Frank C. Johns, Chairman

Robert C. Barrett

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Charles T. Ranson

Morgan H. Roe

Glenn R. Rogers

Craig Menzl, President & CEO

Michael Stuart



## **FFVA MUTUAL EXECUTIVE STAFF**

Craig Menzl, *President & CEO*

Alan Hair, *Chief Financial Officer*

Buck Merritt, *Vice President, Marketing/Agency Relations*

Sandra Riding, *Vice President, Claim Services*

Jack Jeffares, *Vice President, Underwriting Operations*

Jose Ramos, *Vice President, Loss Control Services*



## PRESIDENT'S MESSAGE

*This past year has been an extraordinary time that has tested the fundamentals of business models and regulatory regimes. Amidst these challenges, FFVA Mutual continued to generate excellent results, illustrating that the priorities and strategies we have pursued over the past several years were designed to build resilience in difficult times and capture opportunities in better times.*

Despite unprecedented volatility in the securities market, FFVA Mutual's investment portfolio maintained a conservative approach, while taking advantage of many unique opportunities. We continue to invest in high-quality assets, such as agency mortgage-backed securities, municipal bonds, and corporate bonds. Though the portfolio was not immune to the irrational market action, the prudent philosophy and conservative nature of our portfolio helped to avoid losses that many institutional investors experienced. In the future, we will continue to seek opportunities across various asset classes and extend our strategy of conservative growth and income for the portfolio.

In 2008, we achieved an underwriting profit for the ninth consecutive year with a net underwriting income gain of \$16.9 million. Based on our continued performance, A.M. Best reaffirmed our "A" (Excellent) rating citing the company's excellent capitalization, sustained level of operating profitability and experienced management team.

Recent market expansion in Mississippi, Tennessee, and Kentucky produced strong operating results. We expect similar results for our expansion into North Carolina in 2009.

In the coming year, we expect a continued softening in workers' compensation pricing and payroll decreases requiring a greater effort by companies to achieve premium growth and operating profit margins. We will stay calm and deepen our commitment to outperform on service to our agents and their clients. FFVA Mutual will maintain an unrelenting focus on what we can control—disciplined underwriting and investing, as well as excellent service to our customers to move steadily toward profitable growth and prosperity in the future.

Sincerely,

Craig Menzl, *President/CEO*



# 2008 HIGHLIGHTS

## *Record policyholder dividends.*

- Admitted assets increased 2.4% in a very challenging financial market.

## *New Industrial Hygiene Program.*

- Record policyholder dividends totaled \$8.5 million. FFVA Mutual Board of Directors has approved 100% of the dividends since the inception of the Company.
- New online quoting system accounted for 61% of all written business.
- Initiated plans to expand operations into North Carolina—target May 2009.
- Implemented Industrial Hygiene Program including Ergonomic Assessments, Air Sample Testing and Noise/Sound Testing.
- Offered OSHA 30-hour General Industry classes to insureds.
- Implemented specialized training classes for insureds for Forklift Operation, First Aid/CPR, Defensive Driving, Hazardous Commodities and Respiratory Protection.
- Implemented the Medicare, Medicaid and SCHIP Extension Act.
- Vendor medical claim costs reduced by 10.2%.
- Achieved 23% additional savings off medical claims fee schedule.

## *Reduced medical costs.*



## MISSION & VISION

*FFVA Mutual's mission is to be the agent's market of choice for their clients by continuing the tradition of proper risk selection and responsive service.*

This will be accomplished by:

- Focusing on markets that offer a leadership opportunity to produce long-term profit.
- Pursuing long-term controlled growth by exercising underwriting discipline.
- Setting superior efficiency standards for every facet of the Company; the results are reflected in our operating margins.
- Promoting corporate and individual accountability and profitability by creating an environment for employee communication and cooperation.
- Continuing to embrace our business model which has been tested in hard and soft markets and continues to exceed the industry standards.
- Continuing to focus on investment strategies that produce long-term growth.
- Continually upgrading system software to maintain technological superiority.



# 2008 FINANCIAL RESULTS

## REINSURANCE PARTNERS

*Swiss Re*

*Renaissance Re*

*Midwest Employers Casualty Co.*

*ACE Tempest Re (2008)*

*Tokio Millennium (2009)*

*AXIS Re Bermuda*

## ASSETS

**\$260,903,019**

Assets increased \$6.3 million in a very challenging financial market.

## SURPLUS

**\$106,290,535**

Ratio of net written premium to policyholder surplus is 1.05. For every dollar of written premium there is \$.95 in surplus. This reflects the financial stability of the Company.

## NET INCOME

**\$4,036,789**

While net income was lower for 2008, it was not unexpected. Contributing factors include record policyholder dividends, declining rates, declining payrolls, and turbulent financial markets.



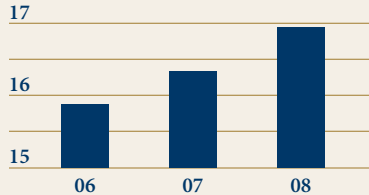
# 2008 FINANCIAL RESULTS

*A.M. Best reaffirms "A" (Excellent) rating.*

*Record underwriting profit.*

## NET UNDERWRITING GAIN

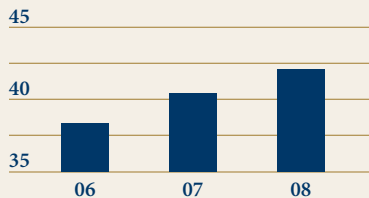
2008 \$16,953,773  
2007 \$16,353,233  
2006 \$15,899,007



Largest underwriting profit in the history of the Company reflects the quality of business written through our Agency Partners.

## INCURRED LOSS RATIO

2008 42.7%  
2007 40.3%  
2006 38.4%



Reflects a focus on proper risk selection and proactive loss control and claims management services.



# 2008 FINANCIAL RESULTS

*Premium growth through geographic expansion.*

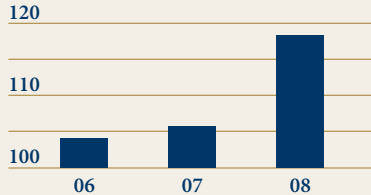
*Profit exceeds industry standards.*

## GROSS WRITTEN PREMIUM

2008 \$118,051,002

2007 \$105,444,818

2006 \$104,727,128



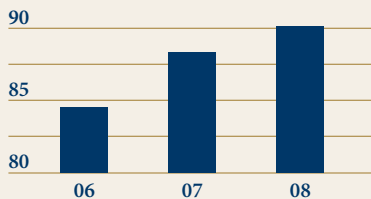
Premium continues to grow in spite of reduced rates in Florida and declining payrolls. Growth in other states has attributed to this growth.

## COMBINED RATIO

2008 90.4%

2007 88.4%

2006 84.1%



Disciplined risk selection and operating expense control continues to produce exemplary operating results.



# WHAT PEOPLE SAY ABOUT US

## CLAIMS MANAGEMENT SERVICES

*“FFVA Mutual’s service and support is exceptional... unmatched by any prior company’s claim service. The benefit of being assigned one adjuster who knows our business only enhances the quality and quick turnaround experienced with every claim. For the first time in my career, I know each claim is processed responsibly and I now have a person I can call when a question or unique situation arises.”*

*Manager, Human Resources,  
Machinery Dealer, Central Florida*

*“My experience with FFVA Mutual’s claim service is that they are **responsive, professional,** and probably most importantly, willing to be **proactive** in working with clients so that when a claim does happen, the process works as it should to help the injured person get well and to minimize the impact to our clients. The claim service at FFVA Mutual is outstanding.”*

*Insurance Agent, Florida*

*“The employees at FFVA Mutual have been so very helpful in the claims process and as how the claims are handled. I have been very fortunate to work with a couple of the claim adjusters and can honestly say that the adjusters are very friendly and professional and go out of their way to make sure that customer service is a top priority to them. One of my claims was very sensitive this past year and the adjuster handling this claim made sure that my needs were met and any questions or concerns I had were taken care of in a very timely manner. I am **very satisfied with the service** that I have received with FFVA Mutual. Keep up the wonderful work.”*

*Human Resource Manager, Food Service, Kentucky*

*“I have been practicing workers’ compensation law since 1985 and have represented hundreds of Employer/Carriers over the years and can say without hesitation that FFVA Mutual is **second to none in claims handling skills and employer-client service.**”*

*Attorney, Florida*



# WHAT PEOPLE SAY ABOUT US

## LOSS CONTROL SERVICES

*“FFVA Mutual Loss Control has been a blessing to our company. They have assisted us a great deal with establishing a top-notch safety program. They have used all their knowledge and resources to help us create a better work environment. Always eager to help, FFVA Mutual Loss Control has benefited our company more than any other company in the past.”*

*General Manager, Plumbing Company, Mississippi*

*“FFVA Mutual has inspired and in turn **lowered our company’s workers’ comp loss ratio**, which of course is what we need during these tough economic times. On job site visits, suggestions were made by their representatives, which were tailored to suit our needs. This advice then led to solutions, which paved the way to accident reduction for which we are grateful to FFVA Mutual.”*

*Director of Safety, Electrical Contracting Company, Florida*

*“FFVA Mutual excels in every area of service to their clients. Quick response to claims, excellent care to our employees, vast knowledge concerning safety training AND they stay in touch with you by phone calls and quarterly visits. **Never has our company been so satisfied with a workers’ compensation insurance company and their premiums are the lowest we have found in 10 years.**”*

*Manager, Plumbing Services, Georgia*

*“Our recent ergonomic review with FFVA Mutual immediately brought benefits to the employees of our company. The FFVA Mutual team quickly assessed areas of concern with each unique workstation and provided real time “fixes” to the problems at no additional costs. Many of us were hurting ourselves and didn’t know it. There were many smiles and **ah-hah moments** when we followed the team’s suggestions. Every company should undergo an ergonomic review. Thank you, FFVA Mutual!”*

*Financial Officer, Board of Education, Kentucky*

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SERVING THE SOUTHEAST SINCE 1956



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