



2017 Annual Report

Workers' comp solutionists



PRESIDENT'S MESSAGE

Positive Momentum

Over the past few years, FFVA Mutual has experienced positive momentum reflected in our consistently strong financial and operational results. I am pleased to report that, in 2016, the Company reported \$114.6 million in direct written premium, a combined ratio of 88% (excluding dividends) and a \$156.1 million policyholder surplus.

We are encouraged by these positive results, and our board of directors and management team have led a strategic reinvestment in essential technology platform upgrades ranging from a new, robust policy and claims administration system and predictive analytic tools to an engaging webcast platform. These enhancements will streamline our internal operations, improve customer experiences and advance our safety training events.

As Workers' Comp Solutionists, our employees remain focused on bringing a personalized account service team approach to our agency partners and policyholders that is unique to our industry. Together, we are all proud to be part of the ongoing strategic initiatives and future growth ahead of us.

Because of our outstanding reputation, financial strength, consistent underwriting and dedicated team, I am confident FFVA Mutual will continue to improve its operating profitability and customer experiences that define *Relationships at Work*.

Sincerely,

Craig Menzl
President & CEO

2016 BY THE NUMBERS

132

FFVA MUTUAL
EMPLOYEES



SINCE 1956

A-

EXCELLENT
FCS VIII RATING

By A.M. Best

137,040

EMPLOYEES COVERED



COMPETITIVE
PRODUCTS

\$1K TO \$700K

POLICY PREMIUM RANGE

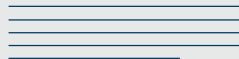
A+ REINSURANCE
PROTECTION

5,072

ACTIVE POLICIES

303

DIFFERENT CLASS
CODES WRITTEN



10

LICENSED
STATES



“The ‘A-’ ratings reflect [FFVA Mutual’s] excellent risk-adjusted capitalization, improved underwriting and overall operating performance over the past several years. These positive rating factors are largely derived from the company’s adherence to sound underwriting principles, prudent investment strategies and experienced management team.”

- A.M. Best

RESULTS OF OPERATIONS

FFVA Mutual's reported **net income** of \$11.6 million for 2016 was a result of continued solid underwriting and investments. The **net underwriting gain** for 2016 of \$14.5 million increased 13% from \$12.8 million in 2015. The **net investment gain** increased \$413k to \$8.8 million for 2016 compared to \$8.4 million in 2015. This was a result of increases in net investment income earned, combined with increased pre-tax capital gains.

The Company's **combined ratio**, excluding dividends, decreased from 89.8% in 2015 to 88% for 2016. The loss ratio, loss adjustment expense (LAE) ratio and underwriting expense ratio all decreased compared to prior years. Our management team projects the loss and LAE ratios will continue to compare favorably with peers as a result of underwriting initiatives implemented in recent years, combined with the use of predictive analytics to assist underwriters in effectively assessing prospective risks in an improving economic environment.

Premiums earned of \$116 million for 2016 are down \$571k from 2015. This decrease of .5% is due to increased competition which was off-set by new premium writings and additional earned premium as a result of payroll audits. The Company has posted a net underwriting profit for four consecutive years (after recording net underwriting losses in 2011 and 2012) and has achieved net underwriting profits for fifteen of the previous seventeen years.

Net investment income earned increased 13% to \$6.4 million in 2016 as a result of portfolio rebalancing, rising interest rates and an overall increase in the investment portfolio. Net realized capital gains decreased from \$2.7 million in 2015 to \$2.4 million in 2016 as a result of all prior net operating loss carryforwards being exhausted in 2015. Pre-tax capital gains increased by \$438k in 2016 compared to 2015. The net result was an overall increase in net investment gain from \$8.4 million in 2015 to \$8.8 million in 2016. In 2017, FFVA Mutual will continue to focus on maintaining a diversified asset allocation, while searching for new opportunities, asset classes and managers that will improve risk-adjusted performance and the income producing qualities that a conservative portfolio should exhibit over time.

FINANCIAL HIGHLIGHTS

ADMITTED ASSETS



POLICYHOLDER SURPLUS



DIRECT WRITTEN PREMIUM



COMBINED RATIO (EXCLUDING DIVIDENDS)



NET UNDERWRITING GAIN



NET INVESTMENT GAIN



\$8.2 million 2016 Dividend Payout*

*FFVA Mutual's Board of Directors has a 100% record of awarding dividends to policyholders based on terms of various plans since the Company's inception.



“ These positive trends are expected to continue for 2017 as we continue conservative underwriting practices, proactive loss control programs and aggressive claims handling in an economic environment that is showing consistent signs of improvement. ”

- Alan Hair
FFVA Mutual Secretary/Treasurer & CFO





MISSION

At FFVA Mutual, our mission is to be respected, reliable and responsive.

VISION

To be an influential industry leader recognized for unparalleled service, strategic growth and financial strength.

OUR COMMITMENT, OUR PROMISE

Our employees are committed to creating personal, professional experiences for our customers every day by providing workers' compensation solutions with a passion and dedication unmatched in our industry.

FUTURE PLANS

FFVA Mutual's operating results and ratios continued profitable trends during 2016 while the balance sheet and capitalization also strengthened. Our 2016 net written premium to policyholder surplus ratio was 73% compared to 79% in 2015. The 202% ratio of liquid assets to adjusted liabilities demonstrates that liquidity is substantially more than adequate to meet all financial obligations. The Company's incurred but not reported (IBNR) to total reserves ratio of 49% indicates that management is committed to making sure the Company's carried reserves are adequate. The ratio of policyholder surplus to loss and LAE reserves was 126% showing that for every dollar recorded in loss reserves, there is another \$1.26 available in surplus. Key indicators and trends regularly monitored by the executive team indicate that the Company is working steadily to improve already favorable profitable operating results that compare favorably with peers and the overall insurance industry.

We are optimistic about the future and the Company is well positioned to take advantage of opportunities that arise. We continue to strengthen the fundamentals of our business by improving underwriting talent, investing in new technologies and focusing efforts on areas that align with the Company's strategic objectives.

FFVA Mutual will continue to:

- Focus on markets that will strengthen underwriting profitably
- Deliver quality services and competitive pricing at levels that support its underwriting strategy and support the needs of its agency partners and policyholders
- Maintain controlled profitable growth, strive for internal efficiency and enhance internal and external communications



BOARD AND EXECUTIVE STAFF

Board of Directors

Les W. Dunson, III, Chairman

Glenn R. Rogers, Vice Chairman

Charles T. Ranson

Craig Menzl, President & CEO,
FFVA Mutual

Kerry R. Gubics

Michael Stuart, President,
Florida Fruit & Vegetable Association

Morgan H. Roe (not pictured)

Peter S. Harllee, Jr.

Robert C. Barrett

FFVA Mutual Executive Staff

Craig Menzl, President & CEO

Alan Hair, Secretary/Treasurer & CFO

Bruce Clement, Vice President, Investments

Donna Grier, Vice President, Underwriting

Fred Allen, Vice President, IT

Jose Ramos, Vice President,
Safety & Loss Control

Melissa Hide, Vice President,
Marketing & Brand Development

Sandra Riding, Vice President, Claims

“ Since joining its board of directors in 1999, I have watched FFVA Mutual evolve from insuring a single industry in Florida to writing hundreds of industry types across 10 states. The continued strength of its financial results, future-focused strategic objectives, and hands-on culture throughout the company are direct results of the executive team’s leadership. ”

- Les W. Dunson, III
Chairman





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Customer Service
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Claims Support
800-226-0666

Thank you to the FFVA Mutual employees, agents and policyholders featured in this Annual Report.