

Workers' comp solutionists



2018 Annual Report



President's Message

Respected. Reliable. Responsive.

For more than 60 years, FFVA Mutual has held firm to the core mission that has nurtured our continued success - to be respected, reliable, and responsive. These values inspire our efforts to innovate, forge lasting relationships with our agency partners and policyholders, and distinguish us as a solutions-focused company in the workers' compensation industry.

Our dedication to meaningful Relationships at Work has been instrumental in our operational and financial growth. The hard work and expertise of our Workers' Comp Solutionists allows FFVA Mutual to deliver outstanding safety guidance and training across nearly 300 different industry types in 10 southeastern states, and we are proud of our achievements.

This enthusiasm is reflected in FFVA Mutual's strong financials and profitable growth. In 2018, the Company reported \$103.7 million in direct written premium, a combined ratio of 90.1% (excluding dividends) and a \$161.8 million policyholder surplus.

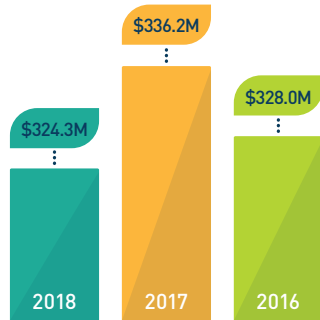
Alongside our consistent underwriting, we take pride in our employees' willingness to listen and take action to improve our industry-leading services. Last year, FFVA Mutual expanded its dividend portfolio and introduced FFVA Select in Florida, Georgia, North Carolina, Tennessee, and Virginia to provide rate flexibility and better align with multi-entity insurance carriers. Our goal is to have this pricing option available in all of our licensed states by year-end 2019.

At FFVA Mutual, we create value through solutions, which is made possible by the support of our board of directors, agency partners, policyholders, and employees. As we enter a new year, we are excited to continue improving our processes and promoting workplace safety.

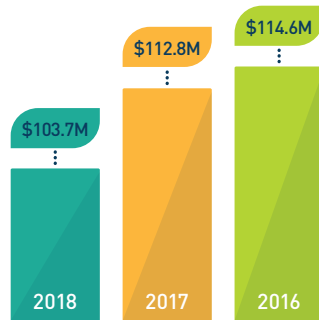
Sincerely,

Craig Menzl
President and CEO

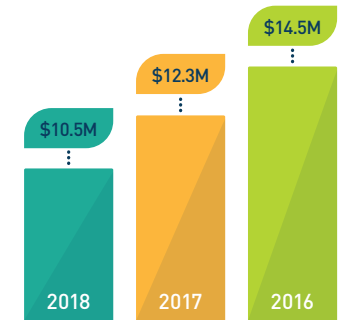
Financial Highlights



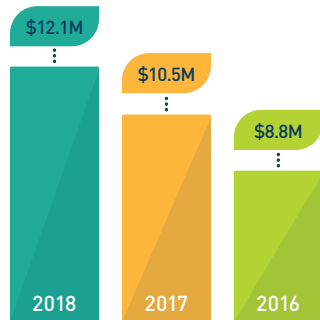
NET ADMITTED ASSETS



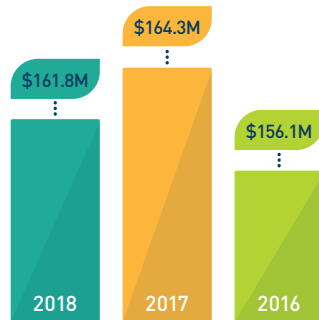
DIRECT WRITTEN PREMIUM



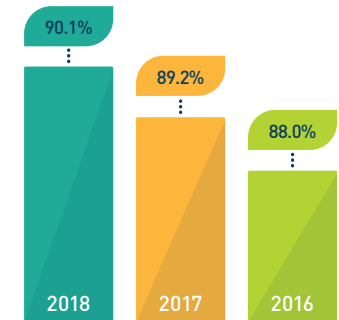
NET UNDERWRITING GAIN



NET INVESTMENT GAIN



POLICYHOLDER SURPLUS



COMBINED RATIO

\$11.4 million 2018 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.

Results of operations

FFVA Mutual's **operating results and ratios continued profitable trends during 2018**, while the balance sheet and capitalization also strengthened. The 2018 **net written premium** to policyholder surplus ratio was 64%, compared to 68% in 2017. The ratio of liquid assets to adjusted liabilities of 206% indicates liquidity is substantially more than adequate to meet all financial obligations. The company's ratio of policyholder surplus-to-loss and LAE reserves was 138%, indicating that for every dollar recorded in loss reserves there is another \$1.38 available in surplus. These key indicators show FFVA Mutual is working steadily to improve its already favorable profitable operating results to align with its peer group in the industry.

In 2018, the reported **net income** of \$10.1 million was a result of continued solid underwriting results combined with improved investment income and capital gains. The **net underwriting gain** for 2018 of \$10.5 million decreased 14.6% from \$12.3 million in 2017. The company's **net investment gain** increased 16% to \$12.1 million as a result of increased realized capital gains.

The company's **combined ratio** (including dividends and other income/expense) increased from 98% in 2017 to 101% for 2018 as the Company's LAE, underwriting expense, and dividend ratios increased compared to prior year levels.

Premiums earned of \$103.7 million for 2018 are down from \$112.6 million for 2017. This decrease of 7.9% is due to year-over-year rate reductions in key states combined with a continued competitive environment. Despite the decrease, **FFVA Mutual has posted a net underwriting profit for six consecutive years.**

Net investment income earned increased 7.8% to \$6.6 million in 2018 as a result of investment in bonds earning more attractive yields and reduction of the cost of surplus notes interest due to redemptions. **Net realized capital gains** increased from \$4.3 million in 2017 to \$5.5 million in 2018 as a result of rebalancing the equity and convertible bond holdings of the investment portfolio to long-term target allocations. For 2019, FFVA Mutual will continue to focus on maintaining a diversified asset allocation, while searching for new opportunities that will improve both risk-adjusted performance and the income producing qualities that a conservative portfolio should exhibit over time.

“In my experience, much of FFVA Mutual’s success is based on relationships. Employers insured by FFVA Mutual view team members as providing not only workers’ compensation insurance, but also expert safety guidance and claims assistance to help businesses prosper. Having handled hundreds of FFVA Mutual files over the years, our experience is that your files are settled quickly.”

- **Daniel J.**

Attorney, Rissman, Barrett, Hurt, Donahue & McLain, P.A.



By the Numbers

At FFVA Mutual, our singular focus on workers' compensation drives our success. For 60+ years, our dedicated team of Solutionists have provided industry-leading underwriting, safety and claims services to help employees stay safe at work. Our achievements tell the story.

WORKERS' COMP
SOLUTIONISTS



SINCE
1956



**PROACTIVE
EMPLOYEES**



124,870
WORKERS COVERED

288

DIFFERENT CLASS
CODES WRITTEN





\$1,000
TO OVER

\$1 MILLION

PREMIUM
RANGE



A+

REINSURANCE
PROTECTION



REGIONAL
FOOTPRINT



HIGH POLICY
RETENTION RATE



COMPETITIVE
PROGRAMS



A-

RATING BY
A.M. BEST

EXCELLENT
FCS VIII

Along the way, our core mission remains unchanged—to be:
RESPECTED. RELIABLE. RESPONSIVE.

The background of the slide is a photograph of a modern office interior. On the left, there is a large wall mural depicting a tropical seascape with turquoise water and green islands. In the center, three people in business attire are standing and talking. To the right, there is a large window with a black frame, looking out onto a green landscape. A potted plant is visible near the window. A green semi-transparent rounded rectangle is overlaid on the image, containing the text.

Mission

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

We accomplish this by providing trusted workers' compensation coverage to our agency partners and policyholders who rely on us for consistent underwriting, expert safety services and proactive claim solutions delivered through outstanding customer experiences.

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.



Our employee volunteer program, Caring is Mutual, provides opportunities to serve local nonprofit organizations and make a difference in the lives of others.

The mission of Caring is Mutual is to work with community partners to provide intentional and meaningful interactions that benefit 3 Areas of Giving: Health, Community, and Youth/Education.

The first annual FFVA Mutual Golf Invitational held November 5, 2018 raised nearly \$17,000 to benefit Orlando Sports Foundation, whose mission is to raise funds and awareness to find a cure for cancer.

Future Focused

Our long-term objectives are to optimize FFVA Mutual's market position, visibility and financial performance utilizing our expertise as workers' compensation Solutionists.

Strategic Objectives

Looking to the future, our priorities include:

- Distinguishing our brand by continuously improving customer experiences
- Maintaining our strong market position through innovative products and services
- Attracting and retaining the best workers' comp Solutionists
- Investing in and progressing with digital transformations

Key 2019 Initiatives

- Enhance traditional product distribution channels and explore alternative channels for new business opportunities
- Expand FFVA Select Insurance Co. to all market states
- Launch Caring is Mutual scholarship program for dependents of our injured workers

“It is the claims expertise that sets FFVA Mutual apart from other carriers. Once they write a new business, the employer will not want to leave because they protect the customer's best interest which includes the experience modification.”

- Larry W.
Florida Agent

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**

James Warmus

Michael Stuart

Morgan H. Roe

Peter S. Hartlee, Jr.

Robert C. Barrett

FFVA Mutual Executive Staff

(shown from left to right)

Fred Allen, Vice President, IT

**Jose Ramos, Vice President,
Safety & Loss Control**

**Bruce Clement, Vice President,
Investments**

**Melissa Hide, Vice President,
Marketing**

Craig Menzl, President & CEO

**Donna Grier, Vice President,
Underwriting**

**Alan Hair, Secretary/Treasurer
& CFO**

**Sandra Riding, Vice President,
Claims**





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Customer Service
800-346-4825

Claims Support
800-226-0666

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