

Workers' comp solutionists



Annual Report



President's Message

Agility and Adaptability

When you think about remarkable people and companies that have made their mark on history, a common thread reveals their secret. They all do one thing exceptionally well.

Here at FFVA Mutual, our singular focus on providing outstanding workers' compensation services drives our success. In 2017, the Company reported \$112.8 million in direct written premium, a combined ratio of 89.2% (excluding dividends) and a \$164.3 million policyholder surplus.

Many challenges lie ahead for the workers' comp landscape. Regulatory and legislative updates combined with rising medical care costs and increased carrier competition are sending ripples throughout our industry. Yet, FFVA Mutual is leaning into these changes and embracing the opportunities that come along with them.

We believe agility and adaptability are instrumental for our continued financial success and strategic growth. Going into 2018, I am excited to announce two new initiatives: a flat dividend program that will complement our existing dividend portfolio product and FFVA Select, a new subsidiary to better align us with multi-entity insurance carriers.

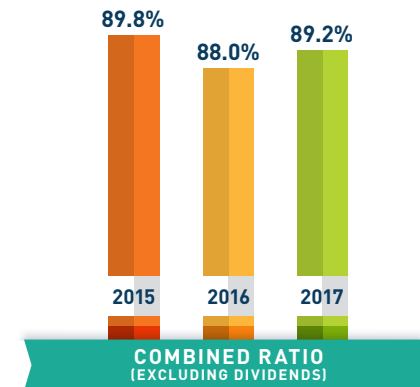
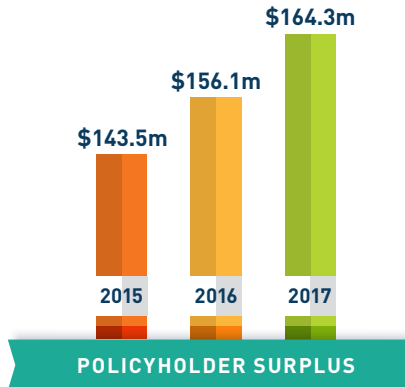
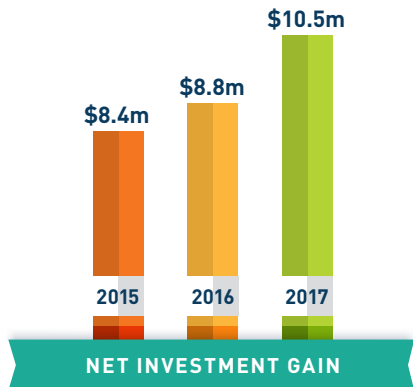
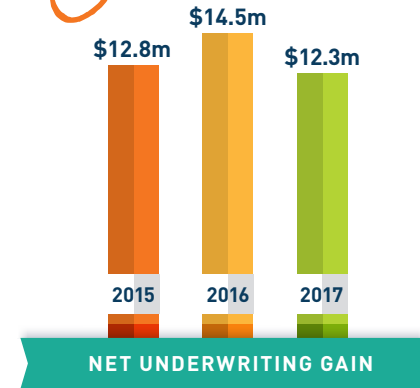
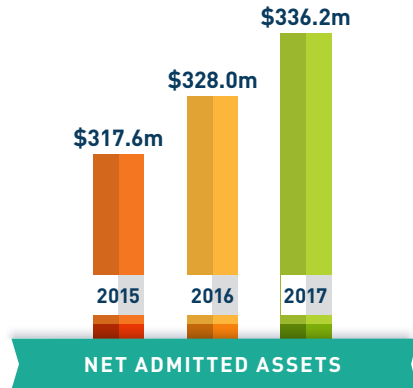
FFVA Mutual remains committed to welcoming change and expanding our suite of offerings - all while delivering the unique industry-leading account team approach to workers' comp solutions that our customers rely on. We look confidently to a bright future, one made possible by the support of our board of directors, agency partners, policyholders, and employees. Thank you for placing your confidence in us and for your dedication to improving workplace safety.

Sincerely,

A handwritten signature in black ink that reads "Craig Menzl".

Craig Menzl, President & CEO

2017 Financial Highlights



\$9.5 million 2017 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.

By the Numbers

Facts and figures tell FFVA Mutual's story. We are proud to be a leading workers' compensation carrier that agents and employers count on year after year. The proof is in our track record built over 60+ years, culminating in a spectacular 2017.

A-
RATING BY
A.M. BEST

EXCELLENT
FCS VIII



COMPETITIVE
PROGRAMS

SOLUTIONISTS
SINCE

1956



286

DIFFERENT CLASS
CODES WRITTEN





\$1,000
TO OVER

\$1 MILLION

**PREMIUM
RANGE**



**REGIONAL
FOOTPRINT**



A+

**REINSURANCE
PROTECTION**



**HIGH POLICY
RETENTION
RATE**



**PROACTIVE
EMPLOYEES**



131,537
WORKERS COVERED

RESPECTED. RELIABLE. RESPONSIVE.

It's what FFVA Mutual was built upon and a mission that we strive to not only reach, but surpass.

Results of operations

FFVA Mutual's **operating results and ratios continued profitable trends during 2017** while the balance sheet also continued to strengthen. The 2017 **net written premium** to policyholder surplus ratio was 70%, compared to 73% in 2016. The ratio of liquid assets to adjusted liabilities of 202% indicates liquidity is more than adequate to meet all financial obligations. The Company's ratio of policyholder surplus to loss and LAE reserves of 131% indicates that for every dollar recorded in loss reserves there is another \$1.31 available in surplus.

The 2017 **net income** of \$12.7 million was a result of continued solid underwriting results combined with exceptional investment returns. The 2017 **net underwriting gain** of \$12.3 million decreased 14.9% from \$14.5 million in 2016, while **net investment gain** increased 19% to \$10.5 from \$8.8 million in 2016 as a result of increased capital gains.

The Company's **combined ratio**, loss ratio, and dividend ratio all increased slightly compared to the prior year. Management projects FFVA Mutual's loss and LAE ratios will continue to compare favorably with our peers. However, the continued trend of year-over-year rate decreases in the Company's target states will put pressure on these ratios.

Premiums earned of \$112.6 million for 2017 are down 2.8% due to rate reductions in key states and a continued competitive environment. Despite the decrease, **FFVA Mutual has posted a net underwriting profit for five consecutive years**. Management expects these profitable trends will continue in 2018 as FFVA Mutual continues to combine conservative underwriting practices, proactive safety programs, and aggressive claims handling in an economic environment that is showing consistent signs of improvement.

Net investment income earned decreased by 3.8% to \$6.1 million in 2017 due to increased cash balances to accommodate surplus note redemption and ICOLI funding. **Net realized capital gains** increased from \$2.4 million in 2016 to \$4.3 million in 2017 due to rebalancing the equity portion of the investment portfolio. For 2018, FFVA Mutual will focus on maintaining a diversified asset allocation while searching for new opportunities that will improve risk-adjusted performance and the income producing qualities that a conservative portfolio should exhibit.



“Improved underwriting and overall operating performance over the past five years combined with net investment gains have resulted in risk-adjusted capital that well supports FFVA Mutual’s current [A-, excellent FCS VIII] ratings.”

- A.M. Best
2017 Rating Rationale

Hands-on Approach

Safety Consultant

Safety Guidance

Designated Claims Adjuster

Single Point of Contact

Exclusive Resources

Training, Webcasts, Online Materials

Safety Program Development

Assistance

Return to Work

Proactive Approach

Special Investigations Unit

Reduce Fraud

Report a Claim 24/7

Bilingual Staff

Medical Bill Review Team

In-House Experts



Future Focused

Optimistic about the future, we continue to strengthen our business through technology investments, innovative product offerings, improved staff development and talent acquisitions, and enhanced customer experiences.

Strategic Planning

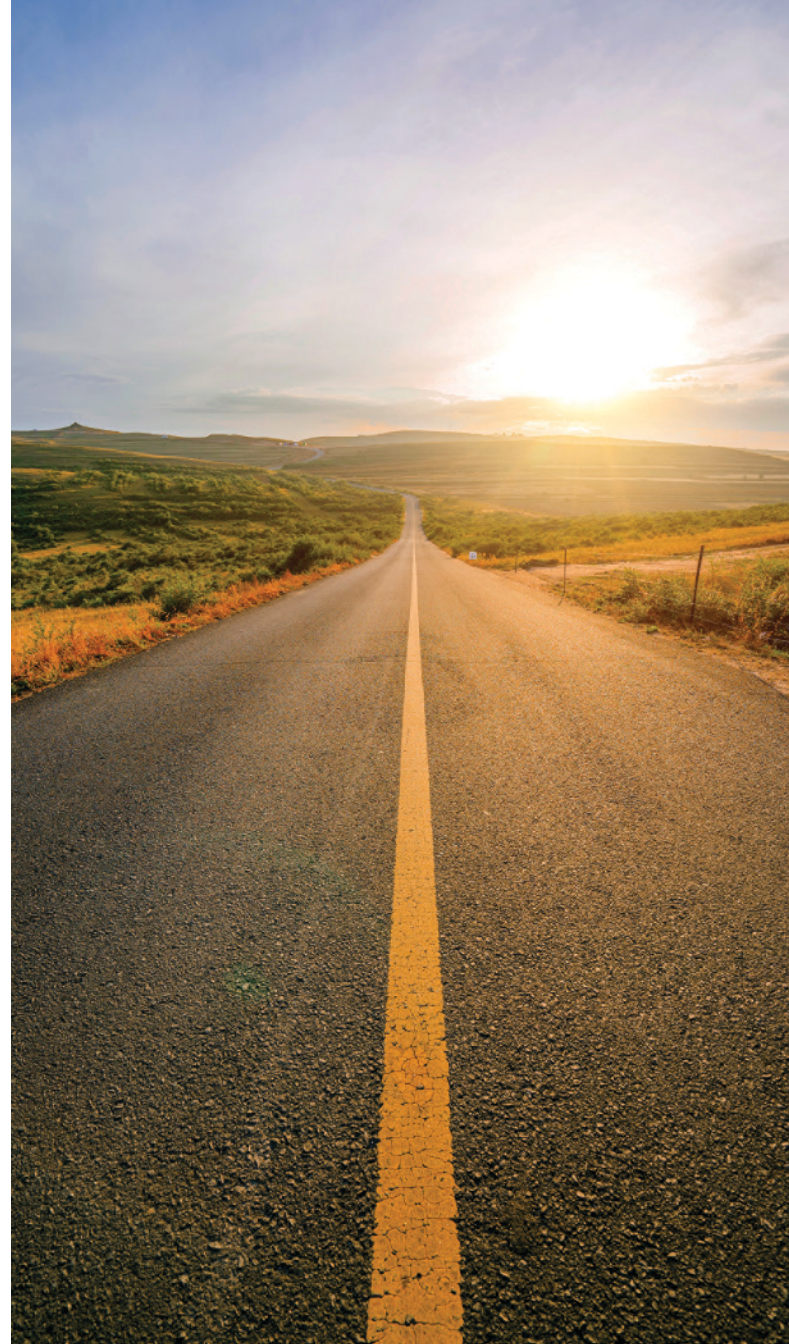
Our long-term corporate strategic objectives are to optimize FFVA Mutual's market position, visibility, and financial performance; utilizing our expertise as workers' compensation solutionists.

2018 Initiatives

Going into 2018, we enhanced our dividend plan offering in Florida and incorporated a wholly owned subsidiary, FFVA Select Insurance Co., (FFVA Select). This entity will operate as a "preferred" alternative to FFVA Mutual, serve as a tool to provide rate flexibility in selected states, and align the Company with multi-entity insurance carriers. Operations for FFVA Select are expected to begin mid-to-late 2018 in four of our licensed states: FL, NC, TN, and VA.

FFVA Mutual will continue to:

- Deliver outstanding customer value through our unique account service team approach
- Provide competitive pricing at levels that support underwriting strategies
- Focus on markets that will strengthen profitable growth
- Improve internal efficiencies 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

“FFVA Mutual’s greatest assets are its people. The company is extremely fortunate to have a highly professional, knowledgeable, and dedicated Board of Directors, senior executive team, department heads, and staff. They focus intently on providing outstanding service to policyholders and their agents. That service-oriented value proposition is the key to driving the organization’s success.”

- **Michael J. Stuart**
Director since 2005





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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.