



ANNUAL REPORT 2023



Armed Forces Insurance
OUR MISSION IS YOU.®

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A message from our president



A handwritten signature in black ink, appearing to read 'Arlen L. Briggs'.

Arlen L. Briggs

President & CEO

Insurance is really quite simple – the premiums charged to the members of Armed Forces Insurance Exchange should be adequate to pay for the losses incurred by our members, plus the operating expenses to run the Exchange and a slight profit to assure financial stability.

In 1887, over thirty officers met on the frontier post of Fort Leavenworth to organize a unique association that became our Exchange. Back then, insurance pricing was easy and efficient. There were no taxes on insurance premiums or extra charges to fund insurance regulation. Insurance premiums did not fund state regulatory departments or state insurance pools for uninsurable risks. In the early years, our company simply charged a reasonable base fee to each member at the start of the policy and then sent a final bill to “settle up” based on the collective losses all the members sustained over the past year. We paid for each other’s losses and kept the organization running.

If we still worked under that original model, this past year Armed Forces Insurance Exchange would have sent large bills to settle up our members’ actual losses. However, that is not how insurance works today in the modern regulated insurance environment.

The premiums Armed Forces Insurance Exchange charge must go through a rigorous regulatory filing process with each applicable state to ensure that rates are reasonable based on past losses. This process mandates that insurance companies’ premiums are reasonably priced for consumers. Still, this process is time-consuming, and insurance prices often take years to catch up if there is a rapid increase in insurance losses or operating costs – both of which we have experienced.

The inflationary pressures our country has experienced over the past couple of years have also impacted insurance costs – both in terms of the cost to repair property damage and the costs to run our Exchange. Even more impactful has been the dramatic increase in weather-related losses across the United States during this same timeframe.

After multiple years of elevated weather losses, 2023 was the insurance industry’s worst year on record for severe thunderstorm and hail-related “catastrophe” losses. Our members and everyone else in the United States were hit hard both in terms of the number and severity of the losses. The undeniable result is that everyone who buys insurance is facing premium increases, no matter which insurance company insures the property or where that property is located.

Each insurance company is managing these challenges in different ways, but all insurance companies are working to raise prices to pay for the increased losses experienced in the

A message from our president

industry, and many are operating at a financial loss in the interim.

When the regulatory process to get price increases significant enough to pay the expected losses takes too long or cannot be attained, companies (including Armed Forces Insurance Exchange) must make the hard decision of whether to continue to sell the policies at a loss or to simply stop writing those types of policies.

It is this type of challenging environment where Armed Forces Insurance Exchange sets itself apart from other insurance companies in a highly positive way. Our organization strives to take care of our membership during times when the insurance industry is in crisis. Fortunately, there are inherent advantages of being a member of our Exchange that can help mitigate the financial impacts to our membership.

Like most insurance companies, Armed Forces Insurance Exchange needs to replenish our surplus reserves after the past year. Most companies are taking a combination approach of extremely aggressive premium increases, restricting or stopping new policy sales and blanket cancelling large numbers of policies they deem unprofitable.

Armed Forces Insurance Exchange is taking a more measured and unique approach to help minimize the financial impact on our members while assuring that our Exchange will be here for another 137 years to serve our members’ needs.

Our premiums are increasing as prices must go up, but we are managing those increases to keep them at a minimum level needed to cover member losses and Exchange expenses. And while there are some policies we must stop writing going forward, we are working to minimize the number of policies impacted and our Agents will work with any impacted member to seek replacement coverage with one of our affiliated insurance partners.

In close coordination with our Subscribers Advisory Board and our Board of Directors, Armed Forces Insurance Exchange has implemented a plan to assure our financial stability by returning to our 1887 roots and utilizing our Exchange’s unique ability to charge an annual subscriber’s surplus contribution. This small annual contribution will be a much more cost-effective way to ensure the financial strength of our Exchange as an alternative to higher premium increases. It allows 100% of the amount to support the financial strength of our Exchange, bypassing the haircuts from taxes, fees, assessments, and other costs that would be incurred if the amount were charged as premium. This unique feature of our Exchange is a wonderful feature that allows us to minimize our members’ overall cost of insurance while keeping our organization strong. A more detailed explanation of the benefits and details of this approach are on our website at afi.org/sca.

Our challenges are the insurance industry’s challenges. The difference is how we react to the situation – not with panic or overreaction, but with a rational, member-focused approach. I hope that is what our members have come to expect from Armed Forces Insurance. After all, with 137 years of experience, we have seen plenty of challenging times. We will all get through this one together.

Thank you for continuing to put your trust in Armed Forces Insurance and for our part, we will continue to remember that - **Our Mission is You®**

A message from our chairman

“When you have been around for 137 years, you know how to adapt to change.”



When you have been around for 137 years, you know how to adapt to change. While the insurance industry doesn't turn on a dime, it certainly has to master the craft of changing for the better. There are aspects of insurance that require thoughtful consideration at every level. Our main concern is providing excellent service to our members and making certain that we stand behind our members during their darkest hours. If we aren't focused on this concept, then we missed the point of operating a company focused on our special membership.

The changes we are witnessing daily include changes in climate, military policy, insurance regulatory policy, social/economic conditions - the list goes on. At Armed Forces Insurance we take all of this in stride and always remind ourselves that we have to maintain course. We adapt, we change, but we don't forget who we serve!

A handwritten signature in black ink, appearing to read "Stanley E. Clarke III".

**Lieutenant General
Stanley E. Clarke III**

Chairman, Board of Directors

Leadership

Board of Directors

Lt Gen Stanley E. Clarke III

Air Force, Retired
Chairman, Board of Directors

CMSgt Danny R. Walker*

Air National Guard, Retired
SAC Chairman

LTC Michelle M.E. Garcia*

Army, Retired
SAC Vice-Chairman

Mr. Arlen L. Briggs*

President/CEO (SAC ex. officio)

Mr. Gregg R. Bermond

Ms. Becky S. Blades

Mr. Scott T. Forland

COL Norman D. Greczyn*

Army, Retired

Mr. Paul E. Heacock

LTC Randy T. Johnson*

Army, Retired

Dr. Christina D. Love*

COL David L. Musgrave*

Army, Retired

CMSgt David A. Rodriguez

Air National Guard, Retired

Mr. Kenneth A. Selzer

COL Kay K. Wakatake*

Army, Retired

AFI Management Team

Arlen L. Briggs

President & Chief Executive Officer

Lynn C. Crawford

VP & Chief Claims & Operations Officer

Kevin J. Lund

VP & Chief Information Officer
& Innovation Officer

Deryck M. Malone

VP & Chief Financial Officer

Lori L. Simmons

VP & Chief Growth Officer

Tracey R. Sommerla

VP & 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 \$26,139 in 2023.

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 2023. 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 \$2,954 for the Salvation Army Red Kettle during the 2023 holiday season. In addition to our employees raising money, they also manned over 20 hours of bell ringing at a local grocery store.

Armed Forces Insurance 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.



Armed Forces Insurance

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.

Armed Forces Insurance

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.

Insurance products are provided by Armed Forces Insurance Exchange (AFIE), Armed Forces Insurance Agency (AFIA) and its affiliated partners. All policies and endorsements are subject to underwriting approval. Coverages, deductibles, limits, and discounts vary by state.

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.

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.

Supporting our military community



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.



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.



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.

Supporting our military community

National Veteran-Owned Business Association



Armed Forces Insurance is proud to be a member of the National Veteran-Owned Business Association (NaVOBA). NaVOBA is an organization dedicated to contracting opportunities for America’s Veteran’s and Service-Disabled Veteran’s Business Enterprises (VBEs/SDVBEs) through certification, advocacy, outreach, recognition and education.

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.

Trident Home Loans



Trident Home Loans is a mortgage company who mainly serves armed forces personnel and veterans. Trident’s goal is to establish a trusting relationship with you through the home lending process. Trident recognizes your sacrifices, and their team takes great pride in providing excellent mortgage service to fellow veterans. Trident will work hard to establish and maintain a reliable, truthful, and honorable lending experience.

Supporting our military community



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.



Veterans Growing America

Armed Forces Insurance sponsors and supports Veterans Growing America in their mission to spotlight the contributions of Veterans and Military Entrepreneur through events and technology. Veterans Growing America and The Rosie Network partnered with Army & Air Force Exchange Services to present a one-of-a-kind shopping experience that features veteran and military spouse owned businesses via the Veterans Growing America Business Expo.

Great American Patriot Award



Retired U.S. Army Capt. and Medal of Honor recipient Florent "Flo" Groberg was the 2023 Great American Patriot Award honoree. 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.

In 2015, Groberg received the Medal of Honor, the United States' highest military honor, for his extraordinary gallantry, intrepidity and heroism while serving in combat operations during the War in Afghanistan. On Aug. 8, 2012, Groberg was responsible for protecting a group of 28 coalition and Afghan National

Army personnel, including two brigade commanders, three battalion commanders, an Afghan general, two GS-15 State Department individuals and two majors with his element of six other soldiers. During the advance to a provincial governor's compound, the patrol was attacked, and Groberg charged and tackled a suicide bomber, thereby distancing the attacker from his personnel. The bomb detonated, severely injuring Groberg, but his selfless actions prevented more deaths from the patrol.

As a result of his actions, Groberg sustained the loss of nearly 50 percent of his left calf muscle with significant nerve damage, a blown eardrum and a mild traumatic brain injury. He spent his recovery at Walter Reed National Military Medical Center from August 2012 through May 2015. He was medically retired from Company B Warriors, Warrior Transition Battalion, as a captain on July 23, 2015.

In November of 2009, Groberg deployed to Afghanistan as part of Task Force Lethal, with responsibility for the Pech River Valley in Afghanistan's Kunar Province. Upon returning home in June 2010, he continued serving as a platoon leader until he was reassigned as an infantry company executive officer in October. Groberg was then assigned as the brigade personal security detachment commander for 4th Infantry Brigade Combat Team, 4th Infantry Division. He deployed again to Kunar Province, Afghanistan, in February of 2012, with Task Force Mountain Warrior. He was promoted to captain in July 2012.

Groberg entered the Army in July 2008 and attended Officer Candidate School at Fort Benning, Ga. He received his commission as an infantry officer in December of 2008. After completing Infantry Officer Basic Course, Mechanized Leaders Course, U.S. Army Airborne and U.S. Army Ranger Schools, he was assigned to the 4th Infantry Division at Fort Carson, Colo., as a platoon leader.

Groberg currently leads the Azure Global Mission Expansion Team at Microsoft. He previously led multidisciplinary teams at Boeing, LinkedIn and the Department of Defense, where he served as a special advisor for strategic defense projects, providing expertise to defense policymakers and military planners. He also has written an autobiography entitled *Eight Seconds of Courage*. Groberg is a member of the Wounded Warrior Project board of directors.

A Message from the 2023 Armed Forces Insurance Military Spouse of the Year®



In 2016, the same year I discovered InDependent, I volunteered at their table at the AFI MSOY town hall in D.C. There, I witnessed firsthand the remarkable work military spouses within the program are doing. Winning the Fort Bragg (now Fort Liberty) Spouse of the Year award in 2017 solidified my connection to the program and its supportive network.

As President of InDependent, the only non-profit solely dedicated to military spouse wellness, I lead a team in creating educational programs, resources, and tools for this diverse community. A healthy spouse creates a healthy family, and a healthy family strengthens the entire military community. Winning the 2023 AFI MSOY title elevated InDependent's profile, allowing me to connect with leaders and decision-makers. This recognition also amplified my voice, giving me more opportunities to connect with military spouses and making me a stronger advocate for their needs.

One of the most rewarding aspects of the AFI MSOY program has been the opportunity to meet and connect with so many other military spouses who are making a positive difference. Celebrating their successes and brainstorming ways to collaborate on improving the lives of military families has been incredibly inspiring. The sense of community within the program is truly special. These experiences would not have been possible without the AFI MSOY program.

While 2023 provided incredible opportunities, I believe it was also a year of planting seeds. After spending years working hard, in what sometimes felt like a more siloed environment within the larger non-profit space, winning this award has demonstrably elevated InDependent's efforts. The connections made, and the collaborations initiated will allow our efforts to achieve a larger reach and make a lasting difference in the lives of military families.

Thank you for supporting the AFI MSOY program and giving military spouses a place to amplify our efforts. Together, we will continue to make a difference in the lives of military families for years to come.

Military Friendly Employer



In 2023, Armed Forces Insurance earned the 2023 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 2023 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

The insurance operations of the Armed Forces Insurance group is comprised of Armed Forces Insurance Exchange, an insurance carrier writing business for you, our members, in all fifty states, and Armed Forces Insurance Agency, an insurance agency, offering an array of products to members through either Armed Forces Insurance Exchange or external partner carriers.

As of year-end 2023, over 51,000 members had nearly 85,000 policies written through the Agency.

The following summarizes the 2023 financial results for both Armed Forces Insurance Exchange and Armed Forces Insurance Agency.

51,152
TOTAL MEMBERS

84,922
TOTAL POLICIES

ARMED FORCES INSURANCE EXCHANGE

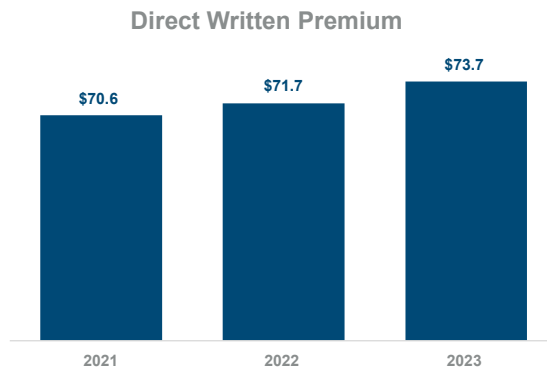
Income Statement

Following a difficult 2022, 2023 proved to be an equally challenging year for AFIE and our members. Continued elevated weather-related losses, a tough reinsurance market, and continued sticky levels of inflation all created another year of difficult operating conditions.

For 2023, we reported a net loss of \$8.3 million, primarily driven by underwriting losses resulting from catastrophe related weather events, principally severe convective storms (wind/hail). This result is disappointing to us and is not sustainable. In response, we continue to pursue and implement multiple initiatives to stabilize the business and return AFIE back to profitability.

Premium Growth

Direct written premiums increased by 3% to \$73.7m, representing the second consecutive year of gross premium increases after several years of declines. The increase was primarily driven by an increase in new business written, increased premium from inflation guard protection coverage which ensures that our members stay fully insured in the event of a loss, and rate increases.



Claims/Incurred Losses

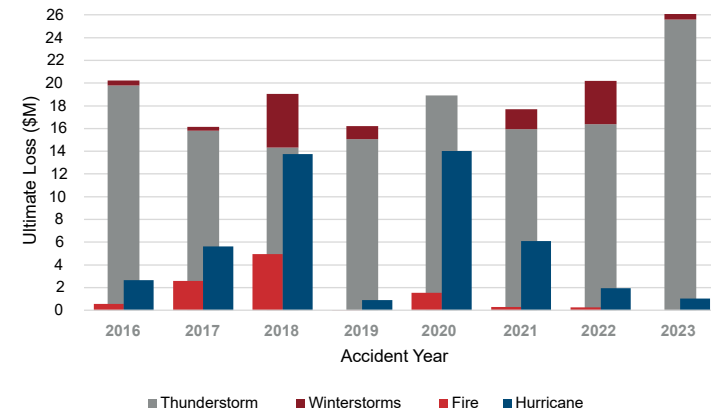
Non-catastrophe losses for 2023 were lower than originally projected reflecting the benefit from the introduction of new rating plans in multiple states over the last several years. However, 2023 was an extremely challenging year for catastrophe weather-related losses.

Armed Forces Insurance

Financial highlights

While Hurricane losses tend to get the most press, we had minimal losses from one of the largest U.S. catastrophe events during 2023 – Hurricane Idalia – and no losses from wildfires. Unfortunately, winter and convective storms – which include wind, tornado, and hail – remained elevated and have become an increasing challenge for us, and for the industry. In fact, during 2023, the U.S. set a record for aggregate insured losses resulting from convective storms, topping \$50 billion, and we were not immune. Our 2023 accident year convective and winter storm losses totaled over \$28 million which is more than \$8 million higher than 2022 levels and well above the seven-year average of \$17.5 million.

Experience Through 12/31



In response to both the continued frequency and severity of convective storm losses, and the potential for other catastrophe related events (i.e., hurricanes, wildfires, earthquake), we have adjusted rates to ensure that the premium we charge is adequate for the exposures covered. As a member organization we do not take premium rate increases lightly – however, the level of catastrophe losses over the last several years, coupled with inflation and the resulting higher costs for repair materials and labor, have necessitated an increase in rates. In addition, we have revisited our underwriting guidelines and have made some difficult decisions including the introduction of claim deductibles and restricting growth of certain business in catastrophe prone areas.

Underwriting Expenses

Managing and controlling underwriting expenses remains a focus area to ensure that we can continue to offer our insurance products at a competitive price. Inflation remained a concern in 2023 and there continues to be supply chain issues in certain product lines. Despite this, our continued focus on expense management resulting in an expense ratio that was flat compared to the prior year.

Armed Forces Insurance

Financial highlights

Investment Income

Following what can best be described as a disastrous 2022, the investment markets did stabilize in 2023 and both bonds and stocks had positive returns for the year. With regard to the bond market, the Federal Reserve completed the last of their interest rate hikes in July. This, coupled with growing investor expectations in the second half of 2023 that the U.S. economy might navigate a 'soft landing' and avoid recession, resulted in declining yields and positive returns. Likewise, equity securities were also positive in 2023, although returns varied widely by equity class with large growth technology stocks vastly outpacing other equity asset classes.

We had taken strategic actions in 2022 to account for actual and future expected market volatility. These actions included shortening the portfolio duration and moving into high-quality, large cap dividend paying stocks. Net investment income during 2023 was \$2.9 million.

Reinsurance

The use of reinsurance is a key element of our underwriting strategy. Reinsurance not only protects against catastrophic events and helps to mitigate year over year loss volatility, it also provides capital relief and helps support our overall financial strength.

As part of this strategy, we have traditionally purchased a mix of pro-rata, per-risk, and catastrophe excess of loss treaties from a panel of highly rated and well-secured reinsurers. Following the challenging underwriting results produced by primary insurers, the reinsurance market has entered a hard market phase characterized by rising reinsurance premiums and a tightening of terms and conditions. Despite these conditions, we were able to successfully place our reinsurance program in a structure that was substantially similar to the prior year.

Balance Sheet (\$ thousands)

	2023	2022
Cash and Invested Assets	79,080	85,825
Premium/Reinsurance Receivables	11,118	10,324
Other Assets	4,914	4,930
TOTAL ASSETS	95,112	101,079
Loss & LAE Reserves	17,892	18,859
Unearned Premiums	30,301	32,267
Other Liabilities	10,696	7,872
TOTAL LIABILITIES	58,889	58,998
SURPLUS	36,223	42,081

Armed Forces Insurance

Financial highlights

Investments

The largest asset holding – approximately 83% of the total – is related to our investment holdings. Our investment portfolio is a conservative and diversified portfolio comprised of high-quality bonds and high-quality dividend paying stocks.

Surplus

Surplus represents funds, or capital, which ensures we continue to meet all our obligations. As noted, insurance in general faced numerous headwinds in 2023 and our underwriting losses contributed to an overall reduction in surplus for the year.

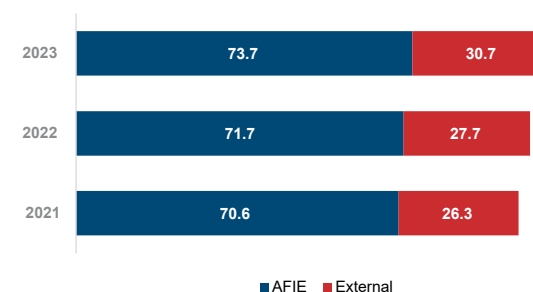
Despite this decline, our Risk Based Capital ratio – which is a key regulatory measure of risk and financial strength – was 411% at year-end 2023, which is above the regulatory safe harbor provision of 300%.

ARMED FORCES INSURANCE AGENCY

The Agency plays a vital role in Armed Forces Insurance's ability to serve you, our members. Not only is the Agency the placing agent for all business written in Armed Forces Insurance Exchange, it also is able to offer members additional coverage options given its affiliation and access to insurance products written through over 20 nationally recognized external insurance carriers.

The 2023 year was a successful year for the Agency. Premiums written, for which the Agency receives revenue in the form of commissions, increased 5.0% compared to the prior year, split between the Exchange and external carriers as noted below.

Agency Written Premium (\$ millions)



Overall, the Agency reported net income of \$1.2 million in 2023, an increase of nearly \$0.5 million compared to 2022. The positive income earned in 2023, along with positive earnings in prior years, enabled the Agency to pay a dividend of \$1.5 million. This dividend ultimately flows upstream to the Exchange providing valuable liquidity and capital support to the Exchange.



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2023