



Annual Report 2009

A black and white photograph showing the silhouette of a person standing on the deck of a ship, looking out at the ocean under a dramatic, cloudy sky. The person is positioned on the right side of the frame, and the ship's railing is visible in the foreground.

Success is

Our Mission

Providing our Members, with certainty and promptness, life insurance at as near the actual net cost as possible.

Securing for our Members, without cost, the federal benefits to which they may be legally entitled.

Educating military members and their families on matters of financial security.

Our Vision

To be the first choice provider of exceptional life insurance products and services for Sea Service members and their families.

serving and

Serving the Sea Services

Navy ■ Marine Corps ■ Coast Guard ■ Public Health Service ■
NOAA Commissioned Officer Corps

Open to: Active Duty, Retired, Reserves, and Honorably Discharged Veterans





protecting.

Navy 
★ Mutual
BENEFITS • INSURANCE • SINCE 1879

A Report from the Chairman and the President

Despite ongoing turmoil in the world's financial markets, 2009 was a great year for Navy Mutual. We continued to prudently manage your assets and expand the Association:

We protected your interests. We invested conservatively, and carefully controlled our business costs throughout 2009. Our constant vigilance allowed us to provide you with an attractive return on your assets.

- Our total insurance in force grew to above \$20 billion, an increase of approximately 7%.
- Our total assets grew to a total of almost \$2.3 billion.
- Our direct premium revenue increased by 35% this year.
- We returned over \$34 million to our Members in premium refunds and interest credits.

We guarded your funds. While other insurers lost money on risky investments, Navy Mutual stayed true to its conservative investment policies. Navy Mutual always invests your money with care, primarily in government-backed or AAA quality bonds. We earned a 6.6% net investment yield in 2009, a full percentage point above industry averages.

We grew your Association. In 2009, we expanded our targeted marketing campaign to include Sea Service communities in North and South Carolina and Maryland. We insured over 3500 new Members and family members, with active duty personnel buying \$1.9 billion in new insurance.

We educated the Sea Services. In 2009, Navy Mutual educated approximately 26,000 Sea Service members and their families on survivor benefits, survivor financial management, and the replacement value of military benefits. We are proud that the Sea Services recognize Navy Mutual as an approved provider of financial education, trusting us to help transitioning service members and their families understand important financial matters.

We assisted your families. Navy Mutual provided sensitive, personal care and support to the survivors of over 1,000 of our insureds who passed away this year.

We earned your trust. Our Members again reported satisfaction levels well above industry averages, and stayed with Navy Mutual throughout this turbulent year.

Our strength was recognized. The independent Fitch rating agency, which rates over 100 insurers nationwide, continued our A+ rating, making Navy Mutual one of only 30 Fitch-rated companies to receive an affirmed rating with a stable outlook in 2009.

We are honored to serve you. We take great pride in our Members' lasting confidence and trust. We look forward to serving Sea Service members and their families for many years to come.



Richard W. Mies
Chairman of the Board



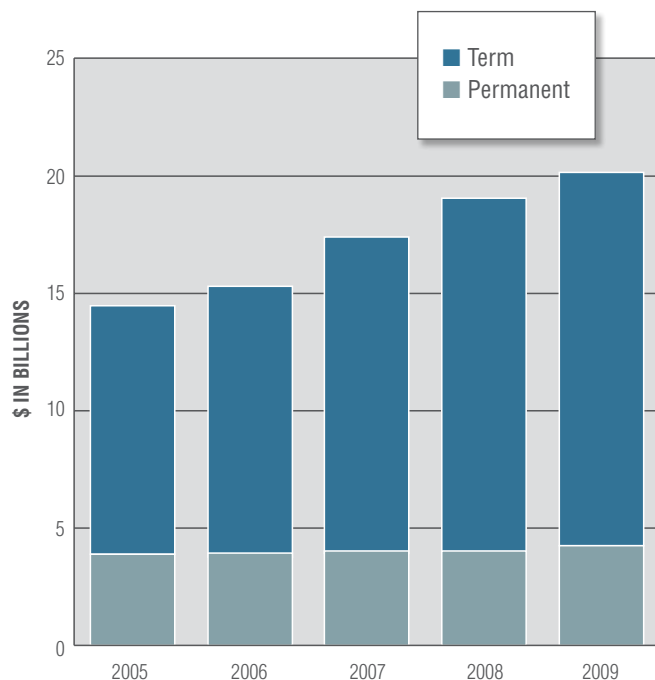
Bruce B. Engelhardt
President

Direct Premium Revenue

35%

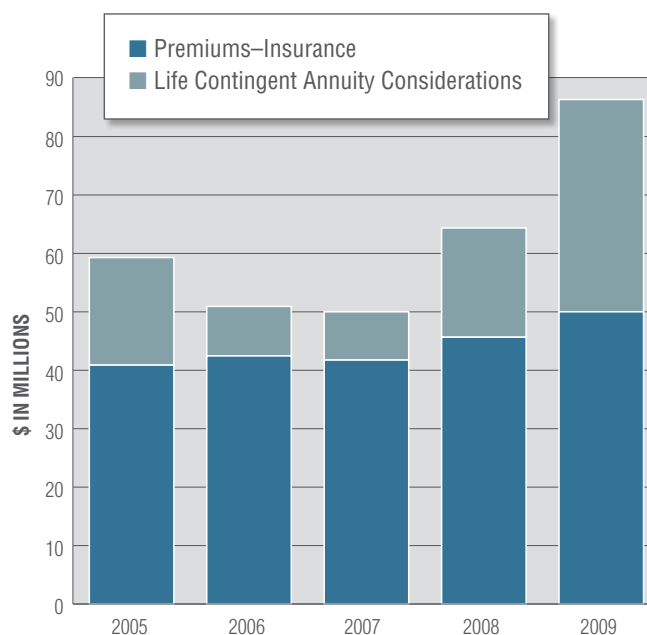
increase over 2008.

INSURANCE IN FORCE



Insurance in force, beginning of year	19,125,273,120
Insurance sold in 2009	2,233,162,827
Death benefits incurred	63,833,250
Terminations and other changes	839,872,134
Insurance in force, end of year	\$20,454,730,563

DIRECT PREMIUMS

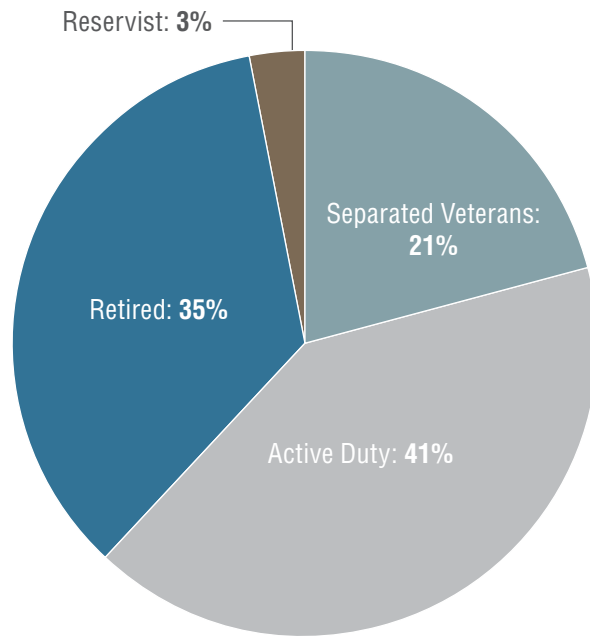
**Total direct premiums, end of year****\$87,700,660**

Success is knowing that, when others are depending on you, Navy Mutual is the organization you trust.

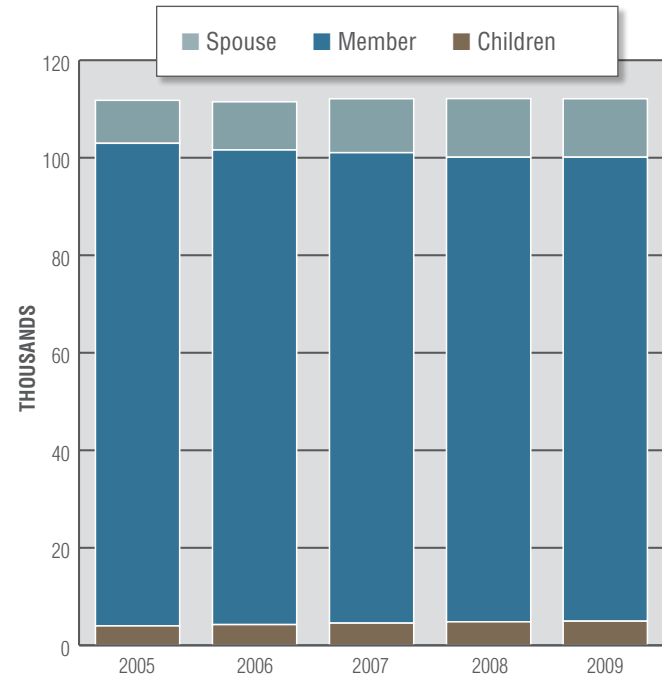
- Total insurance in-force increased by 6.95%.
- Premiums from annuity plans grew by 101%.
- Member retention rate is over 96%.
- We paid \$72 million in support to beneficiaries.

Active Duty Personnel
took out
\$1.9 billion
in life insurance.

MEMBER PROFILE



MEMBERS & FAMILIES



Members, beginning of year	95,457
Gains	1,548
Losses (including deaths)	2,656
Members, end of year	94,349
Spouses & Children, beginning of year	16,838
Increase	996
Spouses & Children, end of year	17,834
Total, end of year	112,183

Did you know? Your Association...

- ...recycles over 9.5 tons of paper each year.
- ...has taken numerous eco-friendly steps this year, such as:
 - electronic voting for the Board of Directors,
 - delivering our E-News Insider newsletter to your inbox quarterly,
 - using recycled paper and envelopes for all mailings.
- ...participates in over 50 events per year, spreading the word about the benefits of Navy Mutual.
- ...increased staffing, even during the economic downturn, due to Member's increasing activity and product needs.

Success is Remembering Who We Serve.

We focus on one thing and one thing only: providing life insurance for those who serve, and we strive to do it better than anyone else.

Our Mission is to serve the military – both those who are currently serving, and those who have completed their service. We perform our Mission by focusing on this core group and their specific needs.

When you call Navy Mutual, you are connected directly to a live person in our office whose focus is serving you. Unless our office is closed, you will not be led through a series of menus to reach the person you need, and you do not need an access code.

Each and every Member has been assigned a specific representative whose sole focus is taking care of your needs. This guarantees the personalized customer service you want from us, and that we are proud to provide.



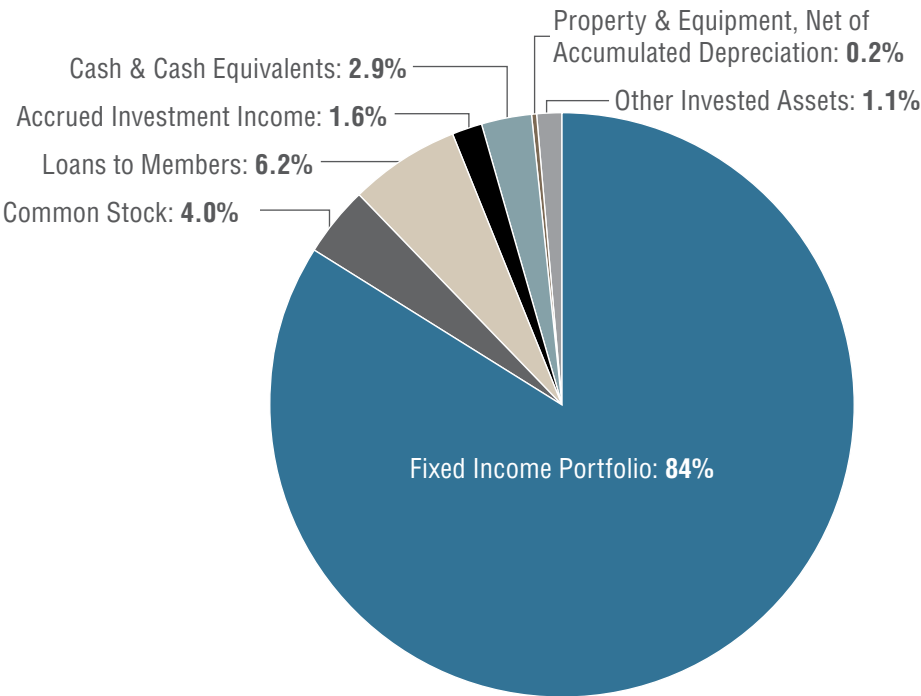


**Success is guarding your security
with stability and growth.**

“Fitch believes NMAA to a great extent has endured the pressures of the recent economic and financial market turmoil as exhibited by maintaining solid capital strength and positive earnings due to their conservative business and financial profiles. The Stable Outlook is driven by NMAA's solid results under Fitch's stress scenarios and expectations for consistent operating earnings in 2009 driven by low cost operations and the association's ability to change policyholder dividends in response to potential challenges.”

—Fitch Ratings Report, June 2009

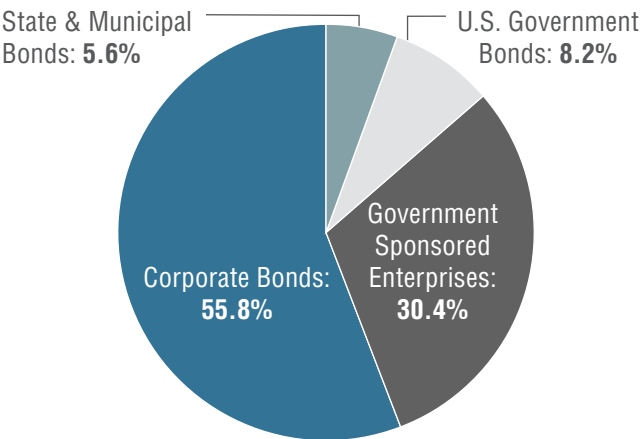
2009 ASSETS



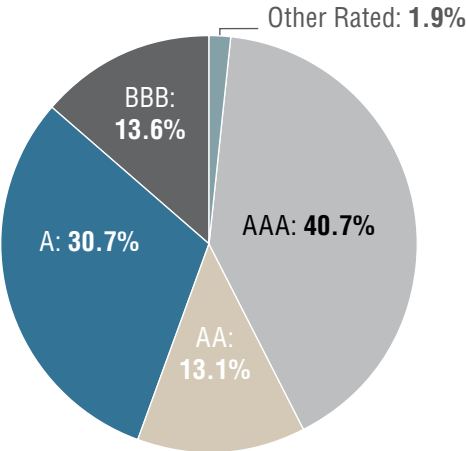
Net Investment
Yield of
6.6%
achieved.

FIXED INCOME PORTFOLIO

SECURITY CLASSES



RATINGS



Statements of Admitted Assets, Liabilities and Net Assets – Statutory Basis

	December 31,	
	2009	2008
ADMITTED ASSETS		
Fixed-maturity securities	\$1,955,126,184	\$1,889,097,673
Equity securities	94,010,184	65,766,059
Mortgage-backed securities	45,735,566	44,600,213
Mortgage loans	15,087,373	5,610,912
Other invested assets	9,958,173	13,259,331
Member loans	148,036,439	142,361,591
Career Assistance Program loans, net	635,343	2,396,031
Cash and short-term investments	69,567,089	23,775,991
Receivables for securities	-	1,010,575
Total cash and invested assets	2,338,156,351	2,187,878,376
Investment income due and accrued	38,202,386	37,525,758
Home office building, net	3,901,672	4,032,960
EDP equipment, net	153,592	210,950
Total admitted assets	\$2,380,414,001	\$2,229,648,044
LIABILITIES AND NET ASSETS		
Liabilities		
Aggregate reserve for life contracts:		
Life insurance	\$1,886,206,799	\$1,788,246,655
War risk and other adverse deviations	76,197,616	76,197,616
Total aggregate reserve for life contracts	1,962,404,415	1,864,444,271
Death benefits payable	19,263,161	19,862,866
Liability for deposit-type contracts	183,004,499	169,085,517
Employee benefit liabilities	5,770,873	4,532,370
Asset valuation reserve	25,076,482	21,048,003
Interest maintenance reserve	5,939,452	6,351,027
Securities lending reserve	1,461,390	1,653,390
Other liabilities and deferred income	2,855,844	2,819,298
Total liabilities	2,205,776,116	2,089,796,742
Net assets	174,637,885	139,851,302
Total liabilities and net assets	\$2,380,414,001	\$2,229,648,044

STATEMENT OF THE ASSOCIATION'S CONSULTING ACTUARY, A.C. EDDY, INC. "In my opinion the reserves of the Association are necessary and sufficient to provide for liabilities to its membership, and will achieve the objective of distributing the Association's assets to Members and/or their beneficiaries in an equitable manner."

Statements of Operations and Changes in Net Assets – Statutory Basis

	Years Ended December 31,	
	2009	2008
INCOME		
Premiums earned, net	\$50,086,521	\$45,654,293
Annuity considerations	37,614,139	18,699,482
Survivor income deposits	1,466,078	1,029,459
Net investment income	145,698,979	139,263,753
Amortization of interest maintenance reserve	795,244	766,550
Total income	\$235,660,961	\$205,413,537
BENEFITS AND EXPENSES		
Death benefits, excluding war claims	\$63,383,250	\$57,136,848
Death benefits from war claims	450,000	4,600,000
Total death benefits	63,833,250	61,736,848
Surrender benefits	16,537,360	15,189,765
Annuity benefits	7,320,808	3,514,747
Survivor income	1,170,071	1,153,578
Change in aggregate reserve for life contracts	72,344,552	54,935,786
Change in reserves for war risk and other adverse deviations	-	2,900,000
Interest on deposit-type contracts	9,353,418	9,285,851
General operating expenses	11,141,730	10,702,428
Total benefits and expenses	\$181,701,189	\$159,419,003
Increase from operations before excess interest credits and term refunds	\$53,959,772	\$45,994,534
Excess interest credited to life benefit reserves	(32,416,103)	(30,749,641)
Term refunds	(1,741,159)	(2,352,449)
Increase from operations before realized gains	19,802,510	12,892,444
Net realized gains (losses)	(10,110,483)	(1,022,925)
Increase in net assets from operations	9,692,027	11,869,519
Net assets, beginning of period	139,851,302	178,646,869
Change in accounting estimate - reserve valuation basis	6,800,511	-
Change in unrealized appreciation (depreciation) of equity securities and other invested assets	23,170,333	(57,940,031)
Change in asset valuation reserve	(4,028,479)	8,552,977
Change in additional minimum liability for pension and postretirement benefits	(1,132,230)	(951,675)
Change in non-admitted assets	284,421	(326,357)
Net assets, end of period	\$174,637,885	\$139,851,302

STATUTORY ACCOUNTING: These financial statements were prepared in conformity with accounting practices used by insurance companies for regulatory reporting purposes. Such accounting practices, referred to as statutory accounting practices, are a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP).

AUDITED FINANCIAL STATEMENTS: Johnson Lambert & Co. is Navy Mutual's independent accountant. Our audited financial statements are available by written request sent to: Navy Mutual Aid Association, Accounting Division, Henderson Hall, 29 Carpenter Road, Arlington, VA 22212.



Success is serving you.

In times of peace and war, Navy Mutual has been here to provide quality life insurance at affordable prices for military members and their families. Navy Mutual further supports our troops by waiving the premiums for POWs and MIAs.



Insurance claim
benefits paid within

14 days
on average.

11

We Protect Your Loved Ones.

You can count on Navy Mutual to help survivors with one-of-a-kind, caring support and service when our Members pass away.

- Our dedicated Beneficiary Services staff are **100% committed** to helping your survivors every step of the way.
- Navy Mutual provides beneficiaries with **immediate payments** of 10% of the total benefits, up to \$10,000, to defray initial expenses.
- Not only do we pay our insurance claims quickly, **we help families notify other insurers**, also.
- Navy Mutual's vault offers **secure storage of wills and other important documents**. We quickly return those documents to Members' loved ones, making it easier to handle each Member's estate.
- **We explain military survivors' benefits** to beneficiaries.
- If families need **legal assistance** when the Veterans Administration denies or limits a claim, Navy Mutual will provide that assistance at no extra charge.
- When a Member's family has needs that we cannot satisfy, our Beneficiary Services staff can connect that family with other veterans service organizations who offer the special assistance they need.

Navy Mutual, and especially our Beneficiary Services staff, knows how painful the loss of a loved one can be. We handle every claim with **compassion, professionalism and personal care**.

Products Available

Life Insurance Plans

Flex Term: Level term coverage to age 50 (40 for smokers).

Family Plan: Flex-Term insurance coverage for each spouse, with free coverage for children.

Level Term: Level coverage with a level premium to the age which best meets your needs, up to age 85.

Permanent 'Plus': Interest-sensitive whole life insurance that provides permanent protection, tax-deferred cash value growth, and a valuable long term care option.

Generations Plan: Permanent 'Plus' insurance for children or grandchildren up to age 24.

Annuity Plans

Single Premium Immediate Annuity: An immediate payment plan that provides a guaranteed stream of income for the period that best meets your needs.

Single Premium Deferred Annuity: A tax-deferred wealth accumulation retirement vehicle purchased with a single premium that allows you to lock in an interest rate.

Flexible Premium Retirement Annuity: A tax-deferred wealth accumulation retirement vehicle that allows you to make premium payments at any time, while providing interest rates that change with market rates.

Our Education Program

Government Survivor Benefits Education Presentations

Replacement Value of Military Benefits Analysis

Separation and Retirement Planning Support

SBP Decision Assistance



2009 Board Members



ADM Richard W. Mies,
USN, Ret. *Chairman*



LTGEN Jeffrey W. Oster,
USMC, Ret. *Vice-Chair*



RADM Bruce B. Engelhardt,
USN, Ret. *President*



Mr. Eric J. Candelori, CFM



CAPT James A. Carman,
USN, Ret.



RADM Isaiah C. Cole, USN,
Ret.



RADM Jan C. Gaudio, USN,
Ret.



CAPT Gary L. Labuda,
USNR, Ret.



CAPT R. Gillem Lucas,
USNR, Ret.



RADM John (Michael) M.
Luecke, USN, Ret.



RADM Kathleen L. Martin,
USN, Ret.



CAPT Michelle M. McAtee,
SC, USN, Ret.



CAPT Michael H. McDaniel,
USNR



COL John C. Roots,
USMCR, Ret.



CDR Erica Schwartz,
USCG/USPHS



RADM Patrick M. Stillman,
USCG, Ret.



CNOMC Randy L. Welch,
USN, Ret.



MGEN Leo V. Williams, III,
USMC, Ret.



CAPT Mark A. Wilson,
USNR, Ret.

Service Liaisons

MCPOCG Charles (Skip) W. Bowen, USCG

RADM Denise S. Canton, RNDN, USPHS

VADM Mark Ferguson, USN

SMMC Carlton W. Kent, USMC

RDML Dennis J. Moynihan, USN

MCPON Rick West, USN

Officers 2009

RADM Bruce B. Engelhardt, USN, Ret., **CLU**, President

Thomas A. Benton, Vice President, Technology & Systems

Lauren M. Bloom, Esq., General Counsel & Vice President, Beneficiary Services & Education

Michelle L. Brickwedde, Vice President, HR & Administration

D. Timothy Eddy, FSA, MAAA, Vice President, Risk Management

Allen M. McCray, CFA, **CLU**, Vice President, Investments

CDR John M. McVeigh, USN, Ret., Vice President, Membership



Henderson Hall 29 Carpenter Road Arlington Virginia 22212 Toll Free 800.628.6011 Fax 703.945.1441 www.navy mutual.org

Insuring those who serve.