

2024

ANNUAL REPORT



Armed Forces Insurance

OUR MISSION IS YOU.®

Annual Report Contents

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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

I'll start my letter with a frank and blunt statement – “The Property and Casualty Insurance Industry is in Crisis.”

Lately, there are almost as many sensational news articles about Property & Casualty (P&C) insurance as there are about Hollywood stars.

At Armed Forces Insurance, we'd rather have a frank discussion than dance around an issue, so this year, I want to discuss two insurance issues impacting our members in the current environment – Premium Increases and Limiting or Canceling Policies.

Premium Increases:

Our members pay premiums each year and most never have a loss. Our members commonly question why, without having filed a claim for years, they would get an increase in premiums.

The reality of insurance is that the premiums paid by our members are not set up like a savings account on a member-by-member basis to cover that member's

future loss when it occurs. Only a few members will typically have a loss in a year. Armed Forces Insurance spreads the cost of those losses to all our members by setting premiums only high enough to cover the losses experienced by our membership in a year.

For the members who do suffer a loss, the cost of rebuilding or repairing their homes and replacing property has increased significantly in the past few years due to the inflationary increases in materials, goods, and services. Builders and retailers can raise prices rapidly. However, insurance companies must go through a regulatory process to file with state insurance departments to increase prices, causing delays in getting needed price increases.

Weather related losses are another significant driver of premium increases. Historically, Armed Forces Insurance could reliably plan for about 10% to 15% of all losses coming from catastrophic weather events. While there was always an occasional year with a significant event, these losses averaged out over time, and adequate premiums were charged to pay for these losses.

In recent years, these catastrophic weather losses have risen sharply across the United States, with the trend appearing to escalate. Since Armed Forces Insurance must charge enough each year to cover the annual losses from members with losses, the amount needed to cover these catastrophic weather losses has increased significantly. More of our members are experiencing weather-related losses each year, and the severity of these losses

A message from our president

is increasing, driving a corresponding need to increase insurance premiums. The increase in weather-related losses is an issue that the entire P&C insurance industry is working to address, predominantly through rate increases and the sharing of repair costs for certain types of losses with their members (or policyholders).

Limiting New Business and Canceling Policies:

Beginning in late 2023 and accelerating in 2024, almost every P&C insurance company in the United States stopped writing new business and/or canceled policies they had previously written. Armed Forces Insurance was not immune to these necessary actions.

As I noted, P&C insurance companies can't just change prices. Insurance premiums are regulated at the state level, and every price change must be filed and approved by each state's insurance department. Historically, state insurance departments have worked to balance individuals' need for safe and secure insurance with insurance companies' need to have appropriately priced policies. Unfortunately, many state insurance departments are not adequately addressing the need for premium increases fast enough to prevent unsustainable losses by the insurance companies doing business in their state.

When insurance companies incur unsustainable losses in a state or region for an extended timeframe, the only way to reduce these losses is to stop issuing new business and, in severe cases, cancel all the policies where premiums are consistently inadequate. These decisions are not wanted or desired by any insurance company. Yet, most P&C insurance companies in the United States have been put in the position of having to restrict or cancel business over the past year.

Advantages of being a Member of Armed Forces Insurance in a volatile insurance environment:

While we can't reduce inflation, improve the weather, or fix systemic regulatory issues with pricing, Armed Forces Insurance sets itself apart by providing our members with unique advantages in this environment that other insurance companies don't have.

- **Subscribers Surplus Contributions mitigate pure price increases:**

Our Exchange has the option to charge an annual subscriber's surplus contribution. This option is only available to a Reciprocal Exchange like Armed Forces Insurance Exchange. This annual contribution is 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 subscriber's surplus contribution to support the financial strength of our Exchange, bypassing the haircuts from taxes, fees, assessments, and other costs incurred if the amount were charged through premium increases. This feature of our Exchange is a unique advantage that allows us to provide quality insurance efficiently while keeping our organization strong.

A message from our president

- **Armed Forces Insurance has More Insurance Options:**

When Armed Forces Insurance members need assistance, our Dedicated Agents have more options than most insurance companies. In addition to our custom-designed Armed Forces Insurance Exchange policies, our Dedicated Agents have other insurance options with our 30+ Affinity Partners. At Armed Forces Insurance, we have an expansive product selection and resources to find more options for our members.

- **Dedicated Agents find You the Best Value:**

Insurance is a complex product with many constantly changing options and prices. In this environment, finding the best insurance value for a member's unique situation is almost impossible without a trained and knowledgeable insurance professional with access to a suite of insurance policy options. That's why Armed Forces Insurance members each have a Dedicated Agent to help find the best coverage and value for their unique situation. Your Dedicated Agent is here for you, so don't hesitate to contact them.

The P&C insurance industry is in crisis. Insurance premiums are increasing and policy options can be limited, but at Armed Forces Insurance, our goal is to continue to provide the protection, service, and value our members deserve.

Thank you for continuing to put your trust in Armed Forces Insurance. I am confident that the P&C insurance environment will eventually stabilize. In the meantime, all of us at Armed Forces Insurance will continue to support and protect our members.

Our Mission is You®

"If you like straight talk, you will get it from our president, Arlen Briggs. Arlen identifies the challenges in the property and casualty insurance industry that affect all of us, not just the companies providing insurance. He goes further by also identifying how Armed Forces Insurance is addressing these challenges. Allow me to add one additional thought. While we can't control the weather or increased costs, we can continue to offer our members world-class service. Despite the challenges, we remain committed and passionate about serving those who have served and their families. We won't yield on that promise."

— **Lt. Gen. Sid Clarke, U.S. Air Force, Retired**
Chair, Armed Forces Insurance

Armed Forces Insurance

Leadership

Board of Directors

Lt Gen Stanley E. Clarke III

Air Force, Retired
Chair, Board of Directors

CMSgt Danny R. Walker*

Air National Guard, Retired
SAC Chair

LTC Michelle M.E. Garcia*

Army, Retired
SAC Vice-Chair

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

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

Mr. Arlen L. Briggs

President/CEO (SAC ex. officio)

Mr. Lynn C. Crawford

VP & Chief Claims & Operations Officer

Mr. Kevin J. Lund

VP & Chief Information Officer
& Innovation Officer

Mr. Deryck M. Malone

VP & Chief Financial Officer

Ms. Lori L. Simmons

VP & Chief Growth & Marketing Officer

Ms. 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 \$19,545 in 2024.

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 2024. 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 \$2,625 for the Salvation Army Red Kettle during the 2024 holiday season. In addition to our employees raising money, they also manned over 20 hours of bell ringing at a local grocery store.

Employees participated in Salvation Army Angel Tree program providing Christmas gifts for children around the community by donating new clothing and toys to be placed under their family Christmas tree.



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.



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.

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.



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.



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.

Supporting our military community

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.

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.

Supporting our military community



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.



National Military Community Foundation

The National Military Community Foundation is a not-for-profit organization that serves and supports veterans, military spouses, and their families through the recognition of their accomplishments and advocacies. The Armed Forces Insurance Military Spouse of the Year® Program is an activity of the National Military Community Foundation. The foundation also offers education opportunities to veterans and their families to help them make informed decisions on their insurance needs and other financial choices.



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.

Supporting our military community

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.

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.

Great American Patriot Award



L to R- Lieutenant General Clarke, Admiral Lisa Franchetti

Admiral Lisa Franchetti, the 33rd chief of naval operations (CNO), was the 2024 Great American Patriot Award honoree. Presented annually by Armed Forces Insurance at the Lockheed Martin Armed Forces Bowl, the Great American Patriot Award recognizes individuals for their exemplary service to the United States.

Franchetti assumed duties as the Chief of Naval operations on Nov. 2, 2023. Prior to this role, she was the 42nd vice chief of naval operations. A surface warfare officer, Franchetti has commanded at every level and deployed in every fleet, with nearly 20 years of operational and at-sea experience. Her

previous flag assignments include director for strategy, plans, and policy (J5), Joint Staff; deputy chief of naval operations for warfighting development, N7; commander, U.S. 6th Fleet; commander, Naval Striking and Support Forces NATO; and deputy commander, U.S. Naval Forces Europe and U.S. Naval Forces Africa during the 2018 strikes against Syrian chemical-weapons facilities.

Throughout her service, she has led across the globe, including in Korea, Europe, and Africa. At sea, she has served on numerous vessels, including carriers, destroyers, destroyer tenders, replenishment ships, and a hospital ship. Notably, she commanded Destroyer Squadron 21, embarked on the USS John C. Stennis (CVN 74); commanded the USS Ross (DDG 71); and served as commander of Pacific Partnership 2010, embarked on USNS Mercy (T-AH 19).

Ashore, Franchetti's assignments include commander, Navy Reserve Center Central Point, Oregon; aide to the vice chief of naval operations; protocol officer for the commander, U.S. Atlantic Fleet; 4th Battalion officer at the U.S. Naval Academy; division chief, Joint Concept Development and Experimentation, Joint Staff, J7; deputy director of international engagement and executive assistant to N3/N5 on the Navy staff; and military assistant to the secretary of the Navy.

Franchetti is a native of Rochester, New York. She received her commission in 1985 through the Naval Reserve Officer Training Corps Program at Northwestern University, where she earned a Bachelor of Science in Journalism from Medill. She holds a master's degree in organizational management from the University of Phoenix, completed the Harvard Kennedy School's National and International Security program, and was a Massachusetts Institute of Technology Seminar XXI Fellow. In 2024, she received the Naval War College Distinguished Graduate Award.

During her 39-year career in the Navy, Franchetti has been awarded the Defense Distinguished Service Medal, Distinguished Service Medal (two awards), Defense Superior Service Medal (two awards), Legion of Merit (five awards), Meritorious Service Medal (six awards), Navy and Marine Corps Commendation Medal (four awards), and the Navy and Marine Corps Achievement Medal (two awards).

About the Armed Forces Insurance Military Spouse of the Year® Program

The Armed Forces Insurance Military Spouse of the Year® (AFI MSOY) award was founded in 2008 to honor military spouses from all branches of service. More than one million military spouses support and maintain the homefront while our service members defend this great nation.

The AFI MSOY award recognizes military spouses' important contributions and unwavering commitment to the military community and our country. Nominations for AFI MSOY are made by both the civilian and military community. There are four rounds of advancement, culminating in the announcement of the overall AFI MSOY in our nation's capital in early May. AFI MSOY is so much more than an award!

Courtney Barber - 2024 AFI Military Spouse of the Year®

Passion: Advocates for prioritizing mental health within the military community, creating safe spaces, educating families, and collaborating with leaders to empower individuals and strengthen community resilience.

Kimberly Gold - 2024 AFI Army Spouse of the Year

Passion: Advocates for the mental health and wellbeing of military spouses, fostering inclusivity through partnerships and personal mentoring to combat stigma and empower resilient communities.

Liz Henzel - 2024 AFI Marine Corps Spouse of the Year

Passion: Advocates for military pets and families, driving legislative change, leveraging social media and speaking engagements to raise awareness and support, aiming to alleviate burdens during PCS and inspire action within the military community.

Angela Joy Litteral - 2024 AFI Navy Spouse of the Year

Passion: Advocates for military families, focusing on fostering supportive communities and providing easily accessible resources, particularly in financial management, through hands-on engagement and policy advocacy, aiming for long-term empowerment and success.

Danielle Alford - 2024 AFI Air Force Spouse of the Year

Passion: Advocates for the health and well-being of all military spouses, promoting inclusivity through policies, programs, and resources, ensuring comprehensive support and empowerment within the community.

Shawna McQuate - 2024 AFI Coast Guard Spouse of the Year

Passion: Advocates for EFMP families, forging connections with leaders, addressing challenges, and ensuring comprehensive support and understanding within the community.

Courtney Deady - 2024 AFI National Guard Spouse of the Year

Passion: Advocates for infertility and mental health awareness within the military community, utilizing personal storytelling and proactive support to spark meaningful change and foster a supportive environment.

Military Friendly Employer



In 2024, Armed Forces Insurance earned the 2024 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 2024 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 additional external partner carriers.

As of year-end 2024, over 49,000 members had nearly 83,000 policies written through Armed Forces Insurance.



The following summarizes the 2024 financial results for both Armed Forces Insurance Exchange and Armed Forces Insurance Agency.

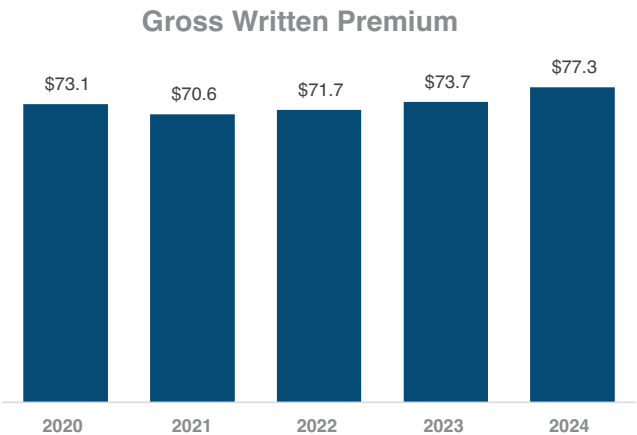
ARMED FORCES INSURANCE EXCHANGE

Income Statement

For 2024, the Exchange reported a statutory net loss of \$13.2 million for the year-ended December 31, 2024. The 2024 result includes a one-time, accounting charge of \$8.5 million relating to the termination of our legacy pension plan which was overfunded and had been in a frozen status since 2020. While negatively impacting net income, the pension termination did not impact our surplus as direct provisions to surplus had been made in prior years. Excluding this one-time charge, the normalized net loss for the year-ended 2024 was \$4.7 million which is an improvement from the year-end 2023 net loss of \$8.4 million.

Premium Growth

Direct written premiums increased by nearly 5% to \$77.3m, representing the third consecutive year of gross premium increases. The current year increase was primarily driven by rate increases. Consistent with most of the property insurance market, we have filed for rate increases in multiple states and lines to ensure that the premium we charge is adequate for the exposures covered.

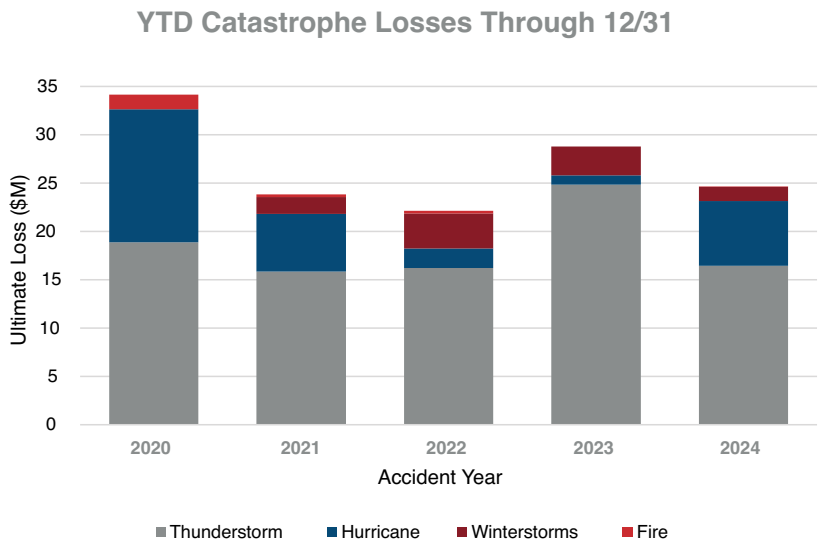


Armed Forces Insurance

Financial highlights

Claims/Incurred Losses

Non-catastrophe losses for 2024 were lower than originally projected reflecting the benefit from the introduction of new rating plans in multiple states over the last several years. While severe convective storm activity was reduced in 2024 relative to 2023 levels, both years remain high relative to long-term averages. In addition, the 2024 result was also negatively impacted by Hurricane losses. The 2024 Atlantic hurricane season was very active with 5 hurricanes resulting in losses to the Exchange, the largest being \$4.5 million from Hurricane Helene which resulted in widespread destruction in Florida, Georgia and the Carolinas. Aggregate hurricane related losses for the 2024 year totaled \$6.7 million compared to less than \$1.0 million in 2023. The total for all catastrophe related losses for accident year 2024 totaled \$24.6 million, down from 2023 accident year losses of \$28.4 million.



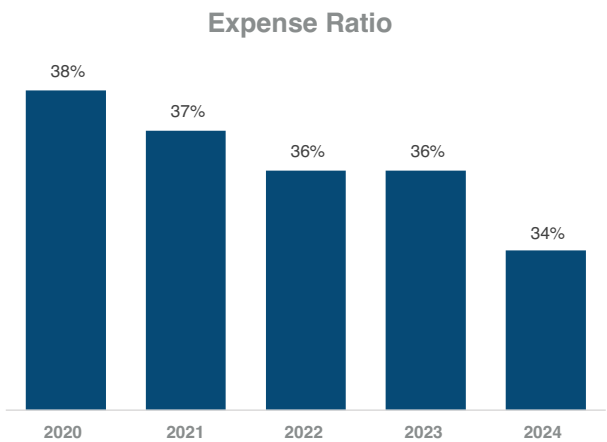
In response to both the continued frequency and severity of convective storm losses, and the potential for other catastrophe related events (i.e., hurricanes, wildfires, earthquake), we have continued to file for select rate increases. As a member organization we do not take premium rate increases lightly – 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, in line with many in the industry, we have updated our underwriting guidelines where the prospect of an adequate premium is not achievable.

Armed Forces Insurance

Financial highlights

Underwriting Expenses

In light of the challenges to profitability, management has remained focused on controlling underwriting expenses to ensure that we can offer our insurance products at a competitive price. As a result of this continued focus on expense management, underwriting expenses were flat compared to the prior year and, with the increase in written premiums, the expense ratio declined to 34% during the year compared to 36% in the prior year. Overall, AFI has reduced the expense ratio by approximately 4 points since 2020.



Investment Income

Fixed income and equity markets had positive returns for the year. Fixed income securities (i.e. bonds), the largest component of AFI's investment portfolio, had an annualized return of 4.4% for the year. Likewise, equity securities were strongly positive in 2024, although returns continued to vary widely by equity class with large growth technology stocks continuing to outpace other equity asset classes.

We had begun to take strategic actions in 2022 to account for then actual and expected future market volatility. These actions included shortening the portfolio duration and moving into high-quality, large cap dividend paying stocks. Net investment income during 2024 was \$2.2 million.

Armed Forces Insurance

Financial highlights

Balance Sheet (\$ thousands)

	2024	2023
Cash and Invested Assets	74,630	79,080
Premium/Reinsurance Receivables	11,718	11,118
Other Assets	5,192	4,914
TOTAL ASSETS	91,540	95,112
Loss & LAE Reserves	17,234	17,892
Unearned Premiums	31,850	30,301
Other Liabilities	7,955	10,696
TOTAL LIABILITIES	57,039	58,889
SURPLUS	34,501	36,223

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. The property insurance industry has faced numerous headwinds in the past several years with rising catastrophe related losses, increased loss costs, a tightening in the reinsurance market, and higher inflation which has created investment volatility. We have certainly not been immune to these effects and the net loss reported for the current year contributed to an overall reduction in surplus of \$1.7 million.

In response to the need to stabilize surplus, and in recognition of the Exchange's reciprocal insurer legal structure, the Board of Directors authorized the Exchange to collect a subscriber contribution on each policy issued beginning on July 1, 2024. The surplus contribution is money set aside as working capital so that the Exchange can build adequate reserves for long-term stability while lowering the cost of capital and ensuring premiums remain competitive. During 2024, these contributions contributed \$2.4 million to surplus.

Our Risk Based Capital ratio – which is a key regulatory measure of risk and financial strength – was 397% at year-end 2024, which is slightly lower than the prior year but remains above the regulatory safe harbor provision of 300%.

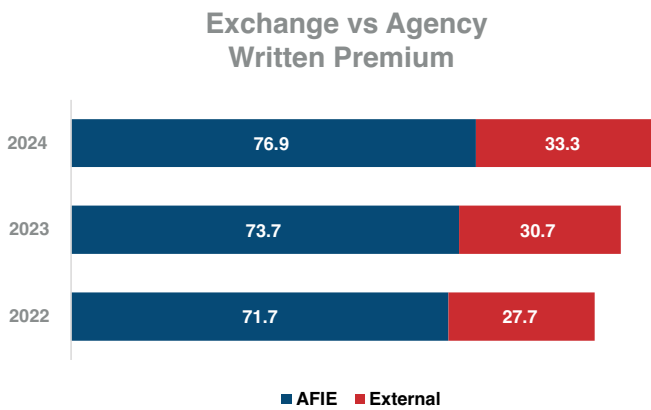
Armed Forces Insurance

Financial highlights

ARMED FORCES INSURANCE AGENCY

The Agency continues to play a vital role in Armed Forces Insurance's ability to serve you, our members. The Agency allows our agents to offer members additional coverage options given its affiliation and access to insurance products written through a network of nationally recognized external insurance carriers.

2024 was another successful year for the Agency. Premiums written, for which the Agency receives revenue in the form of commissions, increased 5.8% compared to the prior year, split between the Exchange and external carriers as noted below.



Overall, the Agency benefited from increased written volume on industry wide rate increases while holding expenses flat compared to the prior year. The combination allowed the Agency to report net income of \$1.6 million in 2024, an increase of nearly \$0.5 million compared to 2023.



Armed Forces Insurance
OUR MISSION IS YOU.®

2024

Insurance products are provided by Armed Forces Insurance Exchange (AFIE), Armed Forces Insurance Agency (AFIA) and its affiliated partners.

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