Navy Mutual Aid Association

Full Rating Report

Ratings

Security Class	Rating
Insurer Financial Strength	A+

Rating Outlook

Stable

Financial Data

($ Mil.)	2012	2013
Total Adjusted Capital	220	255
Surplus Notes	0	0
Statutory Net Income	24	30
Operating Return on TAC (%)	10.4	8.5
Risk-Based Capital (%)	394	469

Note: Statutory data.
Source: NMAA, Fitch.

Related Research

U.S. Life Insurance Statutory Dividend Capacity (June 2014)

Fitch Affirms Navy Mutual Aid Associations' IFS Rating at 'A+' (March 2014)

North American Life Insurers' Financial Leverage and Debt-Servicing Capacity (March 2014)

2014 Outlook: U.S. Life Insurance (December 2013)

Life Insurers' Investment Portfolios-Results of Fitch's Year-end 2012 Survey (September 2013)

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Key Rating Drivers

Strong Capital Levels: Navy Mutual Aid Association's (NMAA) 'A+' Insurer Financial Strength (IFS) rating reflects its strong capital and conservative financial profile. Financial flexibility is considered adequate in respect to NMAA's unique business profile and product portfolio.

High-Quality, Liquid Investment Portfolio: NMAA's investment portfolio is composed of 36% U.S. government-guaranteed or government-sponsored enterprise debt with very low exposure to structured securities. Portfolio yields have consistently been 6% or above, and realized credit losses compare favorably with the life industry over the 2008–2013 period.

Modest Scale and Narrow Focus: NMAA occupies a modest scale position in the life insurance industry and serves a narrow market. Rating considerations included NMAA's limited access to capital markets and the long-term challenge of membership growth due to its niche customer market. Fitch Ratings also considered the potential for defense department budget cuts that might decrease the size of NMAA's target market weighed against the company's own market building efforts.

Strong Business Profile/Niche: NMAA is a low-cost provider of life insurance protection products to the U.S. Sea Service members and their families. NMAA exhibits a conservative investment and product profile with predictable cash flows. Product liabilities are composed predominantly of term and whole life insurance products with more predictable characteristics and do not have the same volatility of variable annuity products.

Prudently Managed Reserves: Fitch believes that NMAA's "war risk" is prudently managed and that mortality experience is within expectations despite the current military conflicts of the United States of America.

Macroeconomic Uncertainty: Uncertain monetary policy and ongoing discord among government officials pose risks to the economy and credit outlook and could have a material negative effect on NMAA's earnings and capital in a severe, albeit unexpected, scenario.

Rating Sensitivities

Downgrade Triggers: A decline in RBC below 300% of the company action level, a spike in investment-related losses, a trend of sustained net operating losses, increased war risk exposure, or a change in tax or regulatory status could trigger a downgrade.

Upgrade Triggers: Fitch views NMAA at the upper end of its IFS range. NMAA's ratings are based in part on its unique profile as a nonprofit institution serving a narrow customer base. Fitch believes NMAA's strategy, which provides high-value products to its customers and maintains prudent levels of reserves and capital (rather than generating stronger earnings and higher capital levels), limits the upside range of its IFS rating.

Market Position and Size/Scale

- Narrow focus and small scale.
- Stable business profile with defensible niche.
- Membership growth may become more challenging.
- Value-added products/low-cost distribution.

Narrow Focus and Small Scale

NMAA serves a unique customer base of current or former members of the U.S. Sea Services and their families. The company's market and membership (see Appendix A for details) is largely confined by individuals who are either on active duty, reserves, or retired. These three categories make up over three-fourths of its total membership. NMAA also has members who are veterans, but are not yet at retirement age. These limitations constrain the focus and scale of the company compared to many peers in the life insurance industry, a negative factor in Fitch's rating considerations.

However, NMAA possesses several factors and favorable characteristics, which allow Fitch to rate NMAA above the range typical for insurers with similar focus and scale. A mitigating factor is NMAA's strong reputation for integrity and service to its customer base that enhances its value proposition to potential members. NMAA expanded its market in recent years by gaining legislative exemptions in eight states to market to honorably discharged Sea Service veterans without being subject to state insurance regulations. Policies for spouses and children of members have also been an area of growth for NMAA.

Stable Business Profile with a Defensible Niche

NMAA exhibits a stable business profile due to its unique customer base and favorable business mix of traditional life insurance and annuities with conservative features. Fitch considers NMAA to have a secure position in its niche as a provider of insurance to its membership, based on its service quality, efficient operations and exceptionally competitive insurance products. More than 90% of product reserves are for individual life insurance products. NMAA's very competitive crediting rates and low-cost term insurance provides members with value and builds member loyalty.

NMAA exhibits a substantial cost advantage versus many life insurers, as evidenced by its very low, less than 1%, average expense ratio (expense to assets). A number of factors contribute to this low-cost structure, including low overhead, lack of commissioned agents, exemption from state premium tax and insurance regulation. In addition to low expenses, Navy Mutual also benefits from its nonprofit status and a low mortality rate, reflecting the general health of the population segment targeted by NMAA and its medical underwriting process.

Membership Growth May Become More Challenging

Fitch views growth in the number of new NMAA members as one of its long-term challenges. While all four services will see reductions of force in the near future, the Navy is expected to see only modest manpower reductions of a few hundred sailors from current approximately 324,000 sailors. Marine Corps manpower cuts are estimated to be 15,000 by 2017 to 182,000. Under the Pentagon's 2014 budget, military personnel spending will fall to the lowest point since 2008, mainly through cuts to compensation and a decline in the force from its wartime peak.

NMAA has been successful in penetrating its target market, partly based on geographic expansion. Fitch believes that NMAA's increased marketing of its needs-based value proposition, service excellence and education benefits are important tools in reaching more

Related Criteria

Insurance Rating Methodology (November 2013) members. NMAA's membership was approximately 105,500 at year-end 2013. This is a sizable increase after hovering around 100,000 between 2008 and 2012. Slightly less than half are active duty or reservist.

Value-Added Products/Low-Cost Distribution

NMAA serves its defined market with an uncomplicated selection of insurance and annuity product offerings. NMAA's insurance products do not carry coverage restrictions related to war or military service that are often imposed by other insurance carriers. In addition, NMAA is congressionally chartered as a veterans' service organization and provides veterans with information about service-related benefits, such as survivor assistance, educational and other federal benefits.

NMAA currently offers two basic life insurance products: interest-sensitive whole life insurance and term life insurance. Additionally, NMAA offers a number of death benefit settlement options for beneficiaries, as well as offering an accelerated death benefit option and a long-term care option. NMAA also offers a limited number of fixed annuity products, including a single premium deferred annuity (SPDA), a flexible premium deferred annuity (FPDA) and a single premium immediate annuity (SPIA).

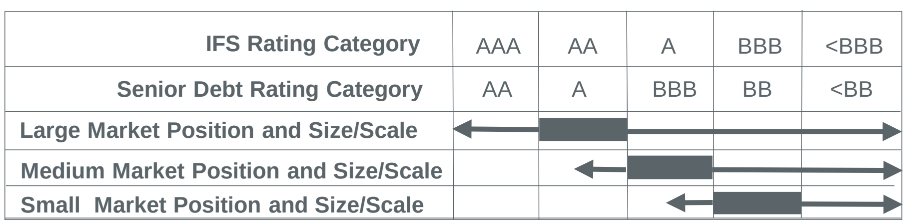
NMAA's operating performance benefits from its noncommissioned sales channel. New sales are generated through two main sources: direct marketing and member referrals. NMAA's sales are conducted only by salaried employees out of its home office in Arlington, VA.

Corporate Governance and Management

Corporate governance and management are adequate and neutral to the rating.

Johnson Lambert & Co, LLP is NMAA's auditor. The audit opinion for 2013 was unqualified. NMAA reports results under statutory accounting principles.

Ratings Range Based on Market Position and Size/Scale



Ownership Is Neutral to the Rating

NMAA is a mutual aid association formed in 1879 to provide life insurance benefits to its members, who must meet certain criteria to be eligible to join. In NMAA's case the criteria is associated with being a part of the Sea Services. NMAA's ownership structure compares most closely with that of a mutual insurance company.

Fitch believes mutual ownership is a neutral factor at NMAA's rating level. However, Fitch recognizes that relative to the return-focused view of stock ownership, mutual ownership promotes a stronger focus on maintaining financial strength and aligns the interests of managers with those of policyholders. NMAA's nonprofit, federal tax-exempt status also provides an advantage over tax-paying competitors.

Eligible membership currently includes all uniformed personnel of the Navy, Marine Corps, Coast Guard, uniformed officers of the National Oceanic and Atmospheric Administration (NOAA) and U.S. Public Health Service Commissioned Corps (USPHS), including all enlisted and officer grades, regular, reserve and retired, as well as honorably discharged veterans living in certain states.

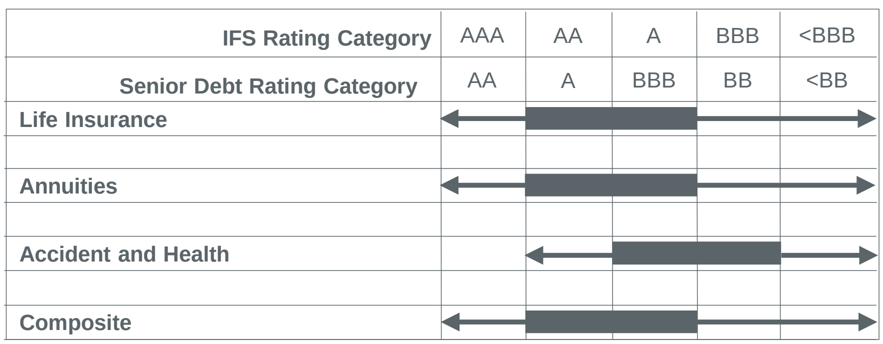
Industry Profile and Operating Environment

U.S. Life Industry Has Strong Balance Sheet Fundamentals

A majority of U.S. life insurers in Fitch's rated universe have IFS ratings in the 'AA' and 'A' categories. Key industry risk factors include: fixed-income and equity investment risks, macroeconomic uncertainty, low interest rates and intense price competition, as well as regulatory and accounting uncertainty. The industry withstood the 2008–2009 financial crisis reasonably well, with capital largely rebounding due to earnings, investment gains and capital raises.

Balance sheets reflect very strong liquidity, reasonable financial leverage and improved asset quality. Improved earnings continue to lag precrisis levels due to low interest rates and increased hedging costs. The industry's large in-force book of variable annuity business will continue to be a drag on profitability over the near term and could cause a material hit to industry earnings and capital in an unexpected, but still plausible, severe stress scenario.

Ratings Range Based on Industry Profile/Operating Environment



Peer Analysis

NMAA Compares Well with 'A+' Peers

While small in scale and considered a niche writer, NMAA has solid credit fundamentals and has risk-adjusted capital strength comparable with that of other life insurance companies rated 'A+'. Profitability measures, such as return on total adjusted capital (TAC), are moderately below those of peers, as expected, considering NMAA's high level of distribution of excess earnings to policyholders. Fitch notes NMAA's risky asset ratio is lower than most selected peers. NMAA's main market competitors are selected, similarly rated benefit societies and commercial insurance companies that typically target members of the military. As a result of its low cost structure and mortality experience, NMAA's insurance policy rates and distinctive survivor benefit services compare very favorably with each of these competitors.

Peer Comparison

(As of Dec. 31, 2013)	Insurer Financial Strength	Risk-Based Capital (%)	TAC U.S. ($ Mil.)	Assets/ TAC (x)	Operating Leverage (x)	Risky Assets/ TAC (%)	Financial Leverage Ratio (%)	Pretax Return on Total Assets Post-Dividend (%)	Operating Return on TAC (%)
Navy Mutual	A+	469	255	10.9	9.9	33	0	0.73	8.5
Pan American Life	A	556	267	5.4	4.4	60	8	2.63	13.5
Horace Mann Life Ins.	A	469	403	18.1	12.8	75	20	1.55	12.1
Symetra Financial	A+	461	2,177	12.8	9.5	91	16	0.82	9.6
USAA Life Insurance Co[a].	NR	597	2,113	10.0	9.0	31	3	2.11	12.5

[a]Rating affirmed at 'AAA' and withdrawn June 4, 2014. TAC – Total adjusted capital. NR – Not rated. Note: Financial leverage is for parent holding company.
Source: Fitch Ratings, SNL Financial.

Capitalization and Leverage

	2009	2010	2011	2012	2013	Fitch's Expectation
Total Adjusted Capital ($ Mil.)	200	217	221	220	255	RBC will remain near its current level in 2014. TAC growth in the single digits is expected.
Risk-Based Capital[a] (%)	360	379	399	394	469	
Adjusted Assets/TAC (x)	11.9	11.8	12.1	12.2	10.9	
Financial Leverage Ratio	—	—	—	—	—	

[a]Fitch estimate. TAC – Total adjusted capital.
Source: NMAA, Fitch.

Strong Capital, Policyholder Dividend Flexibility

- Stronger risk-adjusted capital.
- Capital flexibility due to whole life book.
- No financial leverage or reliance on capital markets.

Stronger Risk-Adjusted Capital

Fitch views NMAA's estimated National Association of Insurance Commissioners (NAIC) statutory risk-adjusted capital ratio (RBC) as strong. Both TAC and RBC are improving, moving to $255 million and 469% at Dec. 31, 2013 from $220 million and 394% at year-end 2012, respectively. In 2013, TAC increased due to positive operating income, realized and unrealized appreciation on investments.

NMAA carefully monitors and manages its risk-adjusted capital levels, as a mutual aid association that is not subject to state regulation. As such, NMAA is not required to comply with any particular state's insurance regulations.

Key elements of NMAA's capital profile include its large book of predictable participating individual life reserves and its high-quality investment portfolio. Fitch's assessment of capital allows for the inclusion of prepaid home office occupancy costs, which accounts for about 1.5% of NMAA's TAC. Occupancy costs are often permitted by state insurance regulation, but not NAIC statutory accounting practices.

TFC is a nonrisk-based leverage measure that expands on traditional measures of financial leverage to include all forms of debt, including match-funded and other operational debt, as well as debt supporting long-term capital needs and liquidity and working capital needs. During periods of market disruptions, and lost access to capital markets funding, such operational and off-balance sheet commitments can become a direct source of vulnerability to an organization.

Capital Flexibility Due to Whole Life Book

Fitch believes that management has the flexibility and discipline to adjust whole life excess earnings distributions if necessary to maintain strong levels of capital. For the four-year period ending Dec. 31, 2013, TAC grew at a 6.3% CAGR, despite the high rate of excess earnings paid out to participating policyholders.

No Financial Leverage or Reliance on Capital Markets

NMAA currently employs no financial leverage in its capital structure nor does it have any operating debt, which adds to the quality of its balance sheet and capital. During 2012, NMAA terminated its security lending program. This program was the only debt component of its low total financings commitments (TFC) ratio. That ratio is now zero.

Financial Performance and Earnings

	2009	2010	2011	2012	2013	Fitch's Expectation
Pretax Gain from Operations ($ Mil.)	20	8	4	23	20	For 2014, NMAA will report operating performance similar to 2013, driven by low expenses, solid levels of investment income and low credit-related investment losses. Fitch expects the company will generate high single-digit operating returns on TAC for 2014.
Net Income ($ Mil.)	10	3	16	24	30	
Pretax Return on Total Assets Post-Dividend (%)	0.86	0.32	0.14	0.85	0.73	
Operating Return on TAC (%)	11.0	3.8	1.7	10.4	8.5	
Growth in Revenues (Before Realized Gains) (%)	15	2	3	(3)	0.8	

TAC – Total adjusted capital. Note: Excludes realized capital gains/(losses).
Source: NMAA, Fitch.

Operating Performance

- Improved operating profitability.
- Consistent earnings drivers with occasional mortality spikes.
- Well-managed and very low expenses.

Improved Operating Profitability

NMAA's operating profitability improved over the past two years and currently is at a level in line with Fitch's median guidelines for the rating category and other peer mutual companies. Still as a mutual entity, NMAA's primary goal is value for its members, not generating a significant statutory profit. As part of its strategy NMAA allocates profits to participating policyholders that are in excess of market averages. As a result profitability is likely to be lower than nonmutual peers. Fitch expects operating returns on TAC of 7%–10% for 2014.

Consistent Earnings Drivers with Occasional Mortality Spikes

Key drivers of NMAA's earnings are its low run-rate mortality, consistent investment income and low expenses. Due to these factors, net gain from operations before realized gains/(losses) has been a steady contributor to net earnings, while some volatility in income has resulted from realized gains/(losses) on investments (bonds in 2012 and common equity in 2011 and 2013).

Generally NMAA's run-rate mortality experience is low due to the better than average health profile of its target market. The exception seems to be occasional mortality spikes due to war casualties. Overall mortality experience continues be within pricing expectations.

Investment income, an important driver of NMAA's earnings, has been strong, with a portfolio yield consistently at 6% or above. Like other life insurers, the company is affected by the lower interest rate environment with pressure on interest margins. The company has taken defensive action with its product crediting rates and investment composition to mitigate the drop in new money yields.

Well-Managed and Very Low Expenses

NMAA consistently manages expenses (expenses to total assets) to a level below the average company in the life industry. Although spending increased in 2013 and 2012 due to systems updates, expanded marketing and increased staffing, NMAA averaged a 0.98% general expense ratio the past two years, which is still low compared with 1.93% for the life insurance industry over the same period. Very low acquisition costs (no commissioned sales force, moderate advertising), no premium taxes and focused target markets drive the low expense levels.

Investments and Asset Risk

	2009	2010	2011	2012	2013	Fitch's Expectations
Cash and Invested Assets ($ Mil.)	2,341	2,499	2,653	2,655	2,746	Navy Mutual will maintain a high-quality investment portfolio. Credit-related investment impairments will be low.
Below Investment-Grade Bonds/TAC (%)	19.0	16.0	16.9	13.5	4.0	
Risky Assets Ratio (%)	71	72	48	48	32	
Investment Yield (%)	6.5	6.3	6.2	6.3	6.2	

TAC – Total adjusted capital.
Source: NMAA, Fitch.

High-Quality Investment Portfolio Provide Income and Liquidity

- High credit quality.
- Strong investment performance
- Acceptable market risk.

High Credit Quality

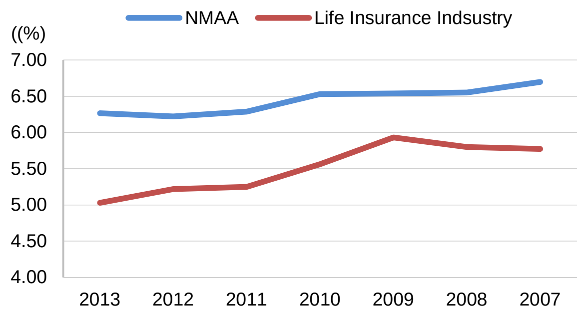
Maintaining a high credit quality fixed-income portfolio is a key strategy for NMAA as seen in its low below investment-grade bonds (BIGs)-to-TAC ratio and risky assets ratio. For year-end 2013, these ratios declined to approximately 4% and 32%, respectively, which is significantly lower than the life industry's exposure to these metrics. NMAA does not buy BIGs as per its investment policy. Below investment-grade bonds were only 1.2% of the bond portfolio at year-end 2013.

NMAA's investment portfolio was 84% bonds at year-end 2013. NMAA has low exposure to commercial mortgages or residential mortgages and no subprime or Alt-A residential securities. NMAA has consistently increased its private placement investment in recent years to 22% at year-end 2013. NMAA limits its aggregate investment in common stocks, direct mortgages and private real estate trusts to 6% of total assets.

Strong Investment Performance

Fitch expects low credit-related losses and continued strong investment income generation in 2014. NMAA investment portfolio generates consistent, strong levels of investment income and has experienced very low credit-related losses over the last five years. Investment income, an important driver of earnings, has been strong, with a portfolio yield consistently at 6% or above. NMAA has performed better than most of the life industry, but expects lower investment yields due to lower reinvestment (new money) yields.in 2014.

Net Investment Yield



Source: Company, Fitch.

Acceptable Market Risk

In the last three years, NMAA decreased its investment allocation to equities reflecting the desire for less capital volatility. At Dec. 31, 2013, common stock investments declined to 2.3% of the investment portfolio. NMAA's long-duration bond portfolio exhibits price risk to a rising interest rate scenario, but has performed well in the declining interest rate scenario. Fitch considers this risk as reasonable since yields on these assets are normally well above the minimum yields required to fulfill the liability requirement, thus minimizing the reinvestment risk. NMAA's bond portfolio typically is of long duration to match the life insurance-dominated liability portfolio.

Asset/Liability and Liquidity Management

	2009	2010	2011	2012	2013	Fitch's Expectations
Liquidity Ratio (%)	97.7	92.1	87.8	85.8	83.5	NMAA's product portfolio is heavily weighted toward life insurance. Fitch expects this to continue.
Operating Cash Flow Coverage (x)	1.9	1.8	1.6	1.5	1.3	
Total Adjusted Liabilities and Deposits ($ Mil.)	2,181	2,355	2,461	2,476	2,525	

Source: Fitch.

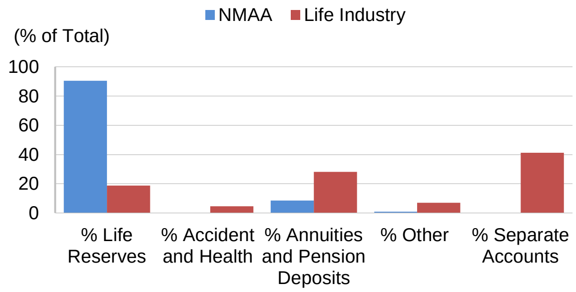
Conservative Products and Good Liquidity

- Conservative products
- Good liquidity.
- Sound asset liability management.
- Unique mortality risk due to war catastrophe.

Conservative Products

NMAA has a relatively low risk liability profile. NMAA's signature product is its interest-sensitive whole life insurance policy and it has a modest line of annuity products. As of Dec. 31, 2013, life insurance accounts for approximately 90% of the company's $2.5 billion of consolidated general account reserves, while retail annuities account for just 9%. Fitch views the primary product, participating whole life, as relatively low risk, given the long-duration liabilities and limited disintermediation risk.

Adjusted Liabilities and Separate Accounts
(Year End 2013)



Source: NMAA.

NMAA also has not followed the trend of increased product complexity, which requires more sophisticated financial management and increased regulatory and operational risk. It has largely avoided the industry trend towards increasing market-based investment risks and investment guarantees.

Good Liquidity

Fitch considers NMAA's liquidity to be good. The drivers of NMAA's liquidity are the composition of the invested assets and conservative, marketable securities. Additionally, good levels of cash flow from operations provide an added level of comfort regarding the protection provided to policyholders.

Sound Asset Liability Management

Fitch considers NMAA's asset liability management to be sound. NMAA conducts cash flow studies under a variety of standard interest rate and equity market scenarios to ensure that its cash-flow matching is sufficient to mitigate any potential disintermediation. Test results from 2013 were favorable even under severe interest rate and equity market scenarios. Both of these products may be under some earnings pressure if interest rates undergo a rapid increase.

Unique Mortality Risk Due to War Catastrophe

NMAA maintains a reserve for war risk and other adverse deviations, which is designed to protect against long-term excess claims due to war and other risks. Fitch believes that NMAA's war risk is being prudently managed and mortality experience is within expectations despite the escalated levels of worldwide conflict in recent years. NMAA estimates that a very low percentage of its in-force membership is currently deployed in areas where war risk is a factor. See the *Reserves* section for more detail.

Reinsurance, Reserves and Catastrophe Risk

Reserve and Risk Mitigation Techniques Are Adequate

- Sound reserving.
- Risk management is adequate.
- New term reinsurance.

Sound Reserving

NMAA's special war risk reserve was voluntarily established to protect against long-term excessive claims due to war or other risks and adverse investment yield scenarios. Fitch views the presence of the reserve as additional conservatism on the company's part and as support for the rating. The reserve was $25.0 million at Dec. 31, 2013 and $25.8 million at year-end 2012.

Fitch believes NMAA's current method for estimating war reserves is reasonable and provides adequate, margin of error for likely events. Since mortality spikes can occur, which utilize the reserve, the lower reserve may cause a more substantial, temporary decrease in profitability while reserves are replenished if the mortality event is large enough.

NMAA reported no increase in reserves for changes in reserving methodology for 2013. In 2011, NMAA also implemented a new, more sophisticated actuarial modeling system for product reserves. Implementing the new model led to a combined $59 million increase in life-related product reserves in 2011 and 2012. NMAA's reported $2.1 billion in life reserves at year-end 2013.

Risk Management Is Adequate

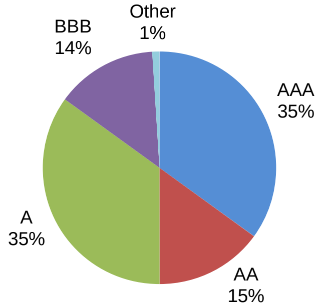
Fitch notes nothing unusual with respect to NMAA's risk management practices relative to industry norms. NMAA continues to manage risk by taking a relatively conservative stance on product risk.

New Term Reinsurance

NMAA entered into a coinsurance treaty with Hannover Life Re covering new level term business effective Jan. 1, 2014. Fitch views the relationship with Hannover to be beneficial with respect to maintaining strong underwriting and risk management techniques for NMAA's book of business.

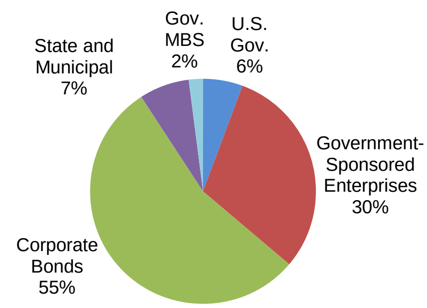
Appendix A: Additional Financial Exhibits

Bond Portfolio by Credit Rating
(Dec. 31, 2013)



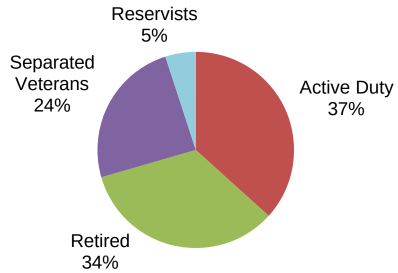
Source: NMAA.

Bond Portfolio by Bond Type
(Dec. 31, 2013)



Source: NMAA.

NMAA Member Profile
(Dec. 31.2013)



Note: Separated vetrerans are veterans who have not reached retirement age.
Source: NMAA.

Operating Performance

($ Mil.)	2013	2012	2011	2010	2009	2008	2007	2006
Total Premium Income	76	75	87	87	89	64	51	52
Investment Income	165	163	158	151	146	139	135	129
Total Revenue	241	239	246	239	236	205	186	181
Gain Before Federal Income Tax and Dividend	20	23	5	40	54	46	44	44
Policyholder Dividend	0	0	2	32	34	33	32	31
Pretax Gain from Operations	20	23	4	8	20	13	12	13
Federal Income Tax	0	0	0	0	0	0	0	0
Net Operating Gain	20	23	4	8	20	13	12	13
Realized Capital Gains	10	1	13	(5)	(10)	(1)	8	1
Net Income	30	24	16	3	10	12	21	14
Total Net Admitted Assets	2,779	2,697	2,681	2,572	2,380	2,230	2,172	2,074
Operating Return on Total Adjusted Capital	8.5	10.4	1.7	3.8	11.0	7.0	6.2	7.4
Pretax Return on Total Assets Predividend	0.74	0.86	0.20	1.62	2.34	2.09	2.07	2.16
Pretax Return on Total Assets Post-Dividend	0.73	0.85	0.14	0.32	0.86	0.59	0.58	0.64
Pretax Operating Margin	8.35	9.55	1.55	3.29	8.40	6.28	6.63	7.18
Expense Ratio	1.14	0.83	0.59	0.51	0.48	0.49	0.42	0.41
Net Investment Yield	6.23	6.26	6.22	6.29	6.53	6.54	6.55	6.60

Note: Statutory accounting principles.
Source: Navy Mutual Aid Association.

Capitalization

($ Mil.)	2013	2012	2011	2010	2009	2008	2007	2006
Beginning of Period Total Adjusted Capital	220	221	217	200	161	208	192	158
Net Operating Gain	20	23	4	8	20	13	12	13
Net Realized Gain/(Loss)	10	1	13	(5)	(10)	(1)	8	1
Change in Unrealized Gain/(Loss)	6	6	(17)	15	23	(58)	(0)	20
Change in Reserve Valuation	0	(22)	17	(1)	7	0	0	0
Paid in Capital/Surplus	0	0	0	0	0	0	0	0
Dividends to Stockholders	0	0	0	0	0	0	0	0
Other Changes	(1)	(9)	(13)	1	(1)	(1)	(4)	0
Total Changes	34	(0)	4	17	38	(47)	16	34
End of Period Total Adjusted Capital	255	220	221	217	200	161	208	192
Statutory Surplus	231	195	199	191	175	140	179	163
Asset Valuation Reserve	24	25	21	26	25	21	30	28
1/2 Policyholders' Dividends	0	0	0	0	0	0	0	0
Regulatory Capital (Total Adjusted Capital)	255	220	221	217	200	161	208	192
Req. Capital (Company Action Level)	54	56	55	57	55	46	60	58
RBC Ratio (%)	469	394	399	379	360	347	350	332
Asset Leverage (Assets/ Total Adjusted Capital) (x)	10.9	12.2	12.1	11.8	11.9	13.8	10.4	10.8
Operating Leverage (Adjusted Liabilities/Total Adjusted Capital) (x)	9.9	11.2	11.1	10.8	10.9	12.8	9.4	9.8

Note: Statutory accounting principles.
Source: Navy Mutual Aid Association.

Appendix B: Other Ratings Considerations

Below is a summary of additional ratings considerations of a “technical” nature that are also part of Fitch’s ratings criteria.

Notching

The U.S. is a “strong” regulatory environment with restrictions on payments from the regulated insurance entities to holding companies and priority afforded policyholder obligations.

Hybrids — Equity/Debt Treatment

Not applicable.

Recovery Analysis and Recovery Ratings

Not applicable.

Exceptions to Criteria/Ratings Limitations

None.

Notching Summary

IFS Ratings
A baseline recovery assumption of Good applies to the Insurer Financial Strength (IFS) rating and standard notching was used based on the existence of policyholder priority.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.