

140th Annual Meeting Minutes

[The Annual Meeting convened at 1200 hours, 11 June 2019, at the Army Navy Country Club, Arlington, VA.]

GEN Dennis J. Reimer (US Army, Ret) Chairman of the Board of Directors, called the 140th Annual Meeting to order. GEN Reimer recognized several notable AAFMAA Members in attendance: General Don Babers, Director Emeritus and former Chairman of the AAFMAA Board; GEN Frederick Kroesen, our longest tenured Member (with over 68 years of loyal membership) and our oldest Member in attendance (at age 96); and CPT William "Matt" Fava, our youngest Member in attendance.

Last year's meeting was on 12 June 2018. The minutes were published and distributed to all Members. A motion to waive the reading of the minutes was made, seconded, and the minutes were approved unanimously.

GEN Reimer noted that for over 140 years, AAFMAA has been serving the American Armed Forces community. As our Nation's longest standing non-profit association serving the military and veterans, AAFMAA continues to provide the same superlative personal service that all Members have enjoyed for all those years. AAFMAA's non-compensated Board remains focused on strategy, policy, and succession planning. The Board is fully committed to AAFMAA's success and, importantly, to caring for you and your families.

AAFMAA now has over \$25.2 billion of life insurance in force. We insure nearly 102,000 lives of Members and your families with over 123,000 policies in force. In 2018, we helped over 16,700 survivors obtain 100% of the benefits earned through their loved one's service.

AAFMAA had solid investment success in 2018. These investment results added to the strong financial foundation of the Association. Our financial strength allowed us to continue paying an industry-leading 5.75% Crediting Rate through 2019. This directly benefits you, our Members, because the Crediting Rate helps build the cash value of all Value-Added Whole Life, **ANNUITY**Life®, and Wealth Builder Life Insurance policies.

We also help Members plan their financial future through AAFMAA Wealth Management & Trust LLC (AWM&T), which provides financial planning, investment management, and trust services while meeting a fiduciary standard.

AAFMAA Mortgage Services LLC (AMS) continues to grow and attract new Members to AAFMAA by providing residential mortgage solutions and refinancing options. In 2018 AMS added a new office in Wilmington, NC and a new office in Virginia Beach, VA. They now have four offices and licenses approved in twenty-three states.

GEN Reimer asked Members to continue to tell others about AAFMAA so that we can serve even more men and women who have served our great Nation.

Walt Lincoln, our President and Treasurer, as specified in our Constitution, is the principal executive officer of the Association, controlling all of its business, affairs, and property. He has built and leads an incredibly talented team, 37% of which are military related, that focuses solely on you, the Member and your survivors. He then turned the meeting over to MAJ Walter R. Lincoln (US Army, Ret) to deliver the President's Report.

MAJ Lincoln explained that much of what he will discuss is included in the Annual Report, which is included in this report by reference. He then highlighted some of the aspects of AAFMAA's success over the past year:

The Risk-Based Capital (RBC) ratio is a standard measure in the insurance industry to compare capital with liabilities. Our RBC ratio is above the Virginia code level; more than double that level. Everyone should be very comfortable that our assets are sufficient to cover all our obligations.

Where we invest our money determines our rate of return. The rate of return needed to meet our obligation to pay all your survivors is called the Actuarial Interest Rate (AIR). For 2018, our AIR was 2.54%. That means as Treasurer, if I took every dollar and invested it at 2.55%, I could be out here on the golf course everyday letting those results flow in. We don't do that. In fact, we invest to get a higher rate of return so the cash values of your policies, and therefore the death benefits, grow. Last year our Net Yield on Assets was 3.8%, which is well above the AIR of 2.54%.

How do we do this and monitor our costs? Last year, our expense per policy per month was \$3.96 compared with a standard of \$4.10. That difference goes into the reserves making AAFMAA ever stronger.

We returned to the Members \$86 million last year. That is death benefits, cash surrender values, and services that went back to the Members or their survivors.

Solutions for YOUR Financial Future

General Reimer mentioned that we've expanded. We created the trust company, in 2012. We created the mortgage company, in 2016. I'd like to just put this into a bit of perspective, because we think in terms of start-up, expansion, and getting to a stable level – and almost every company goes through those three phases. For example, Amazon was founded in 1994; it went public in 1997. In what year was Amazon first profitable? 2011. It took them that long to get through the start-up phase.

Contrast that with AWM&T, led by Steve Mannell, which was formed in 2012, went profitable in December of 2017 and has been profitable ever since. It will become even more profitable. What Steve and his team have done is start from zero and cross the profitability line in half the time we projected to the North Carolina Commissioner of Banks.

AMS, led by Jim Malley, is in the start-up phase. Last month, May 2019, AMS closed 29 loans for \$9.5 million which compares very favorably with May 2018, where they only closed eight loans for \$1.5 million. AMS has had phenomenal growth.

That growth requires three things: patience, persistence, and presence. Patience is on our side because AAFMAA's leadership provides time for the team to be a success. If you look at persistence, we have persistently been advertising the mortgage company. We're using TV commercials, which contribute significantly to new Members that had never heard about AAFMAA before. With regard to presence, we have the four offices that General Reimer mentioned and we are expanding licensing across the country. By the end of this year, we'll be licensed in 27 states where we can sell to roughly twenty million veterans and active duty. There's a huge potential. Our Members deserve to get the lowest mortgage rate and the best service.

The three imperatives that we must achieve are: sell more, control costs, and invest wisely. You've already heard about the sales of the trust company and the mortgage company. The insurance company every month this year has exceeded its sales goals. The second imperative is to control costs. As I mentioned, our expense per policy per month limit is \$4.10 and we hit \$3.96. The third imperative is to invest wisely. We have a diversified portfolio that achieved 3.8%, compared to our AIR of 2.54%.

I've had the great privilege of serving under General Kerwin, General Davison, General Sennewald, Lieutenant General Babers, and now General Reimer. After 27 years, I've been here for almost 20% of AAFMAA's lifetime. In that time, every chairman has given me their absolute trust, and for that, I thank General Babers and General Reimer, present today.

We created a new constitution in 2000. We built a financially robust and growing company to provide **Solutions for YOUR Financial Future.**

The great golfer Bobby Jones once said, "If you took away all the years of my life and left me only those at Saint Andrews, I'd still have a full and happy life." I say the same for my years at AAFMAA. Thank you.

This concluded the President and Treasurer's Report. A motion to approve the report of the President and Treasurer was made, seconded and approved unanimously

GEN Reimer then called on AAFMAA Executive Vice President and Secretary, BG Mike Meese, (USA, Ret) to provide the results of the Nominating Committee and proxy balloting. The Nominating Committee consisted of: COL Michael A. Wright, USA, Ret, Chair, and LTC John V. Scudder, USA, Ret, Member, and COL Mark D. Troutman, USA, Ret, Member. The Association thanked the nominating committee for its time and effort. The committee nominated CW3 Robin H. Boudiette, Jr., USA, Ret, for his 2nd term; RADM Janice M. Hamby, USN, Ret, for her 2nd term; CSM George L. Horvath, USA, Ret, for his 1st term; and MG William M. Matz, USA, Ret, for his 2nd term. Proxies were received, duly counted and certified by an independent proxy service. All nominees were elected by the membership and their terms will continue until the Annual Meeting in 2023. This concluded the results of the Nominating Committee and proxy balloting. A motion to close the nominations and elect the nominees was made, seconded and the nominees were elected.

Since there was no new business to be brought before the meeting, the 140th Annual Meeting of AAFMAA adjourned at 1245 hours.

