

MUTUAL ASSURANCE SOCIETY OF VIRGINIA STATEMENTS  
OF ADMITTED ASSETS, LIABILITIES, AND POLICYHOLDERS'  
SURPLUS-UNAUDITED YEARS ENDED DECEMBER 31, 2019  
AND 2018

	2019	2018
<b>ADMITTED ASSETS</b>		
<b>Investments:</b>		
Bonds, at amortized cost	\$ 79,098,008	\$ 81,094,054
Common stocks, at fair value	232,339,398	185,179,289
Real estate	735,168	814,206
Cash and short-term investments	<u>9,255,223</u>	<u>1,648,980</u>
Total cash and invested assets	321,427,797	268,736,529
Accrued investment income	998,656	971,452
EDP equipment, net	76,566	56,609
Other admitted assets	<u>548,429</u>	<u>1,558,319</u>
Total Admitted Assets	<u>\$323,051,448</u>	<u>\$271,322,909</u>

**LIABILITIES AND  
POLICYHOLDERS' SURPLUS**

<b>Liabilities:</b>		
Losses	\$ 2,749,978	\$ 3,160,964
Loss adjustment expenses	453,970	744,907
Other expenses	978,546	714,273
Unearned premiums	8,637,766	7,006,651
Net deferred taxes	24,545,239	13,937,207
Ceded reinsurance premiums	219,141	165,676
Deferred compensation	1,104,628	1,067,152
Liability for pension benefits	2,577,299	2,012,693
Other liabilities	<u>165,897</u>	<u>448,748</u>
Total liabilities	41,432,464	29,258,271
<b>Policyholders' Surplus</b>	<u>281,618,984</u>	<u>242,064,638</u>
Total Liabilities and Surplus	<u>\$323,051,448</u>	<u>\$271,322,909</u>

MUTUAL ASSURANCE SOCIETY OF VIRGINIA STATEMENTS  
OF INCOME-UNAUDITED YEARS ENDED DECEMBER 31,  
2019 AND 2018

	2019	2018
<b>Income:</b>		
Premiums earned	\$ 15,336,667	\$ 13,261,688
Less reinsurance ceded	<u>5,876,131</u>	<u>5,620,333</u>
Net premiums earned	9,460,536	7,641,355
Net investment income	6,753,423	6,594,566
Realized capital gains, net of taxes	4,008,714	6,449,440
Other income	<u>46,103</u>	<u>17,876</u>
Total income	<u>20,268,775</u>	<u>20,703,237</u>
<b>Expenses:</b>		
Losses	7,541,962	14,275,985
Loss adjustment expenses	1,965,644	2,331,039
Other underwriting expenses	<u>8,592,180</u>	<u>7,768,532</u>
Total expenses	<u>18,099,786</u>	<u>24,375,556</u>
Net gain/(loss) before income taxes	2,168,990	(3,672,319)
Provision for income tax benefit	<u>(1,384,887)</u>	<u>(3,044,558)</u>
Net gain/(loss)	<u>\$ 3,553,877</u>	<u>\$ (627,761)</u>

**STATEMENTS OF POLICYHOLDERS' SURPLUS-UNAUDITED  
YEARS ENDED DECEMBER 31, 2019 and 2018**

	2019	2018
Surplus, beginning of year	\$242,064,638	\$258,027,902
Net gain/(loss)	3,553,877	(627,761)
Unrealized gain/(loss), net of taxes	36,966,508	(16,726,032)
Other surplus adjustments	<u>(966,039)</u>	<u>1,390,529</u>
Increase (decrease) in surplus	<u>39,554,346</u>	<u>(15,963,264)</u>
Surplus, end of year	<u>\$281,618,984</u>	<u>\$242,064,638</u>

**President's Annual Message to the Members:**

The Society and its members had an improved year in 2019. Our net gain for the year was \$3.5 million. Following is a brief overview of our 2019 financial and operational highlights.

Admitted assets at December 31, 2019 were \$323 million, which represents an increase of \$51.7 million or 19% over 2018. This increase was driven by an increase in our equity portfolio and in short-term investments. The Society's domestic investment portfolio, on a total return basis, returned 23.4% during 2019. Our domestic equity portfolio, comprising 96% of our total equity portfolio, increased 31.4% during 2019 as compared to the S&P 500 return of 31.5% and the Lipper Large Cap Core Equity Index return of 29.1%. Since January 1, 2000, our domestic equity portfolio has had a cumulative return of 237.4%, vs. the S&P 500 cumulative return of 224.5% and the referenced Lipper index cumulative return of 156.7%. The 4% of our equity portfolio allocated to international stocks, through two Vanguard index funds, returned 20.6% on a weighted average basis during the year. The fixed income portfolio returned 6.9% for the year, as compared to the Barclays Intermediate Government/Corporate Index return of 6.8% and the Barclays Intermediate Treasury Index return of 5.2%. Since January 1, 2000, our fixed income portfolio has beaten the first referenced Barclays index, which is our primary benchmark, nineteen out of twenty years. Our cumulative fixed income performance over this time period of 220.6% compares to the cumulative return of the referenced Barclays indexes of 140.3% and 117.6%, respectively.

Gross premiums increased by 4.3% to \$51.2 million. As a result, we have decreased our base annual assessment rate to 22% for 2020. An additional assessment of 22% is applicable to secondary residences, and an additional assessment of 10% is applicable to coastal properties located in designated territories. The Society had an after-tax net gain of \$3.5 million. Realized capital gains for 2019, net of taxes, amounted to \$4 million. The Society has been assigned a Financial Strength Rating of A (Excellent) from A.M. Best Company and has been assigned a Financial Stability Rating of A" Unsurpassed from Demotech, Inc.

Real estate markets continue to improve with a steady increase in costs associated with residential construction. Based on residential construction cost indexes for Virginia, our insured property values are being increased by 1.0% on a state-wide basis for 2020. If you feel your coverage needs to be adjusted, either upward or downward, we are always willing to re-inspect your property and re-evaluate the amount of coverage you need.

Net losses incurred decreased by \$6.7 million or 47% from 2018. Losses incurred for 2019 were categorized as follows: 48% from water damage from plumbing, heating and air condition-

systems, 32% from windstorm or hail, 8% from fire, and 12% from all other causes. The frequency and severity of water damage losses continues to rise and represents one of the most disruptive types of loss our members face. We strongly recommend that our members not leave their home while clothes washers, toilets or dishwashers are running. When such appliances fail or malfunction while no one is at home to remedy the situation, the nature and scope of damage to homes and the personal inconvenience to families can be enormous.

We are excited to announce that the Society is now partnering with FLO by Moen to provide members with Flo's smart leak detection and prevention device at a discounted price of \$225 installed (taxes not included). Their field-tested, pro-active technology will help our members to reduce and, in some cases, even prevent water damage losses. Our mission is to significantly decrease losses in this category through this innovative collaboration. Please visit [www.meetflo.com/MASOV](http://www.meetflo.com/MASOV) to learn more and to purchase your Flo By Moen Smart Leak Detection and Prevention Device.

Annually, we also remind you of the optional property coverage endorsements that are available for purchase from the Society. These optional coverages include Equipment Breakdown Coverage, Water Damage-Sewers, Drains and Sumps-Increased Limits, Earthquake Coverage, Unscheduled Personal Property-Increased Special Limits, and Scheduled Property. We now also offer Service Line Coverage to protect you from service line disruptions. Call your agent or company representative if you wish to discuss adding any of these optional coverages to your policy.

Lastly, please remember that you can make payments, review policy documents and opt into paperless billing from the Member Login section of our web site [www.mutual-assurance.com](http://www.mutual-assurance.com). Making these features available online saves the cost of printing, handling, and postage when communicating with you. It also contributes to the preservation of our natural resources and the protection of our environment. Of course, you always have the right to obtain, upon request and without charge, a paper copy of your policy forms and endorsements.

As always, we appreciate the cooperation and support of the members of the Society and welcome any questions you may have about the Society or this Annual Report.

Sincerely,

Jeffrey S. Wrobel, Sr., CPCU, AU, AIT  
President  
April 1, 2020

## BOARD OF DIRECTORS

Farhad Aghdami (3)(B)  
Partner  
Williams Mullen

Mary C. Doswell (1)(2)(C)  
Former Senior Vice President, Retail and Alternative Energy Solutions  
Dominion Resources, Inc.

George C. Freeman III (1)(3)(A)  
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Universal Corporation

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Edward W. Valentine (2)(3)(B)  
Managing Director  
Harris Williams & Company

R. Gregory Williams (1)(3)(C)  
Vice Chairman  
CCA Financial Services, LLC

Coleman Wortham III (1)(2)(C)  
Chairman  
Davenport & Company LLC

Jeffrey S. Wrobel, Sr. (1)(2)(A)  
President & CEO  
Mutual Assurance Society of Virginia

(1) Member of Executive Committee

(2) Member of Investment Committee

(3) Member of Audit Committee

(A) Term Expires in 2022

(B) Term Expires in 2020

(C) Term Expires in 2021

## OFFICERS & MANAGERS

Jeffrey S. Wrobel, Sr., CPCU, AU, AIT, President  
Theresa C. Lewis, CPA, CFE, CGMA, Secretary-Treasurer  
Paul R. Davis, AIC, Vice President – Claims  
C. Lewis Marsh, CFA, CPA, FLMI, Vice President – Investments  
Jonathan D. Sisk, Vice President – Information Systems  
Lisa Eckart, CPCU, CISR, Vice President – Underwriting

## GENERAL COUNSEL

Williams Mullen, Richmond, Virginia

# 2019 ANNUAL REPORT

## MUTUAL ASSURANCE SOCIETY OF VIRGINIA

Incorporated 1794

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