

MUTUAL ASSURANCE SOCIETY OF VIRGINIA STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND POLICYHOLDERS' SURPLUS-UNAUDITED YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
ADMITTED ASSETS		
Investments:		
Bonds, at amortized cost	\$ 97,361,762	\$ 88,550,801
Common stocks, at fair value	240,230,741	312,691,317
Real estate	1,161,805	1,307,225
Cash and short-term investments	<u>12,256,345</u>	<u>13,542,497</u>
Total cash and invested assets	351,010,653	416,091,840
Accrued investment income	1,265,456	1,051,654
Other admitted assets	<u>675,844</u>	<u>596,185</u>
Total Admitted Assets	<u>\$ 352,951,953</u>	<u>\$ 417,739,679</u>
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities:		
Losses	\$ 7,102,079	\$ 3,463,245
Loss adjustment expenses	1,073,987	543,041
Other expenses	1,610,558	1,456,634
Unearned premiums	9,143,307	8,480,717
Net deferred taxes	29,914,381	44,325,455
Ceded reinsurance premiums	123,954	184,233
Deferred compensation	1,254,878	1,222,762
Liability for pension benefits	1,389,723	2,394,126
Other liabilities	<u>439,131</u>	<u>63,920</u>
Total liabilities	52,051,998	62,134,133
Policyholders' Surplus	<u>300,899,955</u>	<u>355,605,546</u>
Total Liabilities and Surplus	<u>\$ 352,951,953</u>	<u>\$ 417,739,679</u>

MUTUAL ASSURANCE SOCIETY OF VIRGINIA STATEMENTS OF INCOME-UNAUDITED YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Income:		
Premiums earned	\$ 17,364,327	\$ 16,376,313
Less reinsurance ceded earned	<u>6,530,109</u>	<u>6,599,259</u>
Net premiums earned	10,834,218	9,777,054
Net investment income	6,788,262	5,819,433
Realized capital gains, net of taxes	6,235,707	7,812,657
Other income	<u>80,283</u>	<u>31,790</u>
Total income	<u>23,938,470</u>	<u>23,440,934</u>
Expenses:		
Losses	14,027,306	8,519,816
Loss adjustment expenses	2,915,528	2,233,832
Other underwriting expenses	<u>9,932,106</u>	<u>8,882,098</u>
Total expenses	<u>26,874,940</u>	<u>19,635,746</u>
Net gain/(loss) before income taxes	(2,936,470)	3,805,189
Provision for income tax benefit	<u>(1,828,608)</u>	<u>(2,002,308)</u>
Net gain/(loss)	<u>\$ (1,107,862)</u>	<u>\$ 5,807,497</u>
STATEMENTS OF POLICYHOLDERS' SURPLUS-UNAUDITED YEARS ENDED DECEMBER 31, 2022 and 2021		
	2022	2021
Surplus, beginning of year	\$ 355,605,546	\$ 304,897,966
Net gain/(loss)	(1,107,862)	5,807,497
Unrealized gain/(loss), net of taxes	(54,173,910)	45,343,986
Other surplus adjustments	<u>576,181</u>	<u>(443,903)</u>
Increase (decrease) in surplus	<u>(54,705,591)</u>	<u>50,707,580</u>
Surplus, end of year	<u>\$ 300,899,955</u>	<u>\$ 355,605,546</u>

President's Annual Message to the Members

2022 was a successful year for Mutual Assurance, thanks to our unique business model, which has served our members well for 229 years. Providing a perpetual policy for responsible homeowners and investing surplus premiums for the long term keep annual assessments low. 'Partnership' is not a term we take lightly. The Society appreciates your efforts to maintain your home, and we will continue to strive to deliver the industry-leading customer service and protection you expect.

The Society remains strong despite economic headwinds in 2022, including high inflation and a down stock market. Following is a brief summary of the year's financial and operational highlights.

Gross premiums increased by 8.4% to \$59.7 million, and the base annual assessment rate remained at 22%. Realized capital gains for 2022, net of taxes, amounted to \$6 million. We finished the year with an after-tax net loss of \$1.1 million. The Society maintains a Financial Strength Rating of A (Excellent) from A.M. Best Company and a Financial Stability Rating of A from Kroll Bond Rating Agency.

Losses incurred increased by \$5.5 million or 65% from 2021. Losses broke down as follows: 38% from water damage, 21% from wind or hail, 16% from fire, 9% from freezing pipes, and 16% from all other causes. Part of the increase in losses can be attributed to the impact of inflation on residential construction costs, driven by continued increases in materials and labor costs. Based on E2Value's residential construction cost indexes for Virginia, our insured property values are increasing by 8.5% state-wide for 2023. If you feel your coverage needs to be adjusted upward or downward, we can re-inspect your property and re-evaluate the amount of coverage you need.

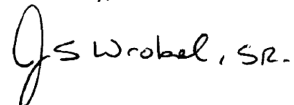
Our investment portfolio outperformed the market in 2022 in both fixed-income and equities. The fixed

income portfolio returned a negative 6.6% for the year, compared to the Bloomberg Intermediate Government/Corporate Index return of negative 8.3% and the Bloomberg Intermediate Treasury Index return of negative 7.8%. Since January 1, 2000, our fixed income portfolio has had a cumulative fixed income return of 227.1%, compared to the cumulative return of the referenced Bloomberg indexes of 137.8% and 116.8%, respectively. The domestic equity portfolio, comprising 99% of our total equity portfolio, decreased by 18% during 2022 compared to the S&P 500 return of negative 18.1% and the Lipper Large Cap Core Equity Index return of negative 18.2%. Since January 1, 2000, our domestic equity portfolio has had a cumulative return of 285.0%, vs. the S&P 500 cumulative return of 268.7% and the referenced Lipper index cumulative return of 177.3%. The 1% of our equity portfolio allocated to international stocks through two Vanguard index funds returned a negative 15.2% on a weighted average basis during the year. Admitted assets finished the year at \$352,951,953, down 15.5% from 2021.

As a reminder, you may make payments, review policy documents, and opt-in for paperless billing from the Member Login section of our website, www.mutual-assurance.com. Going paperless saves the Society printing, handling, and postage costs while preserving natural resources and protecting the environment. You always have the right to obtain a paper copy of your policy forms and endorsements upon request and without charge.

We at Mutual Assurance genuinely appreciate your cooperation and support. We welcome any questions you may have about this Annual Report.

Sincerely,



Jeffrey S. Wrobel, Sr., CPCU, A.U., AIT
President

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(B) Term Expires in 2023
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2022 ANNUAL REPORT



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