

FINANCIAL & PHILANTHROPIC PERFORMANCE OF
ROYAL NEIGHBORS of AMERICA®

as of December 31, 2019

Management's Report *to* the Membership

In 2019, Royal Neighbors of America reported both record-setting life sales and – with your help – Social Good impact. Our success on both fronts reflects our commitment to a responsible growth strategy that ensures we are able to meet certificateholder obligations while also providing funding for our volunteering and philanthropy programs.

Our financial stability continues, with revenue generation in excess of \$180 million and total net admitted assets of \$1.1 billion. Our surplus to net admitted assets ratio remains at 18%, indicating our sustained ability to meet our fiduciary obligations to our membership. (Industry average is about 9%.) Once again, AM Best affirmed our rating of A- Excellent (4th highest out of 15 possible)*.

Our financial strength, plus successful business operations, allow us to continue to thrive in the charitable and volunteer

activities critical to our mission as a community-minded insurer. In 2019, Royal Neighbors and its members delivered \$18 million in Social Good, which reflects over 275,000 volunteer hours, usage of our many programs that empower women and their families, and member savings opportunities realized.

We are very proud of our 2019 results! They illustrate our on-going commitment to providing insurance and annuities to our members, as well as opportunities to give back to their communities.

Looking ahead to 2020, it is likely the COVID-19 pandemic will impact our financial results. But we face this challenge from a position of strength and, as in decades past, we will persevere. We can and will meet our financial obligations, continue to provide needed insurance protection, and increase our engagement with members and their communities.

MEMBER SAVINGS

\$1.1M saved by members

4,470+ discounted health, wellness, and legal services provided to members



* As of December 2019, Royal Neighbors is rated A- Excellent (4th highest out of 15) by the AM Best Company for overall financial strength and ability to meet ongoing obligations to certificate holders. For the latest Best's Credit Rating, access ambest.com.



FINANCIAL HIGHLIGHTS

	as of December 31	2019	2018
Net admitted assets		\$1,104,742	\$1,067,888
Certificateholders' surplus		\$194,680	\$189,942
Premium income, net of reinsurance		\$121,569	\$128,971
Revenue (including capital gains)		\$181,176	\$182,292
Net income (loss)		8,305	2,374

(dollars in thousands)

COMMUNITY REACH

215,000+ Members improving communities

200+ Chapters participating in grassroots volunteering

275,000+ Volunteer Hours to our communities



SOCIAL GOOD

\$18M+ Social Good impact

\$175K Scholarships awarded

ROYAL NEIGHBORS Financial Statement Summary (dollars in thousands)

BALANCE SHEET	<i>as of December 31</i>	2019	2018
Cash and short-term investments		\$ 19,036	\$ 13,247
Investments		1,052,623	1,022,064
Other assets		<u>33,083</u>	<u>32,577</u>
Total admitted assets		<u>\$ 1,104,742</u>	<u>\$ 1,067,888</u>
Insurance reserves and claims		\$ 836,290	\$ 812,981
Other liabilities		<u>73,772</u>	<u>64,965</u>
Total reserves and liabilities		\$ 910,062	\$ 877,946
Total certificateholders' surplus		<u>194,680</u>	<u>189,942</u>
Total insurance reserves, liabilities and surplus		\$ 1,104,742	\$ 1,067,888



INCOME STATEMENT			
Premium income, net of reinsurance		\$ 121,569	\$ 128,971
Investment income		51,022	43,964
Reinsurance allowances and miscellaneous income		8,431	7,331
Total income		<u>\$ 181,022</u>	<u>\$ 180,266</u>
Benefits paid or provided		\$ 113,919	\$ 122,691
Commissions		28,575	28,941
General and administrative expenses		<u>30,377</u>	<u>28,286</u>
Net income (loss) before net realized capital gains (losses)		8,151	348
Net realized capital gains (losses)		154	2,026
Net income (loss)		<u>\$ 8,305</u>	<u>\$ 2,374</u>