



November 12, 2008

Because Stability Matters

Dear Policyholder:

In light of the current negative news concerning financial institutions, we want to assure our policyholders that Security Mutual continues to follow a conservative investment strategy and has the financial strength and stability to meet its business needs and contractual obligations.

In addition, life insurance companies are highly regulated and are required by state law to maintain sufficient capital and surplus to satisfy their obligations to policyholders. State law also limits the type and concentration of insurance company investments. Security Mutual remains well capitalized, and maintains a portfolio of high-quality, well-diversified assets.

No company is completely immune from the challenges of the current environment. However, Security Mutual's conservative investment philosophy and key decisions made over the years have limited our exposures to problem asset classes:

- **No Exposure to Alt-A Mortgages and Immaterial Exposure to Sub-Prime Mortgages.**
- **No Use of Speculative Investment Strategies**, such as investing in hedge funds or high yield, non-investment grade bonds.
- **No Investment in the Stock Market Since 2003**, nor did the company offer for sale variable life insurance or variable annuity products, the performance of which is to a large extent tied to the stock market.
- **No Participation in the Credit Default Insurance Market.**

In addition, we significantly increased our holdings in cash and short-term treasury bonds in anticipation of decreased liquidity in the U.S. markets. This action protected our capital position, but will lower our investment income and expected earnings in 2008.

In accordance with state insurance law requirements and company investment guidelines, we invest primarily in high-quality investment grade fixed income securities and high-quality commercial mortgage loans. Security Mutual bears, as do all life insurance companies, the credit risk exposure of investments we hold. This credit risk is well-monitored and prudently managed. The weighted average rating of our bond portfolio is A+, and within our commercial mortgage portfolio, results have been very strong, reflecting a consistent disciplined approach to underwriting. Our primary investment objectives are maintaining high portfolio quality, yield and performance.

Security Mutual's corporate mission is to provide sound and equitable protection against financial needs arising from death, disability or retirement. As a mutual life insurance company, we remain committed to managing the company for the benefit of and delivering value to you, our policyholders. For 122 years, we have met our obligations to policyholders. And for 116 consecutive years, we have paid dividends. Even during the most challenging financial periods in history, Security Mutual has delivered the financial protection it has promised.

Security Mutual continues to stand as a stable mutual life insurance company, and we will continue to provide you with solid protection and responsive services.

If you have any questions, please contact us at 1-800-765-6668.

Sincerely,

Bruce W. Boyea
Chairman, President and
Chief Executive Officer

Howell M. Palmer
Chief Operating Officer and
Chief Financial Officer