

# Staff & Field Bulletin



November 25, 2008

## Standard and Poor's Affirms Security Mutual's A+ Rating

Standard and Poor's announced yesterday that they have affirmed Security Mutual's A+ (Strong) rating. This announcement comes at a time of unprecedented volatility in the world's financial markets, and follows the recent announcements by all of the major rating agencies, including Standard and Poor's, that they view the outlook for the life insurance industry as a whole as negative. Standard and Poor's also announced that they have changed the outlook on Security Mutual's rating to negative.

Standard and Poor's, in their press release issued yesterday, cites our AA (Strong) capital, strong liquidity, and profitable sales growth in our core life and worksite products.

Security Mutual has a long-standing tradition of conservative management, including the investment and financial areas, which has stood us well over our 122 year history. The rating agencies have frequently commented favorably on our investment portfolio, as it has long been comprised almost entirely of bonds that are nearly all investment grade and commercial mortgages with virtually no delinquencies nor foreclosures.

Over our history, we have always met our contractual obligations to our policyholders. Further, we have paid dividends for 117 consecutive years. Even during the most challenging financial periods in history—Security Mutual has delivered the financial protection it has promised.

These are the qualities you need in your life insurance company and behind your financial plans for the future. Life is filled with uncertainty. And with over a century of experience, we know the importance of protecting people and their families against life's uncertainties. That is our purpose, to be there for you when you need us—whether it's today, tomorrow or many years from now.

A handwritten signature in black ink that reads 'Michael A. Cohen'.

Michael A. Cohen  
Executive Vice President  
Business Development

Distribution: GAs, CAs, BKs, AGs, Group GAs, Group Brokers,  
Worksite GAs, Worksite Agents

## Security Mutual Life Insurance of NY Outlook Revised To Negative; 'A+' Ratings Affirmed

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### • Current Ratings

NEW YORK (Standard & Poor's) Nov. 25, 2008--Standard & Poor's Ratings Services today said it revised its outlook on Security Mutual Life Insurance Co. of NY (SML) to negative from stable. At the same time, we affirmed our 'A+' counterparty credit and financial strength ratings on the company.

"The negative outlook primarily reflects capital strain from both strong business origination and greater investment impairments," said Standard & Poor's credit analyst Ovadia Jacob. "Although capital currently remains redundant at the 'AA' rating level, sales growth has resulted in significant statutory surplus strain, limiting the company's ability to organically grow capital via operating performance." Furthermore, SML has avoided losses related to residential mortgage-backed securities, but it does have limited exposure to certain financial institutions and a growing portfolio of commercial mortgages. Given an increasingly difficult economic environment, profitability will be more challenged in 2009.

The 'A+' insurer financial strength rating reflects SML's niche position in regional upscale markets, where the company distributes primarily life insurance products, as well as its developing position in the worksite life insurance market. SML's capital adequacy and strong liquidity are sufficient to support ongoing operations and are appropriate for the current ratings. Offsetting these strengths are the challenges that SML faces while competing in its relatively narrow, New York metropolitan area regional market. Additionally, general economic conditions remained strained, and SML, like other insurance companies, faces an increasingly difficult sales environment.

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

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