

**THERE'S  
SECURITY  
IN OUR  
NAME**

FINANCIAL STRENGTH

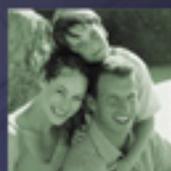
STRONG PRODUCT PERFORMANCE

CONSERVATIVE INVESTMENT STRATEGIES

SOUND REINSURANCE PRACTICES

SUPERIOR SALES & MARKETING PRACTICES

PROFESSIONAL SERVICE



Purchasing life insurance involves more than selecting a policy that will meet your financial needs and long- or short-term objectives. It also involves selecting a strong, reputable life insurance company that will be there when it is time to fulfill its obligations to you. At Security Mutual Life Insurance Company of New York, we are committed to meeting your requirements and to becoming your *partner for life*.

## Our Mission

Security Mutual's purpose is to provide sound, equitable and competitive financial protection against the financial hazards resulting from premature death, disability or retirement.

Security Mutual is a company that has delivered on its promises, a company dedicated to maintaining the highest levels of service and financial stability.

Security Mutual's standards are high, because we understand that yours are, too. For more than 119 years, our company has prided itself on its ability to respond to the dynamics of an ever-changing marketplace and deliver long-term value to our policyholders. Our company has consistently recorded superior financial performance with strong gains in total assets, new sales, policyholder equity, investment income and benefits to policyholders and their beneficiaries.

So, when you are in the market for a quality life insurance or annuity product backed by a reliable organization, look to Security Mutual Life Insurance Company of New York, a company recognized for its:

- **Financial Strength and Stability**
- **Conservative Investment Management Strategies**
- **Strong Product Performance**
- **Sound Reinsurance Practices**
- **Professional Service**
- **Superior Sales and Marketing Practices**



From its landmark Home Office building in downtown Binghamton, New York, Security Mutual has provided financial protection for over 119 years.

*Be sure to visit Security Mutual's newly enhanced website at [www.smlny.com](http://www.smlny.com)*

## Security Mutual At-A-Glance

**Founded:**

November 1886

**State of Domicile:**

New York

**Type:**

Mutual life insurance company

**States Licensed:**

All states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands

**Product Distribution:**

Policies marketed through well-seasoned, highly professional distribution force numbering 5,000

**Assets:**

\$1.9 billion

**Capital:**

\$106 million

**Life Insurance In Force:**

\$28 billion

**Total Gross Payments to Policyholders:<sup>†</sup>**

\$235 million

**Dividend Payments to Policyholders:**

\$20.8 million paid in dividends

**Dividends Paid:**

114 consecutive years

**Investments:**

82% in fixed income bonds, with over 98% of these being investment grade

**Non-Investment Grade Assets as a Percentage of Invested Assets:**

1.46% (well below reported industry averages)

Year ended 12/31/05

<sup>†</sup> Includes policyholders dividends

## The Mutual Advantage

Founded in 1886, Security Mutual has emerged as one of the leading mutual life insurance companies in the United States. From \$15,000 in assets its first year in existence, Security Mutual has grown to more than \$1.9 billion in assets with more than \$28 billion of life insurance in force. The company is a strong and stable financial institution, one that has a long history of honoring the commitments made to its policyholders.

As a mutual company, Security Mutual has the advantage of being maintained and operated for the benefit of its policyholders, not shareholders. Because no conflict of interest exists between policyholders and shareholders, the management of Security Mutual has the best interest of the policyholders as its primary objective. This means that net earnings benefit only one group—*our policyholders*—who share in the corporate profits through dividends paid on their policies. The portion that is not distributed is added to surplus, thus providing funds to protect against adverse fluctuations or to pay future claims.

## Financial Strength

Security Mutual closed 2005 with strong earnings, increased capital and favorable business prospects for 2006, driven by a long-term plan that takes advantage of our strategic positioning. These factors, together with our high-quality investment portfolio, served to support and enhance Security Mutual's fundamental strength and stability.

Security Mutual has been recognized by leading insurance analysts, including the A.M. Best Company and Standard & Poor's, for its sound investment policies and performance.

## Ratings\*

In recognition of our sound financials, excellent asset quality and competitive position, the company's assigned ratings\* are: financial strength rated "A" (Excellent) by A.M. Best; and "A+" (Strong) by Standard & Poor's.

### Ratings At-A-Glance:

**A.M. Best** ..... "A" ..... **(Excellent)**

*Rating is the third highest on a 15-step rating scale.*

**Standard & Poor's** ..... "A+" ..... **(Strong)**

*Rating is the fifth highest on a 20-step rating scale.*

\* Ratings reflect a rating agency's opinion of a company's financial strength and ability to meet its obligations to policyholders. A rating is not a recommendation of a company or any specific policy form.

In addition, each rating agency has implemented a program designed to help consumers assess the financial strength of the company with which they do business. If selected as an industry leader, an insurer receives a consumer friendly “financial strength seal.” Security Mutual is pleased to have received the following seals:

- Best’s Security Icon—a seal awarded to insurers that Best deems able to meet their obligations to policyholders. Best’s opinion is grounded in painstaking analysis of the company’s reported financial performance for at least the past five years, utilizing over 100 key financial tests and supporting data.
- Standard & Poor’s Security Circle Icon—a seal that signifies that an insurer has received one of the top four insurer strength ratings and is deemed to be in sound financial condition based on the strict standards set by Standard & Poor’s.



## About Security Mutual

Over the years, Security Mutual has weathered depressions, wars, and recessions to emerge as one of the leading mutual life insurance companies in the United States. Currently, the company markets its products in all 50 states, the District of Columbia, U.S. Virgin Islands and Puerto Rico. Security Mutual Life Insurance Company of New York was founded in 1886 by a group of businessmen who set out to provide customers with sound and affordable life insurance coverage. Security Mutual sold its first policy on January 3, 1887.

As a mutual company, Security Mutual is maintained and operated for the benefit of its policyholders.

A New York-domiciled company, Security Mutual operates under

the regulation of the New York State Insurance Department, among the strongest and most respected insurance departments in the country.

Today, Security Mutual’s mission is based on the same values upon which the company was founded—to provide sound, equitable and competitive financial protection against financial hazards resulting from premature death, disability or retirement.

### Individual Markets

Security Mutual offers a variety of annuity and individual life insurance products to meet the needs of individuals seeking to protect their families, their businesses, or both. These products can be used for family income replacement; mortgage protection/acceleration; retirement income; education

funding; estate planning; charitable giving; and business needs such as executive compensation, non-qualified retirement planning, key person protection and business continuation.

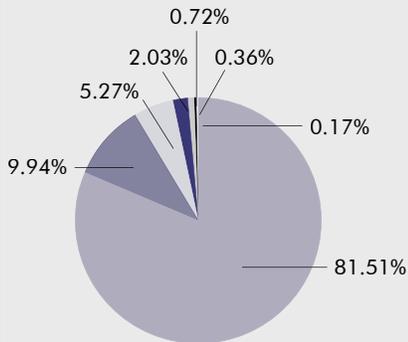
### Benefits Markets

Security Mutual also offers both group and individual life insurance products to meet the needs of the expanding benefits management market. These products are issued by the company’s Benefits Division, which the company formed by consolidating its Group, Traditional Worksite and Credit Union organizations. The Benefits Division offers both group products that are paid for by the employer, as well as voluntary products that are individually paid for and owned by employees.



## Assets Year ended 12/31/05

**Invested Assets: \$1,839,834,000**

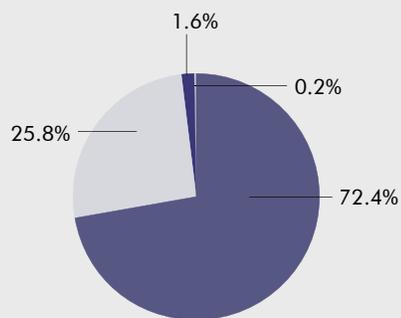


● Bonds	81.51%
● Policy Loans	9.94%
○ Mortgages	5.27%
● Cash & Short Term	2.03%
● Stocks (non-public)	0.72%
○ Real Estate	0.36%
● Other	0.17%

Non-investment grade assets as a percentage of invested assets were 1.46%, well below reported industry averages.

**Bond Portfolio: \$1,499,566,000**

Year ended 12/31/05



○ Grade 1 Highest	72.4%
○ Grade 2 High	25.8%
● Grade 3 Medium	1.6%
● Grade 4, 5, 6 Low	0.2%

**2005 Net Portfolio Yield: 5.92%**

## Dividends

Our financial strength can also be measured by the magnitude of our 2005 dividend payout. As a mutual life insurance company, Security Mutual is maintained and operated for the benefit of its policyholders. By issuing participating policies, Security Mutual can return premiums to policyholders in the form of dividends. In 2005, Security Mutual paid out 62 percent of its net income before dividends, federal income tax and capital gains to policyholders in the form of dividends. Dividends can be paid in cash, with checks sent annually to the policyholder, or they can be reinvested back into the policy to help offset premiums or even to increase the amount of life insurance protection.

We are proud of the fact that our company has paid dividends for 114 consecutive years.

*Note: The payment of dividends is not guaranteed, and the amount credited, if any, will rise and fall depending on experience relative to investment income, taxes, mortality and expenses.*

## Conservative Investment Management Strategies

Security Mutual is a strong and stable insurance institution that employs a conservative approach to meeting its contractual obligations. Our investment strategies seek optimum return within regulatory requirements and acceptable levels of risk, with the goal being consistent long-term performance. The company's investment results have consistently outperformed industry averages. This has been accomplished without sacrificing or compromising our standards of quality or acceptable levels of risk.

As of December 31, 2005, over 81 percent of the company's invested assets were in corporate bonds and government-sponsored securities. Over 98 percent of our bond holdings are classified as investment-grade securities. The mortgage portfolio, representing 5.27 percent of our invested assets, continues to produce strong yields. Quality within the mortgage portfolio is also high, with no mortgage delinquencies.

## Strong Product Performance

As a medium-sized company, Security Mutual has an advantage of flexibility and responsiveness. The company is constantly working to bring you the latest innovations in insurance product design and superior support services.

In addition to needing your insurer to be financially strong, you also need your insurer's products to fit your life and to provide for the people and organizations that are so important to you. Here, too, Security Mutual delivers. Our quality life insurance products continue to achieve high rankings in competitive industry surveys.

Security Mutual is committed to providing products that are designed to stand the test of time and provide for your long-term financial security. For example, Security Mutual's whole life products offer certain advantages in today's volatile marketplace:

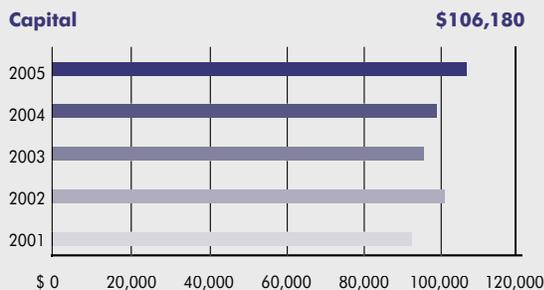
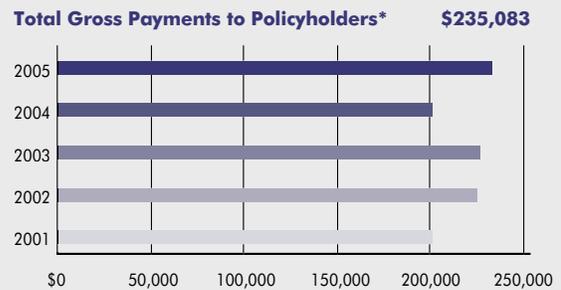
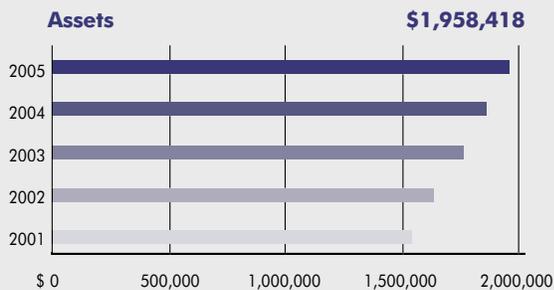
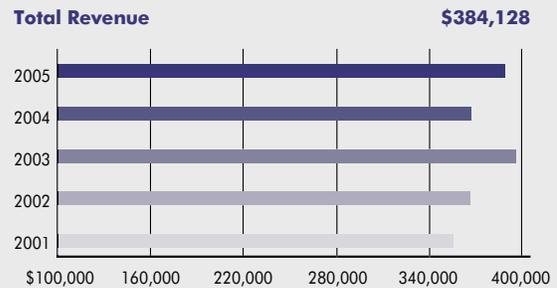
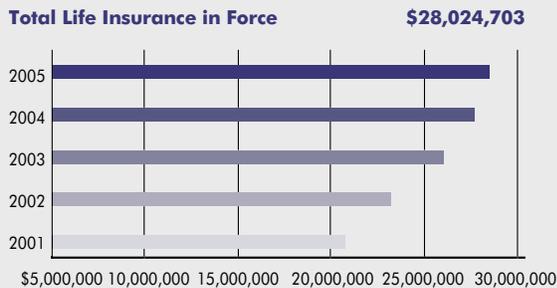
- Insurance that is guaranteed for life as long as premiums are paid.
- Premiums that are fixed and known.
- Cash values that are not subject to market risk.
- Optional benefits and riders to customize your coverage.

We are also committed to continually reviewing and revising our product portfolio as necessary to capitalize on new opportunities. Changes in federal tax laws, changes in the economy and the aging of the population all provide opportunities for us to develop products and strategies that will enable us to remain *"Your Partner for Life."*



We are proud of the fact that our company has paid dividends for 114 consecutive years. In 2005, 62 percent of the company's net income before dividends, federal income tax and capital gains went to policyholders in the form of dividend payments.

## 2005 Financial Charts (all figures in thousands)



\* Includes Policyholder Dividends



Security Mutual offers a wide variety of insurance products and services to meet your needs.

## Products and Services

Our focus on building relationships has created an organization that is flexible and entrepreneurial. We have demonstrated a willingness to listen to our customers—their wants, needs and desires—and to work in concert with our field force to provide creative solutions. As a result, we offer a comprehensive array of products and services to help you prosper and plan for the future.

We have developed individual products to meet the needs of small businesses and the people who own and manage them, as well as providing insurance protection for individuals and families. Our complete line of quality life insurance products and financial services is sure to help you fulfill your personal or business needs.

### *New Product Development*

During 2005, Security Mutual created a number of new life insurance products, including a new term life insurance product, a new whole life insurance product and a new universal life insurance product. The universal life product is designed to provide high early cash values and is an ideal product for businesses purchasing insurance to finance their obligations under executive and employee benefit plans. We also introduced a voluntary employee-paid, payroll-deducted short-term disability income insurance product. If you would like more information about these or any of Security Mutual's products or services, please contact your Security Mutual agent.

## Products and Services

### Individual Life Insurance Protection

- Participating Whole Life
- Universal Life
- Term Insurance
- Joint and Last Survivor Universal Life Insurance

### Voluntary Payroll Deduction/Worksite Marketing

- Participating Whole Life
- Universal Life
- Short-Term Disability
- Group Voluntary Term Life
- Group Voluntary Short- and Long-Term Disability

### Financial-Planning Services

- Business Continuation Planning
- Charitable Planning
- Employee Benefits
- Estate Planning
- Wealth Transfer Planning
- Pension Distribution Planning
- Executive Compensation Planning

### Annuities

- Single Premium Deferred
- Single Premium Immediate
- Flexible Premium for Qualified Plans

### Retirement-Planning Services

- Pension and Profit Sharing Plans
- "Classic" Defined Benefit Plans
- "Cash Balance" Plans
- 412(i) "Fully Insured" Plans
- IRA and Pension Funding Agreements
  - Auxiliary and Custodial Accounts
- Administrative Services
  - Retirement Plan Design
  - Employee Benefit Plan Administration

## Principal uses of our life insurance products include:

- Provide for income needs of surviving dependent family members.
- Pay federal and state death taxes and other estate settlement costs.
- Pay debts.
- Provide for children's education.
- Shift wealth from one generation to another in the most cost-effective manner.
- Benefit a charity.
- Meet financial demands of special needs children, parents or other dependents.
- Fund a buy-sell agreement.
- Recruit, retain, retire and reward key employees.
- Protect and informally fund non-qualified deferred compensation plans.
- Finance death benefit only plans.
- Provide a level of financial security for families of employees.
- Provide supplemental retirement income.



### Group Coverages

- Group Term Life and Accidental Death and Dismemberment
- Employers Group Benefits Trust for Small Firms
- Weekly Disability Income
- Long-Term Disability
- New York State Disability Benefits Law (DBL)
- New Jersey State Temporary Disability Benefits (TDB)
- Voluntary Emergency Service Organizations Life Benefits (VESO Trust)

### In-Sourced Products\*

#### SML Agency Services

- Disability (Berkshire, MassMutual, MetLife)
- Long-Term Care (Allianz, GE Capital, John Hancock, MassMutual, MedAmerica, MetLife)

\*Security Mutual is not responsible for contractual obligations of the insurers noted.



The reinsurers engaged by Security Mutual are stable and financially secure.

## Sound Reinsurance Practices

An important and often overlooked characteristic of a life insurance company is its reinsurance practices. Reinsurance is a type of insurance whereby one insurance company or insurer transfers a portion of its risk under an insurance policy to another company or insurer. The primary purpose of this type of transaction is to avoid too large a risk concentration within one company.

The presence of reinsurance relationships among insurance companies has contributed to the excellent record of financial stability that characterizes the life insurance industry. Security Mutual uses professional reinsurers who provide for reinsurance arrangements that:

- Improve the predictability of our claim payments, thus allowing Security Mutual to manage financial risk and achieve financial goals.
- Help increase our underwriting capacity to eliminate the need for numerous policies to cover one exposure.
- Covers catastrophic events and/or abnormal mortality.
- Provide an additional level of security by ensuring that Security Mutual is capable of meeting its claim obligations whenever called upon to do so.

The reinsurers engaged by Security Mutual are stable and financially secure.

## About SML Subsidiaries

### **SAI – Security Administrators, Inc.**

In 1984, the company strengthened its pension administration services by forming Security Administrators, Inc. (SAI).

SAI provides a full range of consulting services, including professional design and administration services, for more than 1,000 qualified retirement plans maintained by companies across the country. These companies range in size from sole proprietorships to large corporations. SAI provides dependable, quality administration service at a competitive price. From initial design through annual administration, SAI is focused on being

the premier retirement-planning provider.

SAI has experienced tremendous growth over the last several years, with 412(i) and defined benefit plans leading the way. The Economic Growth and Tax Relief Reconciliation Act represents unparalleled opportunities for tax-deductible retirement planning in the coming years. SAI takes pride in always being on top of any changes in pension law so that we may offer the best possible service to our clients.

### **SML Agency Services, Inc.**

SML Agency Services, Inc., was formed in 1994. The primary mission of this subsidiary is to

enter into marketing arrangements with other organizations to augment Security Mutual's product portfolio with high-quality financial-planning products that Security Mutual chooses not to manufacture itself.

Currently, SML Agency Services, Inc., offers both individual disability insurance and long-term care insurance products. In this way, Security Mutual can offer additional products to support our overall mission of providing financial protection against life's uncertainties and of helping you manage your financial resources.

# Professional Service

The word “service” may be just a buzz word in the marketplace, but here at Security Mutual, we take it to heart.

Security Mutual’s technological advances have enabled the company to achieve great efficiency in delivering and servicing products, developing and marketing new products and providing accurate, timely information to our agents and customers. The speed and efficiency with which we do business has had a measurable impact on the company’s strength and growth.

Security Mutual regularly implements new technology initiatives to continually improve the speed and efficiency with which we process, access and communicate information. Recent initiatives include additional enhancements to our proposal software, new electronic customer service systems for our home office representatives, new electronic point-of-sale enrollment programs and continued improvements to both our public and agent websites.

Security Mutual is committed to continually finding new ways to harness the power of technology. For not only does technology allow us to increase the effectiveness with which we deliver products and services to you, but it increases our agility, giving us a competitive advantage in a dynamically changing financial marketplace.



Security Mutual’s customer-focused administrative systems enable your agent to provide policy information to you faster than ever before possible.

SECURITY MUTUAL LIFE *Your Partner for Life* Home

Products & Services   Inside SMR   Financial Matters   Resource Center   Contact Us

## Life is not Static

Life moves . . . it changes . . . from one day to the next.

At Security Mutual Life, we offer the products and services you need to meet your changing financial needs.

- Find a Representative
- Life Insurance Essentials
- Retirement Planning
- Estate Planning
- Careers with Security Life

**Products & Services**

- Products & Services
- Individual Life Insurance Protection
- Workplace Benefits
- Annuities
- Financial Planning Services
- Retirement Planning Services

**Financial Matters**

- **ClientLINE**  
October Issue Now Available
- Estate Planning Guide
- Visit Our Planning Library
- Test Your Insurance Knowledge

**Special Features**

- Newsroom Updated 9/14/05
- Find a Representative
- Site Map
- Search



## IMSA Principles of Market Conduct

1. To conduct business according to high standards of honesty, fairness and to render that service to its customers which, in the same circumstances, it would apply to or demand for itself.
2. To provide competent and customer-focused sales and service.
3. To engage in active and fair competition.
4. To provide advertising and sales materials that are clear as to purpose, and honest and fair as to content.
5. To provide for fair and expeditious handling of customer complaints and disputes.
6. To maintain a system of supervision and review that is reasonably designed to achieve compliance with these Principles of Ethical Market Conduct.

## Superior Sales and Marketing Practices

Security Mutual is committed to competent and customer-focused sales and service and to conducting business according to high standards of honesty, fairness and integrity.

### *Insurance Marketplace Standards Association*

This commitment has been recognized since April of 1998, when Security Mutual became one of the first insurance companies to achieve membership in the Insurance Marketplace Standards Association (IMSA). And our commitment was reconfirmed with Security Mutual's requalification for IMSA membership in 2004.

In addition to adopting IMSA's Principles of Ethical Market Conduct and the Code of Life Insurance Ethical Market Conduct, Security Mutual voluntarily participates in a stringent company assessment required for membership. All IMSA members must pass a rigorous audit by a qualified independent examiner, adhere to a strict set of market standards and conduct regular, complete reviews of their sales and service practices.

Our qualification for membership in this select program reflects our company's commitment to a needs-based customer focus and to ethical sales and marketing practices.

As part of that commitment, we want you to know that we carefully monitor the sales process, our employees and agents on a regular basis. We have developed policies and procedures to assure that you receive the information you need to make decisions about purchasing and/or replacing policies. Security Mutual also maintains a system to respond expeditiously to customer concerns and complaints.

## About Our Arch

Security Mutual's logo is very much a part of the company's history. As a modern adaptation of the company's original logo, the arch symbolizes the arch of a stone bridge. The original logo featured a stone bridge straddling a winding river. In the background was a brilliant sunset, which one historian suggested symbolized "the sunset of life," with the company providing the "bridge" to financial security.

The company logo has been "built" into the company's history as the arched stone entrance leading into the historic Security Mutual Building in downtown Binghamton. Built in 1904, the building stands today as a symbol of the strength and stability of Security Mutual Life.

For more information about Security Mutual's rich history, visit our website at [www.smlny.com](http://www.smlny.com).



## Our Representatives

Our sales force shares our dedication to customer satisfaction. With over 5,000 independent agents across the country, Security Mutual is able to deliver high-quality products and services to help you meet your current and future needs.

Your Security Mutual agent works on your behalf and stands ready to assist you. By meeting at regular intervals, you and your Security Mutual agent can review your coverage to make sure that it is still appropriate for your needs and objectives. This is especially true if you have experienced any changes in your life, such as retirement, the birth of a child or grandchild or changes in the structure of your business.

Security Mutual representatives are expected to be firmly committed to staying informed about current industry trends, as well as about external factors that affect the life insurance business, in order to help you formulate an appropriate financial plan. As noted by the A. M. Best rating agency, "Security Mutual's general agents and top associates have extensive industry experience, with the majority having professional insurance-related designations." This expertise is vital in responding to the needs of the advanced markets, and it will become even more important as the financial services industry becomes more complex.

As Security Mutual has taken an active role in industry organizations, so too have the company's representatives. Professional insurance groups, such as the National Association of Life and Financial Advisors, the Society of Financial Service Professionals, and the Million Dollar Round Table, serve an important role in shaping the life insurance industry and its distribution system. Many Security Mutual representatives are not only members of these organizations, but in fact, serve in key decision-making positions at both local and national levels.

One of the key factors that makes Security Mutual's distribution system so successful is the unique "spirit of partnership" that exists between the field representatives and the home office staff. This sense of cooperation allows Security Mutual to identify and respond to opportunities and emerging trends in the marketplace, thus improving the company's competitive position.





## Commitment to the Community

In addition to being committed to our policyholders, we are also committed to our neighbors and communities. The employees of Security Mutual's home office in Binghamton, New York, are proud to give something back to the community that has been home to the company for over 119 years.

Both employees and field associates donate their time and money to a wide variety of local organizations and charitable and community programs, including student mentoring programs, charitable health foundations, literacy initiatives, holiday giving programs, community beautification and improvement projects and various youth activities, including sports and scouting programs.

Thanks to the generosity of its employees, Security Mutual earned a Thomas J. Watson Gold Award in recognition of the Company's donation to the 2005 United Way Campaign. Security Mutual has earned a Thomas J. Watson Gold Award every year since the award was instituted in 1994.

Another way that Security Mutual contributes to the community is by presenting the All-Star Golf Tournament. Established in 2002 by Security Mutual, The Black Aces\* and the Broome County Urban League, this special event benefits the Broome County Urban League and its mission of providing area youth with well-rounded academic, social, cultural and recreational experiences. More than 25 professional baseball players and other celebrities participate in the tournament. The tournament also provides area youth with the opportunity to meet and learn from some of baseball's greatest players.

Whether we're helping you plan for a secure tomorrow or working to improve the communities in which we live and work, Security Mutual believes that together—and only together—we make a difference.

\* The African-American major league baseball pitchers who won 20 or more games in a single season.



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