

“Letter of Security”

March 2005

To All Security Agents:

As I write to you today, I wish that I could report that the sky is bright blue and sunny. This year March came in like a lion so there is hope. Is Spring far away?

We are enclosing for your information a copy of our 2004 Annual Financial Statement. For 2004, our Admitted Assets, were up 17.8% to \$66,520,799, a new high for the company. Policyholder Surplus grew to \$25,438,918. Both of these figures included a \$5,000,000 Surplus Note which we acquired at 7/1/2004. Direct Written Premiums were down .2% for the year to \$36,182,795. Our Combined Ratio of 106.3% is mainly due to Western New York winter storms increased along with the severity of fire claims and new lead claims that continue to affect us.

As is the case every year, March is the month for Contingent Commission checks, which will be arriving in your offices shortly. If you are receiving one, good work, and if not you have a goal for next year.

Our underwriters ask that I mention the following:

1. Anti-arson applications are required annually for 1 thru 4 Family non-owner occupied dwellings in cities of Buffalo and Rochester as well as New York City. This is required by the Insurance department and we will begin to reinforce this regulation with cancellations on all renewals where the required completed form is not received.
2. Effective immediately, we will no longer accept dwellings under construction under the Ultra Security Program. They may be rewritten under this form when completed, but while under construction inclusion under this program is not acceptable.

Think Spring, and thank you all for the loyalty that you show toward Security Mutual. If you have questions on the above, feel free to contact our Underwriting Department.

Sincerely,

Thomas R. Ruane, CPCU
President

**SECURITY MUTUAL
INSURANCE COMPANY**
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