

“Letter of Security”

February, 2005

To All Security Agents:

I hope that all of you had a very Happy and Healthy Holiday Season. And here is wishing you all a Healthy, Happy and Prosperous 2005.

While the numbers are not yet complete, 2004 was a relatively good year for Security Mutual. Starting with winter storms, most of the first quarter fell within a declared catastrophe period. Our combined ratio was 187% in January and 134% for the first quarter. The number of major fires declined, but was more severe than any other year to date. And the lead poisoning claims continue with 13 new claims, however, our exclusion worked on the remainder of the 36 submitted.

In 2004 we added \$1,200,000 to Policy Holder Surplus. We also secured a Surplus note so we increased Surplus to \$25,390,290. Admitted Assets grew to a new high of \$66,480,172. Premiums were down .2% to \$30,932,359 or \$36,182,795 including New York Mutual Underwriters. Premiums were off primarily due to agency suspensions and reunderwriting, Our combined ratio was 106.5% with a net income before tax of \$1,059,316.

We have had numerous discussions concerning **Broker of Record Letters**, and how we handle them. We have come to the conclusion that the best way to handle this situation is with a cancel and rewrite as a new policy. Our current procedure changes the agent account, but does not change commissions until the next anniversary of the policy. The new agent would be charged with any losses without the benefit of the premium debited to his account or any commissions, the new procedure would change that. It would also give us a chance to reunderwrite the policy. **Effective immediately, we ask that when exercising a Broker of Record that you submit the original policy or Lost Policy Receipt for cancellation and a new application for underwriting.**

If you have any questions or comments on this subject please feel free to call me at 800-822-1232.

Sincerely,

Thomas R. Ruane, CPCU
President

**SECURITY MUTUAL
INSURANCE COMPANY**
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