

“Letter of Security”

May 2005

To All Security Agents:

As I looked out of the window at the Country Club of Ithaca at noon today, it was a nice sunny day, cool with snow flurries, but sunny none the less. Maybe Spring is finally just around the corner.

The first quarter of 2005 started out like a lamb and ended roaring like a lion. January was unusually quiet. No winter storms, a few fires, but all in all very quiet. That changed in February and March with a large number of major fires and newly reported lead claims. Premiums were down a bit overall, but this was expected due to a number of agency suspensions over the past few years, and a slight softening of the market. The stock market and the skittishness created by oil prices also had its effect on our results. Through the first quarter we have a combined ratio of 119.9%, premiums were off just over 5%, Policyholder surplus was down 2.5% to \$24,610,511. The good months are yet to come.

Our Direct Bill Department has asked that I request that when you are making payments, either deposit or subsequent payments, that you send one check for each new application that is submitted, or if multiple installment payments are being made with one check, that you identify how much of the total amount submitted is to be applied to each item. If this request is not followed, we can only guess what amount should be applied, and this usually generates phone calls or other correspondence to avoid mistakenly crediting an account with an incorrect payment. If we are delayed or are not able to correctly identify what amount is to be applied to which account, notices for nonpayment could be the ultimate result, which none of us want. So please identify your payments or send one check per new application or in the case of installment payments identify the amount to be applied to each account when using one check for payment.

With the coming of the nice weather our thoughts turn to the out of doors, golf or possibly vacations. When traveling through Upstate, if in the Ithaca area, stop by the office, we would love to see you, and as always, thank you for your loyalty to Security Mutual.

Sincerely,

Thomas R. Ruane, CPCU
President

**SECURITY MUTUAL
INSURANCE COMPANY**
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