

SECURITY MUTUAL LIFE INSURANCE COMPANY OF NEW YORK



SECURITY MUTUAL LIFE INSURANCE COMPANY HEADQUARTERS · BINGHAMTON, NY

2011 LETTER TO POLICYHOLDERS



Delivering on Our Promises Since 1886



Celebrating

One Hundred Twenty Five Years

A New Milestone: Protecting Our Policyholders for 125 Years

November 2011 will mark an exciting new milestone in the history of Security Mutual Life Insurance Company of New York: our 125th year of providing dependable life insurance protection to our policyholders. The timeline inside highlights some events from our rich history—a history of which we are extremely proud. But we are even more proud to continue the company's 125-year-old mission of helping protect our policyholders from the financial burdens resulting from death, disability and retirement. In these times of economic uncertainty, we hope you derive great satisfaction from knowing your life insurance protection is backed by the strength and stability of Security Mutual Life—a company created to stand the test of time.

Dear Valued Policyholder:

Your company finished 2010 in a position of strength, and we are poised for an exciting and productive 2011 as we celebrate the company's 125th anniversary. We have reached this remarkable milestone in the company's history due to the decisions made and the results achieved each year along the way, including the year just past. I am therefore proud to share with you the following highlights of Security Mutual's 2010 performance, a performance that further enhanced the growth and stability of this vibrant 125-year-old company.

Continuing our Record: 119 Consecutive Years of Paying Dividends¹

An accomplishment of which we are extremely proud is our unbroken dividend payment record. This coming year will mark the 119th consecutive year of paying dividends to our eligible policyholders—truly an accomplishment for any mutual life insurance company. Due in large part to our high-quality investment portfolio, we have been able to continue our dividend scale without reduction for 2011. As a result, Security Mutual's total cash dividends to be paid to policyholders in 2011 are projected to increase by 3.5 percent.

Financial Strength

Since the company's formation in 1886, our mission has been to help protect people against the financial hardships resulting

¹The payment of dividends is not guaranteed, and the amount credited, if any, will rise and fall depending on experience factors such as investment income, taxes, mortality and expenses.

from the death of a loved one, disability of a breadwinner or retirement without sufficient income. Maintaining the company's financial strength is of paramount importance to fulfilling this important mission.

Conservative Investment Philosophy

Security Mutual is committed to maintaining a conservative investment philosophy, with the focus on maintaining a strong asset base. Throughout both economic upturns and downturns, our 125-year history demonstrates time and again that a conservative investment philosophy is imperative for the company's long-term strength and stability.

In keeping with this philosophy, for example, we did not invest in sub-prime mortgages. Today this prudent decision is contributing to the company's ongoing financial strength and our consistent dividend payouts.

Our primary investment objective is to preserve the principal value of our investments and to manage portfolio assets to produce long-term, above-average, risk-adjusted returns. Security Mutual maintains a high-quality, well-diversified fixed income asset portfolio. As of year-end 2010, 99.5 percent of our bond portfolio was composed of investment-grade bonds. The bond portfolio remains well diversified by asset class and asset sector.

In addition, commercial mortgages composed \$175 million of our investment portfolio in 2010. Although current economic conditions have placed commercial mortgages under extreme

pressure, I am pleased to report that we experienced no foreclosures in 2010 and no commercial mortgage delinquencies as of year-end. We have maintained this record for more than five years, as can be seen in the asset quality chart on page 3.

Increased Capital

We are pleased to report that during 2010 we increased capital by 4.8 percent, resulting in a year-end capital position of \$124.9 million. This growth in capital is supported not only by our investments, but also by our favorable operating results, which include controlled expenses, acceptable mortality experience and favorable persistency of our existing block of insurance policies. (See chart on page 3.)

Growth of Assets

2010 was also a year in which we grew our assets, ending the calendar year at \$2.5 billion. (See chart on page 3.)

Dedication to Our Chosen Markets

Security Mutual is dedicated to the advanced markets of estate planning, retirement planning and business continuation. We serve these markets with an array of traditional insurance products, including universal life, whole life, term life and annuity products, as well as with plan design support services for advanced market needs.

We also specialize in providing quality insurance products to employer groups, credit union members and sponsors of qualified retirement plans.

November 6, 1886

Charles M. Turner founds the Security Mutual Life Association. The company was established as a mutual life association, not as a stock company, so that the company would be maintained and operated for the benefit of its policyholders.



1889

Security Mutual Life becomes the first company in the nation to offer disability benefits. This helped establish the company as an innovator in the industry.

1898

The company's name is changed to Security Mutual Life Insurance Company.



1904

Security Mutual constructs its corporate headquarters in Binghamton, New York.



1940

Security Mutual Life is among the first life insurance companies to create a separate health department. Within weeks Security Mutual Life offers accident and health coverage in addition to traditional life insurance.

1944

Security Mutual Life pioneers another line of business: Group Coverage. Soon thereafter Security Mutual Life establishes a contributory plan for life insurance and hospital coverage for its employees.



Product Dependability, Innovation and Flexibility

Product flexibility is more important than ever, as customers use our life insurance products to meet their changing needs, as well as to provide the long-term financial guarantees available only through life insurance and annuities. We are committed to product innovation that keeps pace with the changing needs of our valued customers. In the last two years, we introduced several products and riders to help meet the unique financial responsibilities of our current and prospective policyholders and to help them protect their families and businesses.

One of these new products is **Monthly Benefit Life**,² an innovative new term life insurance product unveiled in October 2010. Monthly Benefit Life offers beneficiaries a guaranteed monthly income stream for a fixed period of time upon the death of the insured. This product provides income replacement for many time-specific client needs, including mortgage payments, child support and alimony, college education funding, business buyouts, and family living needs. Monthly Benefit Life can also be an attractive complement to a life insurance policy that provides the death benefit in a lump sum.

Are you concerned about running out of money during retirement? If so, you may wish to consider purchasing a single premium immediate annuity. In return for a single sum of money, the company will provide a guaranteed and immediate income stream that cannot be outlived. It is a simple way to guarantee a lifetime income to you as well as help protect against market uncertainty. Should you

need to access funds after income payouts have commenced, our Security Access³ immediate annuity allows you to receive in advance a portion of the future income payments.

For more information on how Security Mutual's life insurance and annuity products can help meet your financial protection needs, please contact your individual Security Mutual representative. You may also contact our marketing department at 1-800-346-7171, or visit our website at www.smlny.com.

Experience and Expertise

Security Mutual is guided by an accomplished board of directors and an experienced, dedicated and knowledgeable management team. Together, they lead the company with prudence, foresight and discernment, helping ensure the company's sound reputation and continued strength for the benefit of all our policyholders. Management also continues to focus on ways to enhance our company's performance while mitigating risks. Listings of both our board of directors and our management team are available on our website at www.smlny.com.

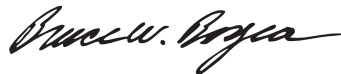
We are also extremely proud of the knowledge and dedication of our field associates and home office employees. These individuals are committed to providing you with competitive life insurance products and top-notch service.

Creating the Future

Our policyholders have chosen Security Mutual as the company on which to rely for sound and competitive life insurance protection. In the past 15 years, the number of Security Mutual policyholders has more than doubled—a testament to the value of our life insurance products and the quality of the service provided by our agents and employees.

Security Mutual Life was created for the future: the future of our policyholders and the future of their beneficiaries. Today we build on our company's original vision, knowing we continue the mission of protection entrusted to us by you and by the founders of our company. For this reason, we are committed to maintaining Security Mutual's financial strength and stability.

As we begin this new chapter in the company's history, we thank you for being part of our continuing story. After all, you are the reason for our story, and we are proud knowing that the work we perform each day is helping to create not only the company's future, but yours.



Bruce W. Boyea
Chairman, President and Chief Executive Officer

²Policy Forms 2107-NY, 2107-C-NY, Series 2107 and 2107-C. Product availability and features may vary by state.

³Policy Forms 2102-NY, 2102-GP-NY, 2103-NY, 2103-R-NY, 2103-GP-NY, ICC09-2102, ICC09-2102-GP, ICC09-2103, ICC09-2103-R, ICC09-2103-GP, Series 2102, 2102-GP, 2103, 2103-R, 2103-GP. Product availability and features may vary by state.

Early 1950s

Security Mutual: (1) Adds a new line of pension coverage and offers guaranteed issue coverage before there was a name for these practices; (2) Becomes the first company to issue "Jumping Juvenile" policies where the face amount increases at age 21; (3) Becomes the first company to offer noncancelable disability income coverage to age 65.



1960

Security Mutual Life adds "of New York" to its name.

1962

Security Mutual Life joins with 7 other companies to give New York State residents a nonprofit hospital-medical and major medical insurance program for the elderly.

1970

\$1 billion of life insurance in force.



1977

Security Mutual Life introduces its nonsmoker premium discount. The company also decides to specialize in the corporate and estate-planning markets.

1981

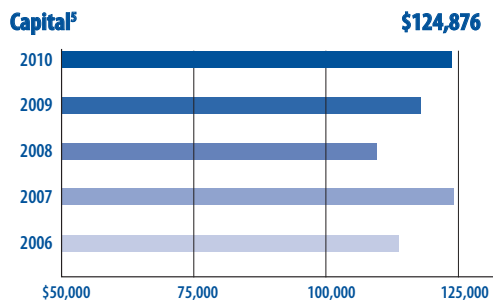
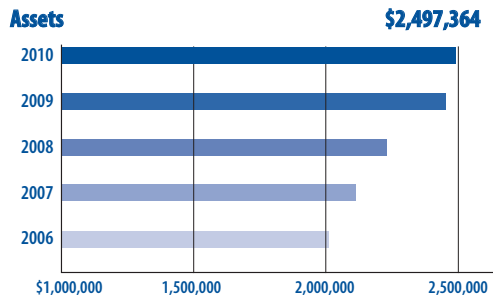
Security Mutual Life dedicates a new 3-floor addition to accommodate the company's growth.



SUMMARY (all figures in thousands)

Total Revenue	\$ 352,318
Total Gross Payments to Policyholders ⁴	316,011
Net Operating Gain after F.I.T.	6,225
Life Insurance in Force	30,473,586
First-Year Sales	
• Individual	\$ 35,744
• Group	1,600
• Annuity and Accumulation Products	66,569
Total	103,913
Assets	2,497,364

2010 FINANCIAL CHARTS (all figures in thousands)



⁴Includes Policyholder Dividends.

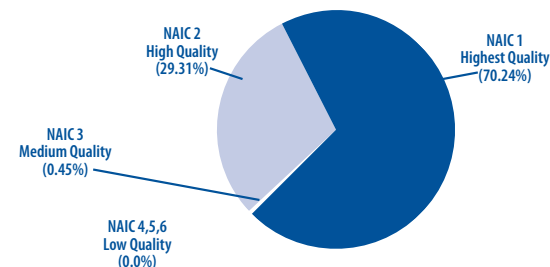
⁵Statutory Surplus plus Asset Valuation Reserve.

Asset Quality

Commercial Mortgage Foreclosure Rates (%)



Bonds⁶ 12/31/10



⁶The National Association of Insurance Commissioners (NAIC) employs a bond-rating system ranging from 1 - 6, with NAIC Classification 1 defined as Highest Quality, NAIC Classification 2 defined as High Quality, and NAIC Classification 3 defined as Medium Quality. Classifications 4 - 6 range from Low Quality to In or Near Default.

1983

Security Mutual expands into the worksite market by offering employees of participating employers the opportunity to purchase life insurance through the convenience of premium payment by payroll deduction.



1986

100 Years Old—\$13.1 billion of life insurance in force; \$582 million in assets.



1992



Security Mutual's subsidiary, Security Administrators, Inc., established in 1983, opens its Syracuse office. SAI provides plan design and administrative services to sponsors of retirement plans nationwide.



1997

Security Mutual Life became one of only 155 companies nationwide to achieve membership in the Insurance Marketplace Standards Association (IMSA). This achievement demonstrates the company's long-standing commitment to serve its customers in accordance with high standards of honesty, fairness and integrity.



1998

Security Mutual expands into the credit union market by offering credit union members the opportunity to purchase life insurance with premiums deducted from their credit union accounts.

2011 Privacy Notice

At Security Mutual, providing for your security is our highest concern. We have been protecting policyholders since 1886, and that includes protecting the privacy and confidentiality of our customers' and former customers' personal information. Therefore, we are pleased to publish Security Mutual's Privacy Notice, which describes how Security Mutual and its subsidiaries* handle the information we receive about you.

Information Collection

- We collect and use information about you in order to provide you with insurance and other services.
- We obtain most of the information from you, primarily from the application you complete when you apply for our products or services. If we need additional information, we may obtain it from third parties such as employers, adult family members, other insurers, consumer reporting agencies and medical care providers.

Information Protection

- To guard the personal information of our customers and former customers, we maintain physical, electronic and procedural safeguards that comply with state regulations. Personal health information is accorded additional protection. We have also appointed a corporate privacy officer to monitor compliance with the company's privacy policy.

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- All employees are required to protect the confidentiality of our customers' and former customers' personal information, and they may not access that information unless there is a legitimate reason for doing so, such as responding to a customer request.
- Our Website Privacy Policy can be found on the Internet at www.smlny.com.

Information Disclosure

- We will not sell the personal information of our customers or former customers.
- We will not disclose the personal information of our customers or former customers except as necessary for conducting business or where permitted by law. For example, we may disclose your personal information to an agent, our employees or our service providers so they can service your business or respond to your questions or requests. We may also disclose your personal information (with the exception of nonpublic health information) to other financial institutions with which we have joint marketing agreements.

We require the recipients of such information to protect the information and use it only for the purpose provided. Organizations from which we obtain information may retain and disclose such information as permitted by law.

Information Access and Correction

Should you wish to obtain a copy of your personal information, please write to us at Security Mutual Life Insurance Company of New York; P.O. Box 1625; Binghamton, NY 13902. If you believe that any such personal information is incorrect, please notify us.

Future Notification

Each year, we will provide you with a summary of our privacy policy.

For More Information

If you have any questions about Security Mutual's privacy policy, please contact us through our website (www.smlny.com) or write to our Privacy Officer at Security Mutual Life Insurance Company of New York; P.O. Box 1625; Binghamton, NY 13902.

2002

Security Mutual Life creates a Benefits Division to provide targeted products and services—both group/employer-paid products and voluntary/employee-paid products—to the benefits management market.

2006

\$2 Billion
in Assets
SECURITY MUTUAL LIFE

2011

Security Mutual Life achieves its 125th anniversary and its 119th consecutive year of paying dividends.





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