

Security Mutual Life
2018 Letter to Policyholders



Making a **Difference** in the Lives We Touch



A MESSAGE FROM THE CHAIRMAN



Dear Valued Policyholder:

Planning for Your Financial Security, Stability and Peace of Mind is a journey requiring persistence and careful preparation. Security Mutual offers specific tools, products and solutions that can help our policyholders achieve the long-term financial security goals they have set for themselves, their families and their businesses.

A strong, stable life insurance company is vital to helping you reach these goals. In 2017, Security Mutual achieved another year of solid financial performance, including a net operating gain for 2017 of \$5.4 million. This was after paying dividends¹ in excess of \$21 million to our policyholders. 2017 was the 125th consecutive year the Company has paid dividends, and we are pleased to report that your Board of Directors voted to maintain the current dividend scale for the 2018 calendar year.

Despite persistently, near historically low interest rates, our investment portfolio continued to perform well. At the same time, we welcomed a significant number of new policyholders. All told, Security Mutual closed 2017 with \$170.2 million in capital² and \$2.75 billion of total assets.

PLANNING FOR YOUR PEACE OF MIND

Increased regulatory requirements and other legislative changes, including the new federal tax law, make our longstanding commitment to training and development more important than ever. We encourage you to contact your Security Mutual representative or call our Home Office at 800-346-7171 to learn how our life insurance products, planning services and solutions can help you navigate these changes.

Many are concerned with having enough money in retirement. Security Mutual has specific tools and products designed to provide an income stream for life. We offer customized retirement services for both pre- and post-tax financial planning. Our Social Security Evaluator platform can be of tremendous assistance, providing an individualized strategy to help maximize the total lifetime benefits available to you through social security.

Business valuations and continuity are very important for business planning. To develop sound plans for the future, small-business owners first need to know the value of their business today, and we offer a helpful program for business valuations.

SAFEGUARDING YOUR CONFIDENTIAL INFORMATION

In today's environment, safeguarding confidential information is a function of paramount importance for any financial institution. We focus daily on our cybersecurity processes and systems and personal information privacy protection procedures. We constantly evaluate and update our practices and provide regular security awareness training for employees to help protect confidential information against ever-changing cybersecurity threats. Additionally, under our enterprise business continuity plan, we continually update and test the processes we have in place to help protect your data in the event of a natural or man-made disaster.

MY SECURITY MUTUAL®



We would like all of your interactions with Security Mutual to be convenient, efficient and productive. We continue to add features to My Security Mutual®, your secure online site providing web and mobile access for managing your life insurance policies and annuity contracts. If you have not yet registered or have not accessed your online account recently, we encourage you to do so at www.mysmlny.com.

INVESTMENT REVIEW

Security Mutual and BlackRock Financial Management, Inc.,³ our fixed income portfolio manager, work closely together to identify and implement investment management strategies that are disciplined,

income enhancing, mitigate downside risk and have the potential to create long-term value for policyholders.

Our primary objectives for managing the fixed income portfolio in 2017 were maintaining the highest level of book income that is both prudent and practical, and preserving capital by maintaining a high-quality portfolio that can withstand liquidity, credit and interest rate shocks. The aggregate credit quality of our fixed income portfolio was rated A3 by Moody's and A by Standard & Poor's as of December 31, 2017, and over 99 percent of our holdings at year end were classified as investment grade by the National Association of Insurance Commissioners.⁴

Throughout 2017, market volatility was at a historic low across asset classes amid a backdrop of strong economic growth and continuing low interest rates. The Federal Reserve has made strides toward policy normalization and raising short-term interest rates, and we expect investment yields to continue to rise modestly in 2018.

We expect above-trend economic growth to continue to be supportive of credit markets in 2018. The tax reform legislation passed in December 2017 should augment positive economic trends and provide a further lift to credit markets.

As reflected in the Total Invested Assets chart on the next page, we also have a commercial mortgage portfolio secured by high-quality real estate. Our stringent commercial mortgage underwriting guidelines and monitoring procedures are reflected in favorable long-term credit experience.

We remain vigilant with respect to market conditions and geopolitical risks, and we believe our fixed income and commercial mortgage portfolios are well positioned to support our products and the Company's future growth and stability.

MAKING A DIFFERENCE

As a 131-year-old mutual insurance company, we have deep roots in our community and we are ever mindful of those in need, especially those who have been affected by natural disasters. Making a positive difference in all the communities we serve is a shared passion at Security Mutual. Our employees volunteer for many charitable and civic organizations and programs, with additional support provided by the Company. This year we held our 16th Annual Jim "Mudcat" Grant All Star Golf Tournament, which helps support food banks, Boys & Girls Clubs, the Urban League and funding to help alleviate veteran homelessness. We also are major supporters of the United Way.

SOCK OUT CANCER

This past year Security Mutual also helped launch a nonprofit initiative to assist financially distressed cancer patients and their families: Sock Out Cancer™. This community-based fundraising program provides financial assistance for non-medical needs such as transportation, groceries, and rent or mortgage payments. This initiative is funded through donations, fundraising events and the net proceeds from sales of multi-hued Sock Out Cancer socks symbolizing the fight against cancer in all its forms. Both the New York State Senate and the New York State Assembly joined the fight by passing a resolution declaring June 6, 2017, "Sock Out Cancer Day."

CONCLUSION

By consistently meeting our policy obligations and generating quality results and positive returns, Security Mutual continues to help ensure financial security for our policyholders and their beneficiaries. Our success can be attributed to our unwavering commitment to our policyholders and representatives—providing innovative solutions, products and services that help meet today's and tomorrow's insurance and financial needs.

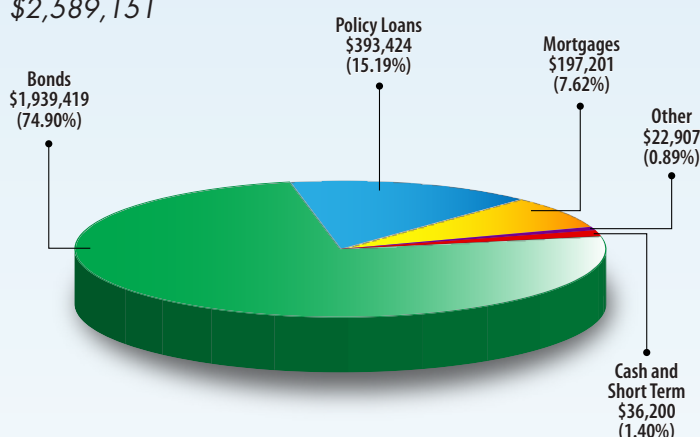
Bruce W. Boyea
Chairman, President and Chief Executive Officer

PRODUCT AND FINANCIAL INFORMATION AS OF 12/31/17 (All Figures in Thousands)

Summary

Total Revenue	\$ 377,050
Gross Payments to Policyholders	328,509
<i>(Includes Policyholders, Beneficiaries and Annuitants.)</i>	
Net Operating Gain After Taxes	5,445
Life Insurance in Force	32,332,234
First-Year Sales	
• Individual	\$ 41,686
• Annuity and Accumulation Products	10,101
• Group	2,764
Total	54,551
Assets	2,751,868

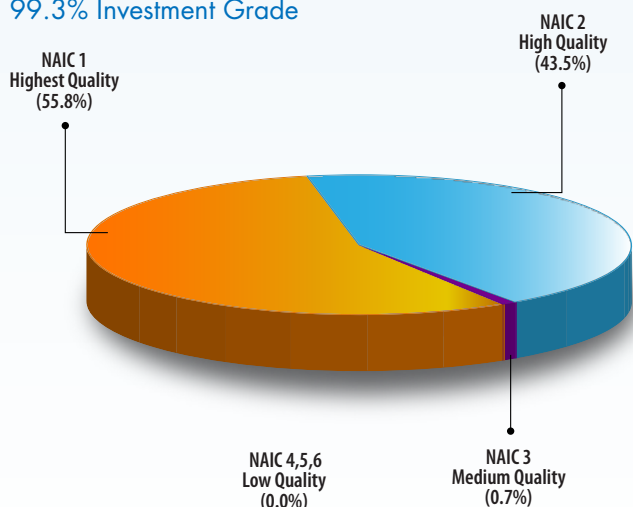
Total Invested Assets \$2,589,151



Bond Portfolio Quality⁴

Total Bonds: \$1,939,419

99.3% Investment Grade



¹ The 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.

² Declined approximately 3.6% from 2016 primarily as a result of the recently passed 2017 federal tax reform legislation and other regulatory changes.

³ BlackRock Financial Management, Inc., is one of the largest U.S.-based external managers of insurance company general account assets, overseeing \$302.7 billion as of 9/30/17.

⁴ The 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.

Security Mutual Insurance Products

Individual Life Insurance

- Participating Whole Life
- Universal Life
- Term Insurance
 - Lump Sum Payment Upon Death
 - Guaranteed Monthly Income Upon Death
- Joint and Last Survivor Universal Life Insurance

Annuities

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

Funding Agreements

Group Coverages

- Group Term Life and Accidental Death and Dismemberment
- Accident
- Short-Term Disability Income
- Long-Term Disability Income
- Voluntary Emergency Service Organizations Life Benefits (VESO Trust)

Voluntary Payroll Deduction

- Participating Whole Life
- Universal Life
- Accident – Individual and Group
- Short-Term Disability Income
- Group Voluntary Term Life
- Group Voluntary Short- and Long-Term Disability Income

Security Mutual Planning Services

- Estate Planning
- Financial Planning
- Business Insurance
 - Employer-Owned Life Insurance
 - Key Employee Insurance
 - Business Succession Planning
 - Nonqualified Deferred Compensation Arrangements
 - Executive Bonus Arrangements
- Retirement Planning
 - Qualified Plan Design
 - Plan Installation, Funding and Administration
- Social Security Planning
- Charitable Giving

On The Cover: The multi-colored lights atop the Security Mutual Life Building represent the many types of cancer and bring recognition to Sock Out Cancer™. This community-based fundraising program took flight in 2017 and operates under Sock Out Cancer, LLC. To learn more or to join the fight by purchasing socks or starting a Sock Out Cancer initiative in your own community, visit sockoutcancer.org, call (607) 338-SOCK, or email info@sockoutcancer.org.



2018 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.
- 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.

*Archway Technology Services, Inc.; Security Administrators, Inc.; SML Agency Services, Inc.; SML FL Holdings LLC. This notice is for your information. No response is required.

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.

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