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### **A.M. Best Affirms Financial Strength Rating of Security Mutual Life Insurance Company of New York; Revises Outlook to Stable**

**OLDWICK, N.J., Jan. 10, 2005**—A.M. Best Co. has affirmed the financial strength rating of A (Excellent) of **Security Mutual Life Insurance Company of New York** (Security Mutual) (Binghamton, NY) and revised the outlook to stable from positive.

This action follows today's announcement that Security Mutual's plan to be acquired via sponsored demutualization by **The Ohio National Life Insurance Company** (Ohio National) (Cincinnati, OH) has been terminated due to failure to obtain regulatory approval from the New York Insurance Department (NYID). Regulatory approval was declined as a result of the companies' inability to reach a stock purchase agreement that was satisfactory to the NYID.

The transaction, if consummated, had been expected to provide broader product and distribution capabilities to Security Mutual, while enhancing its overall financial flexibility. A.M. Best believes the termination of the agreement may result in a decline in premium flow in the near term due to potential disruption within Security Mutual's distribution force. Additionally, expenses incurred during the due diligence and demutualization process will have a negative impact on 2004 operating results.

However, A.M. Best expects that premium volume will stabilize and ultimately grow, bolstered by improved sales within the group insurance and worksite markets. In addition, A.M. Best notes that Security Mutual's capital, on both a risk-adjusted and absolute basis, remains

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solid, enhanced by the recent completion of a \$10 million surplus note offering. Going forward, A.M. Best will continue to evaluate Security Mutual's stand-alone strategy and expects recent improvements in operating fundamentals to continue.

Security Mutual operates primarily in the New York metropolitan area with an emphasis on universal life, individual fixed annuities, group life and disability products. The company's rating reflects its strong presence within the upscale traditional life insurance market niche, its expanding worksite whole life business, solid capitalization, high quality asset portfolio and diversified earnings profile, which is well balanced between traditional life and asset accumulation products. While expenses related to the due diligence process connected with the terminated transaction with Ohio National are expected to depress reported earnings in 2004, A.M. Best notes that underlying drivers of operating earnings have shown strong improvement, which is expected to generate better results going forward.

**A.M. Best Co., established in 1899, is the world's oldest and most authoritative insurance rating and information source. For more information, visit A.M. Best's Web site at <http://www.ambest.com>.**

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