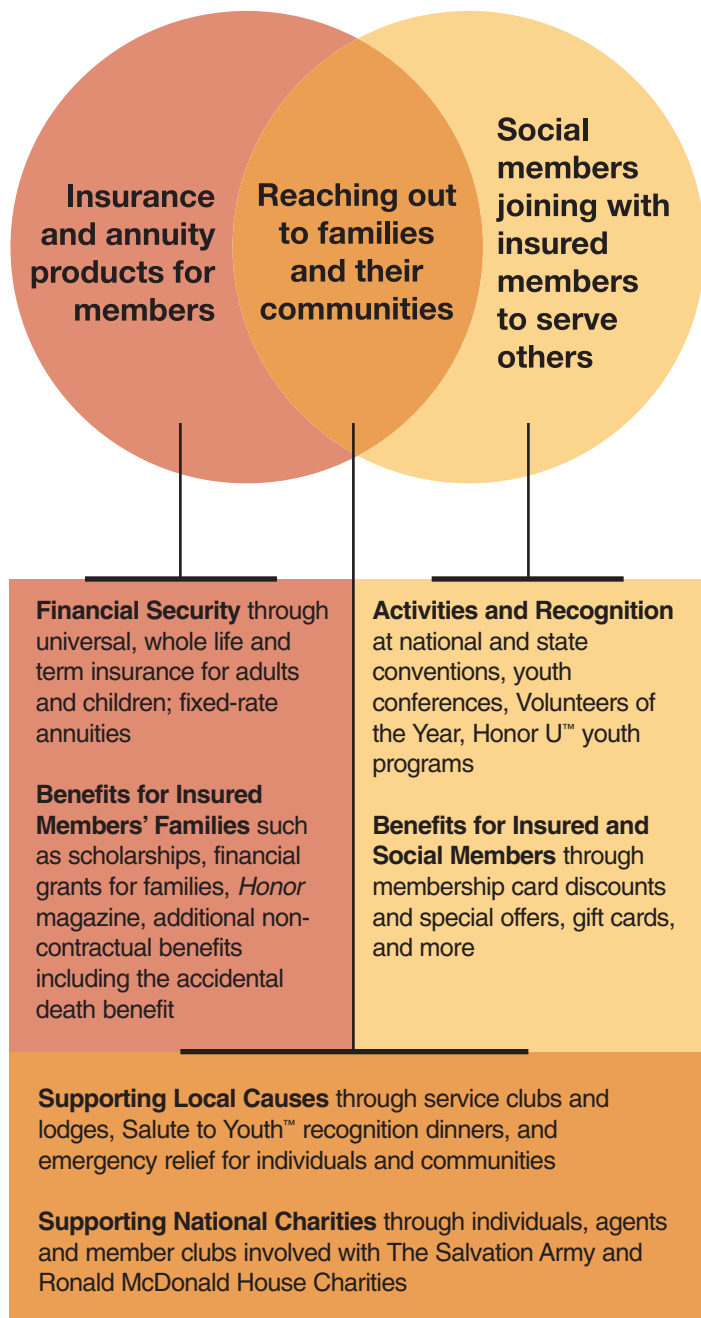


# Financial Protection for Life. Guided by Members. Serving Communities.

**D**egree of Honor is a different kind of insurance company. Our life insurance policies and annuities offer financial security. And our volunteer services and events meet other important needs for our members, their families and communities. We do this through our actions, not just our words. We call it "insurance with a heart."



# Financial Statement as of December 31, 2008

(\$ in thousands)

## Assets

|   |                |
|---|----------------|
| Bonds and notes (90% of all assets) . . . . . | \$154,668      |
| Preferred stock . . . . .                     | 528            |
| Member loans . . . . .                        | 2,656          |
| Cash and short-term investments . . . . .     | 11,582         |
| Other . . . . .                               | 2,478          |
| <b>Total Assets</b>                           | <b>171,912</b> |

## Liabilities

|   |                  |
|---|------------------|
| Policy reserves and deposits . . . . .  | 163,758          |
| Securities valuation reserves . . . . . | 1,455            |
| Other . . . . .                         | 1,462            |
| <b>Total Liabilities</b>                | <b>166,675</b>   |
| <b>Total Surplus</b>                    | <b>5,237</b>     |
| <b>Total Liabilities and Surplus</b>    | <b>\$171,912</b> |

1. New life insurance policies sold in 2008 . . . . . \$49,000,000
2. Total life insurance in-force . . . . . 667,000,000
3. 731 death claims paid . . . . . 4,892,000
4. Life insurance and annuity contract payments as living benefits to members . . . . . 22,437,570
5. Scholarships and accidental death benefits to members . . . . . 42,500
6. Community services, events and civic support . . . . . 39,052
7. Benefits paid since 1886 . . . . . \$337,281,495

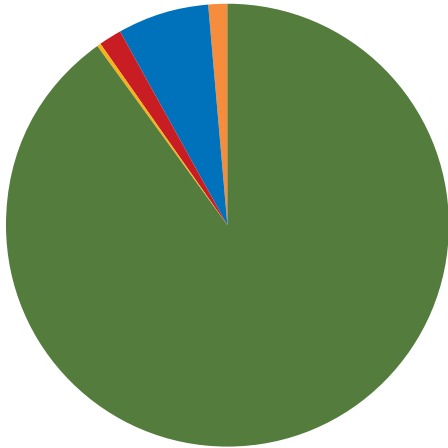
"Years ago, I invested in Degree of Honor annuities and I've never had to worry about our investments being safe!"  
**Harry, Minnesota**

# Business Stability in Turbulent Times

What began for us in 1886 — families chipping in financially to help those who had lost a family member — has never changed for Degree of Honor. We remain dedicated to *being there* for our members. This means planning and operating with extra care, scrutinizing expenses, and avoiding unnecessary fiscal risk. This thoughtful, conservative business philosophy has served Degree of Honor well for 123 years ... and especially in 2008.

## Asset Allocation Is Smart

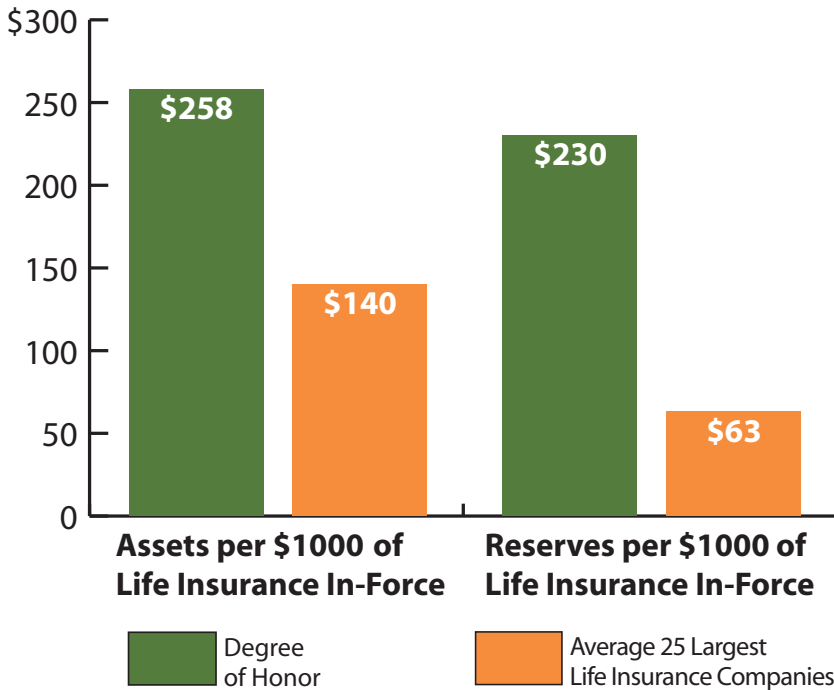
We maintain high-grade investments and actively manage our portfolio to withstand extreme fluctuations.



**Assets**

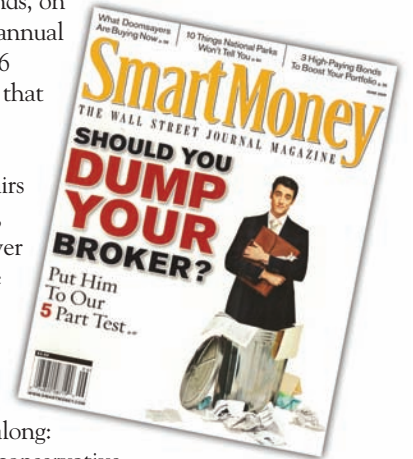
|                             |      |
|-----------------------------|------|
| Bonds/Notes                 | 90%  |
| Preferred Stock             | .5%  |
| Member Loans                | 1.5% |
| Cash/Short Term Investments | 6.7% |
| Other                       | 1.3% |

## Assets and Reserves Are Industry-Leading



## Smart Money

Degree of Honor relies on expert legal, actuarial, business, and financial consultants. An excellent example is Mairs & Power President Bill Frels, a Degree of Honor investment consultant for more than 30 years. Mairs & Power is known for their conservative investment philosophy. The *Wall Street Journal* publication, *Smart Money* magazine, ranked a Mairs & Power fund third highest of “100 Great Funds” recommended as “best picks for these tough times ... Other funds, on average, have an annual turnover rate of 96 percent, meaning that nearly the entire portfolio changes every year. At Mairs & Power Growth, the annual turnover rate is a miniscule 4 percent.” It seems the *Wall Street Journal* agrees with what we’ve known all along: wise counsel and conservative investment strategy deliver a strong portfolio.



**Investments earned 6.13%** compared to an average among insurers of 5.65%.

“When my wife passed away last year, the insurance check from Degree of Honor came very quickly. At such a difficult time, it was great not to have any hassles.”

**John, North Dakota**



## A Strong Board Responds

Stability is the product of experience, vision and leadership. Always engaged and vigilant, Degree of Honor's Board of Directors represents a wealth of experience and is passionate about our business and community service. With the insight of Board members, as well as the management team and consultants, Degree of Honor has made wise governance and operating decisions, resulting in a stable year for 2008.

**Expense increases were controlled to less than 1% per year over the last five years — far below the rate of inflation.**

## Ballot Election Instituted

In 2008 Degree of Honor replaced the traditional delegate system with a ballot vote for the election of Board members. This strengthens our representative form of governance by giving every insured member a voice in elections. One hundred percent of the national delegates supported this change.

## National Committee Representation

CEO Jackie Felling and CFO Joel Huser each serve on National Fraternal Congress of America (NFCA) committees. Although Degree of Honor is not among the largest insurers represented, we are recognized as a leader in developing event-focused venues, reaching out to youth, and leveraging resources in innovative ways.

**"For an insurance agent, Degree of Honor is exceptionally easy to work with and the service is very prompt. I, myself, am insured with Degree of Honor because I believe in the product and the company!"**

**Gregori, San Antonio, Texas**

## Thank You, Tim Dordell

**In May 2009, Tim Dordell retired as a voting member of the Degree of Honor Board of Directors and became an honorary Board member.**

**1965** was the year Tim Dordell, a young attorney specializing in the insurance industry, became Degree of Honor's consulting legal counsel. Over more than four decades of service, his dedication, forward thinking and leadership helped ensure the legal soundness and absolute integrity of our Association. "In all my years of private practice, Degree of Honor remained my favorite client. They were a delight to work for, always open to new ideas, outgoing and friendly," he said.

Tim is an insured member and a strong supporter of our fraternal mission. When retiring from private practice in 2000, he was elected to Degree of Honor's Board of Directors. Tim retired as a voting member this past May. We're grateful to announce he has accepted the appointment of honorary Board member,\* enabling him to provide input without having to be present for Board meetings.

\*According to the by-laws, the Board of Directors may appoint an honorary Board member, as well as a voting Board member to replace an outgoing member until the next election.

# Greater Response Meets Greater Needs

**D**egree of Honor reaches beyond insurance products and annuities to be of service to others. By mandate, we are directed to support the charitable causes, relevant benefits and service projects our members prefer. In countless acts and encounters across 23 states, Degree of Honor insurance and annuity holders, social members, and agents are making a difference.

**2008**

Service Events

**1,527**

Hours of Service

**206,882**

Contributions to  
Charitable Causes

**\$534,040**

## Degree of Honor Foundation

When individuals contributed to the Foundation, as a charitable organization those donations directly supported charities, as well as our members, their families and communities. Every dollar — 100% — was returned through initiatives such as scholarships, grants, disaster relief and special programs. As in past years, the Association itself contributed financial support, time and energy to operate the Foundation.

Members can direct the Foundation to donate their financial gift to a favorite charity. Any amount is welcome.

2008 Foundation  
Contributions  
**\$114,000**



## Honoring the Next Generation

Individuals, businesses and other insurance societies collaborated with Degree of Honor's Salute To Youth™ program to honor high school youth who balance academics and school activities with volunteering, faith and family. Despite a challenging economy, Degree of Honor maintained full support for these popular recognition dinners.

**Salute  
to Youth**™

"I think it's great that Degree of Honor recognizes teens who help others. There aren't many organizations that reward volunteer work, especially from teenagers."

**Stephen**, Teen Volunteer of the Year, Illinois