

# Protection. Stability. Service.

*Degree of Honor is guided by values that keep us strong and relevant. Protection, stability and service are not just words to us, they are our commitment to members. These values have stood the test of time, throughout the uncertainties and challenges of more than a century of business.*

## Financial Statement as of December 31, 2009 (\$ in thousands)

### Assets

Bonds and notes (95% of all assets) . . . . .	\$173,168
Preferred stock . . . . .	.500
Member loans . . . . .	2,707
Cash and short-term investments . . . . .	2,346
Other . . . . .	3,290
<b>Total Assets</b>	<b>182,011</b>

### Liabilities

Policy reserves and deposits . . . . .	174,555
Securities valuation reserves . . . . .	1,251
Other . . . . .	1,585
<b>Total Liabilities</b>	<b>177,391</b>
<b>Total Surplus</b>	<b>4,620</b>
<b>Total Liabilities and Surplus</b>	<b>\$182,011</b>

New life insurance policies sold in 2009 . . . . .	\$34,684,000
Total life insurance in force . . . . .	652,046,000
793 death claims paid . . . . .	5,725,000
Life insurance and annuity contract payments as living benefits to members . . . . .	21,604,570
Scholarships and accidental death benefits to members . . . . .	38,000
Community services, events and civic support . . . . .	23,683
Benefits paid since 1886 . . . . .	\$358,489,401

### Customer service

"I pride myself on providing my clients with excellent service and they receive the same level of service from the Home Office. Degree of Honor's customer service for both clients and agents is just outstanding!"

**Mike, Ohio (Agent)**

### Nearly 20% higher investment earnings than the 25 largest insurers

Degree of Honor is not as large or well-known as life insurance companies such as Aetna, Allstate, Hartford, John Hancock or State Farm,\* but we compare exceptionally well on the yield of our investments. In 2009, Degree of Honor earned 6.00% on invested assets, compared to 5.05% among the 25 largest life insurers. This is nearly 20% higher and reinforces the long-standing wisdom of our investment strategy.

*\*These are among the 25 largest life insurance companies that are compared to Degree of Honor for financial results. Their names are the registered trademarks of their individual organizations.*

Investments earned 6.00%  
compared to an average  
among insurers of 5.05%

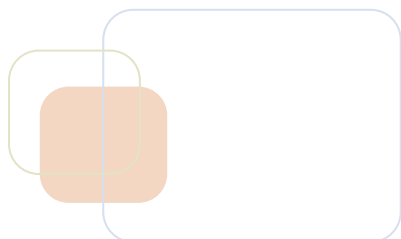
### Holding expenses down

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Degree of Honor has a tradition of holding down expenses. Over the last eight years we have kept the expense increase to less than one percent per year—far below the rate of inflation.

Even though fixed expenses such as energy costs rise with inflation, we kept general expenses flat by finding more ways to save costs. Our own Operation Smart program invites Home Office employees to submit cost-saving ideas. We share 10 percent of any first-year savings with the employee or employees who provided the idea. The Association applies the other 90% to continually cut costs.

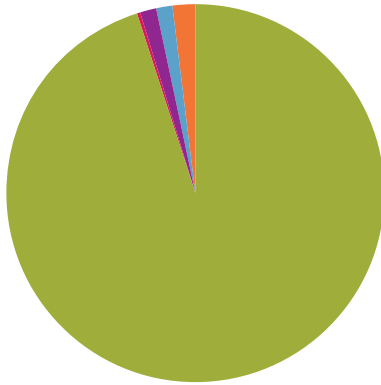


# Protection

# Stability

# Service

## Wisely allocated assets



Assets	Percentage
(bonds/notes)	95.0%
Preferred stock	0.3%
Member loans	1.5%
Cash/short term investments	1.3%
Other	1.9%

## Earning members' loyalty

Not everyone who buys life insurance keeps the policy current and some let their policies lapse. In fact, policy terminations are generally anticipated in the insurance industry.

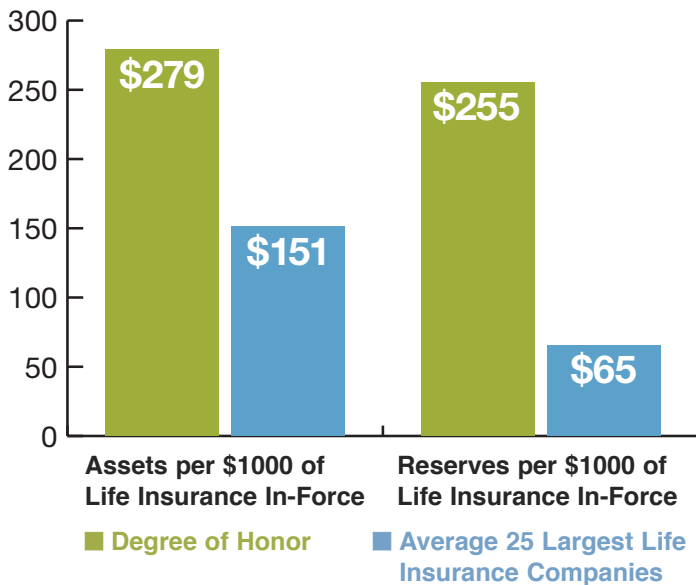
In this decade, Degree of Honor is realizing its lowest lapse rates ever. We feel this is because policy holders believe their family's financial protection is with the right company. More than any other factor—more than size or promises, more than a company's age or marketing—this loyalty demonstrates the trust our policy holders have in Degree of Honor.

## Benefits beyond the insurance contract

Simply by being an insured member, individuals receive special, non-contractual benefits of financial aid. These benefits are not part of the insurance contract (they can be expanded or withdrawn at any time) and truly demonstrate Degree of Honor's commitment to the well-being of each member.



## Industry-leading safeguards



## Non-contractual benefits currently include:

- **Disaster relief** for members in need because of fires, floods, tornadoes, hurricanes or other natural disasters
- **Financial assistance** throughout their youth for insured children orphaned by the death of both parents when at least one parent was also an insured member
- **Death benefit** payable to an insured parent for a stillborn child occurring after the 20<sup>th</sup> week of pregnancy but before delivery
- **A special insurance policy** of up to \$3,000 face amount for an uninsurable infant at standard rates before the age of 60 days and at a rated premium if the child is older than 60 days
- **Special death benefits** for an insured member for uninsured newborns younger than 60 days
- **An additional 50%** to the face value of an insured child's policy (not to exceed \$5000) if the child dies because of an accident on a chartered school bus traveling for any school activity
- **\$2,000 additional accidental death benefit** for all insured members, automatically, at no cost

Source: Standard Analytical Service, Inc. (analysts of the insurance industry since 1932)