

June 16, 2009

Dear [Employee Name],

I am writing you today to share information regarding a major decision that will affect us all.

Following careful consideration and extensive review of the current competitive and investment landscape, Beneficial Financial Group has decided that it will no longer accept new applications for life insurance and annuity business after August 31, 2009. As a result of this decision, effective today, June 16, 2009, we will begin a responsible and orderly downsizing of our new business efforts in the life insurance and annuity market.

Regretfully this decision means there are going to be significant job losses at the home office and in the field. We expect to lay off approximately 150+ employees in the coming days, weeks and months. I can assure you that Beneficial is reaching beyond current industry norms in providing severance packages as well as comprehensive outplacement assistance to assist people affected by this decision in finding new employment. Details of these plans will be shared with you as you meet with your individual manager today.

We are committed to doing this the right way. We will work with both you and our agents in a spirit of fairness and integrity to minimize disruption or hardship as we discontinue new policy sales.

### **Why is this happening?**

Allow me to explain how we arrived at this difficult decision, as well as what we will be doing to assist you - our employees, our policyholders, and our agents through this transition.

For over a century, Beneficial has pursued the noble goal of helping individuals and families financially realize their hopes and dreams and render assistance when it is most needed. We were founded in direct response to Heber J. Grant's recognition of a community's responsibility to protect its widows and orphans. At the time of our founding, we fulfilled a need that was not being met in the Intermountain West. Since that time, global and national competitors have entered the marketplace with a broader, and in some cases, more competitive product offering.

As a result, our business today is at a crossroads. Despite our ability to deliver strong operating performance over the past several years, Beneficial's relatively small size puts the company at a competitive disadvantage compared to larger insurers who provide a much broader range of products.

Also, due to our exposure to mortgage-backed and other structured securities, Beneficial has written down the value of its investment portfolio by \$600 million over the past two years. This amount includes \$177 million of actual losses and an estimate of future losses. To provide the financial support needed to offset the impairments taken, Beneficial's parent, Deseret Management Corporation (DMC), contributed additional capital to the company totaling \$594 million during 2007 and 2008.

As a result of our small size, the challenges resulting from our exposure to mortgage-backed and structured securities, and following an extensive and careful review, Beneficial and DMC have concluded that Beneficial lacks the scale to effectively compete in the current marketplace.

In short, the insurance business offers the prospect of limited future economic returns compared to the risks inherent in the business.

Unfortunately, this means that we will need to significantly downsize the business. This was not an easy decision. However, consistent with our legacy of protecting individuals and families as we have through the Great Depression and two world wars, we will continue to support current policyholders, and do the right thing by our employees and our agents, many of whom have ties with Beneficial going back generations.

### **How will this affect policyholders?**

We are dedicated to the protection of our policyholders. The decision that we have made to discontinue new business will not negatively impact the policies of Beneficial's current policyholders. We will continue to meet all existing contractual commitments under our existing insurance and annuity policies, while providing the same high quality service that customers have come to expect.

Through the commitment and continuing support of DMC, we will remain strongly capitalized and able to meet our obligations. As of March 31, 2009, Beneficial holds statutory assets of \$3.4 billion, which includes \$445 million of adjusted capital and surplus. This means that for every \$1 of funds on deposit from policyholders, Beneficial holds an additional 15 cents of shareholder funds. This is a very high level of financial support compared to other insurance companies.

The Company does expect external rating agencies to lower its financial ratings, since there are limits to the financial rating they will provide to companies that are not issuing new business. Irrespective of these actions, Beneficial will remain strongly capitalized and fully able to meet its obligations. Beneficial is currently rated A (Excellent) by AM Best and A by Standard & Poor's.

### **How will this affect agents?**

We are working hard to provide a smooth transition for our agents. With the support of DMC and our home office distribution team, our field management group is in serious negotiations with several high quality and competitive insurance carriers to provide a competitive and expanded array of financial products and services to meet the future needs of their clients. Our field management group intends to have a letter of intent in place by the end of June and finalized terms shortly thereafter.

### **How will this impact me?**

We will work with you – the employees - in a spirit of fairness and integrity to assist you in transitioning your career while minimizing hardship. We value the contribution made by you. Many of you have dedicated your professional lives to our organization. We are anxious to do everything we can to minimize hardship and help chart a course for future opportunities. I feel confident that we have taken steps beyond current industry norms and practices in preparing severance packages and comprehensive outplacement programs for those who will be affected. The details of these packages and programs will be shared with you by your manager.

## **Summary**

We realize that there are many questions that arise in circumstances such as these. If you have additional questions, please feel free to talk with your manager or with an HR representative. Thank you for your support and commitment over the years. Thank you for all that you have done.

Sincerely,

Kent H. Cannon  
President and CEO