



Beneficial Financial Group
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June 16, 2009

Dear Beneficial Agent,

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 annuities market.

We are committed to doing this the right way. Over the course of the next several days, weeks, and months, we will work with both our employees 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, and our policyholders, 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, for Beneficial, 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 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 protection 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 me?

We are working diligently to provide a smooth transition for you - 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 you with a competitive and expanded array of financial products and services to meet your clients' future needs. Our field management group intends to have a letter of intent in place by the end of June and finalized terms shortly thereafter. We will provide more information on these opportunities as they become available.

In the meantime, we are eager to assist you in serving your clients by continuing to accept applications until arrangement have been made with an alternative carrier(s), but no later than August 31, 2009. We expect the new carrier relationship to be in place by that date. The decision to partner with any new insurance company is one that only you can make. Our role is to provide you with options that will hopefully lead to a smooth and productive transition. Rest assured that the assistance we are providing to the field force to assist in this transition goes beyond what companies generally do in similar circumstances.

How will this impact Beneficial Employees?

Regretfully this decision means that there are going to be significant job losses at the home office. 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 in order to assist people affected by this decision in finding new employment.

We will work with employees in a spirit of fairness and integrity to assist them in transitioning their careers while minimizing hardship. We value the contribution made by each employee. Many of our employees have dedicated their professional lives to our organization. We are anxious to do everything we can to minimize hardship and help chart a course for future opportunities for those who will be impacted by these decisions.

Summary

We realize that there are many questions that arise in circumstances such as these. If you have additional questions, please feel free to visit our internal company website for "Frequently Asked Questions" (FAQs) or talk with your manager or a member of the home office distribution team.

Thank you for your support and commitment over the years. We wish you well in your future endeavors.

Sincerely,

A handwritten signature in black ink that reads "Kent H. Cannon". The signature is written in a cursive style with a large initial 'K' and a long, sweeping underline.

Kent H. Cannon, FSA
President and CEO