

DEGREE *of* HONOR

Annual Report

2015

To our members

This has been an important year for Degree of Honor as we focused on two major areas of development—strengthening our foundation and exploring ways to reinvent what we do. The results have been a return to our roots as a fraternal organization supporting underserved communities, and a new awareness of the needs of caregivers in our midst.

We've done this work while navigating the economic environment that continued to challenge us throughout the year. Despite ending 2015 with a small net loss, we've kept the organization in a strong financial position overall:

- *We kept our spending in line with past years while making a new investment in growth strategy.*
- *We captured more than \$300,000 in surplus through disciplined sales growth.*
- *Our renewal premiums increased by \$500,000, demonstrating continued excellent business retention.*

Lastly, our fraternal mission remains vibrant, as reflected in our 33% increase in service hours and 35% increase in charitable contributions to our members' communities.

We live in an ever-changing world and that requires us to constantly improve and adjust to continue serving you. Through it all, Degree of Honor remains committed to our roots in helping our communities and families.



My best to you & your families in 2016,

Lisa J. Flanary

Lisa Flanary, Chief Executive Officer

After reviewing last year's annual report, I'm amazed at the rapid pace of change happening at Degree of Honor. However, one thing hasn't changed. That's the high level of importance placed on our financial strength, which serves to protect the promises Degree of Honor has made to each of our members. Even though we continue to operate in an economic environment that is challenging for all financial organizations, our balance sheet remains solid with a strong investment portfolio and a focus on effective operations. We also expanded risk management during 2015.

Of special note is the strategic progress in 2015 made under Lisa's leadership. She created a new roadmap to re-energize and strengthen our fraternal purpose. At its heart, this roadmap serves individuals who are caregivers. Doing so bonds us together, making a real difference to a special group of people who share a common need. This has always been at the core of fraternalism, and our board of directors is strongly committed to making it central to an exciting future for Degree of Honor.



Regards,

Dennis K. Peterson

Dennis Peterson, Chairman,
Degree of Honor Board of Directors

"A long-term approach. Forward-thinking. Diversification. These key principles of Degree of Honor's investment plan mean that invested assets are on solid footing, even in times of financial market uncertainty. With over 98% of investments rated in the highest two NAIC rating categories, an average credit quality of A+, and book value in excess of \$205 million, member benefits are secure."

—Tim Senechalle, Degree of Honor Portfolio Manager, Advisors Asset Management, Inc.

2015

Statement of Operations

	2014	2015
TOTAL INCOME	28,804,220	26,295,748
TOTAL CLAIMS AND EXPENSES	29,315,883	26,456,170
NET GAIN FROM OPERATIONS	(511,663)	(160,422)
REFUNDS TO MEMBERS	(3)	—
NET GAIN (LOSS) AFTER REFUNDS	(511,660)	(160,422)
NET REALIZED CAPITAL GAINS (LOSSES)	—	—
<i>Net Income (Loss)</i>	<i>(511,660)</i>	<i>(160,422)</i>

Balance Sheet

	2014	2015
TOTAL ASSETS	211,772,995	208,054,156
TOTAL LIABILITIES	205,784,009	201,879,808
SURPLUS	5,988,986	6,174,348
<i>Total Liabilities + Surplus</i>	<i>211,772,995</i>	<i>208,054,156</i>

Year-End Community Service Report

	2014	2015
DEDICATED SERVICE HOURS	10,083	13,366
COMMUNITY AND FELLOWSHIP EVENTS	897	575
COMMUNITY SERVICE, EVENTS AND CIVIC SUPPORT	\$154,243	\$207,500



Total Life Insurance In-Force
\$569,635,000

Total Benefits Paid Since 1886
\$11,707,000

Protection in Community



By bringing together caring people to protect and serve each other as they journey down a shared path, Degree of Honor has a history of and commitment to meeting the needs of those who are overlooked and underserved.

Founded in 1886 on the principle that protection is best provided by a community, Degree of Honor has always been a group of people dedicated to serving the greater good in their communities. Our first members were the wives, daughters and mothers of the men who built the railroads that are still in use today. Along with offering friendship and mutual support, these women looked out for and took care of each other.

Once a small group brought together through the shared experience of the railroad, the Degree of Honor community has grown considerably. Yet our belief in communities protecting their members has remained the same.

In recent years, we have recognized and learned from a growing group of people who share yet another journey. Caregivers who support a loved one with a disability make up an ever-increasing part of our membership and the community at large.

By listening to caregivers over the past 18 months, we've learned much more about the practical needs they have today and how we might serve them in the future.

While these women and men provide for loved ones of all ages with a wide variety of disabilities, they share a common concern:

“What happens to my loved one if something happens to me?”

Here is where we can share the load of responsibility and worry they carry—by providing protection in the form of financial solutions and connecting caregivers to one another through our fraternal organization. As caregivers' needs evolve, Degree of Honor will continue to realize our belief that protection is best found in community.

The Facts About Caregiving

1 in 5 adults in the United States is an unpaid caregiver

More than 59% work a job in addition to their caregiving responsibilities

On average, caregivers give up about \$300,000 in lost wages and retirement savings over their lifetimes

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