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FOR IMMEDIATE RELEASE

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A.M. Best Upgrades Ratings of ISMIE Mutual Insurance Company

OLDWICK, N.J., June 13, 2013—A.M. Best Co. has upgraded the financial strength rating to A- (Excellent) from B++ and the issuer credit rating to “a-” from “bbb+” of **ISMIE Mutual Insurance Company** (ISMIE) (Chicago, IL). The outlook for both ratings has been revised to stable from positive.

The ratings reflect ISMIE’s excellent level of risk-adjusted capitalization, consistently improved operating performance and leverage ratios as well as its use of high quality reinsurers. Additionally, recent sizeable loss reserve redundancies have enhanced earnings and supported the declaration of policyholder dividends.

Partially offsetting these positive rating factors are the historical volatility in ISMIE’s loss reserve development and surplus position, sizeable reinsurance dependence, periodic negative underwriting cash flows and concerns over the effects on the company due to the reversal of tort reform in Illinois in 2010.

Also contemplated in the ratings are the inherent challenges associated with being a single state, monoline medical professional liability insurer, particularly as they relate to price competition, legislative issues, loss cost trends and regulatory challenges.

Favorable rating factors are supported further by effective risk management initiatives that ISMIE has implemented and from improved claim frequency patterns. Furthermore, its reinsurance program was restructured in 2012, and is expected to enhance operating performance and improve cash

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flow. ISMIE ranks as the leading medical professional liability insurer in Illinois and continues to benefit from its high policyholder retention, aggressive claims management and emphasis on physician education programs and loss prevention techniques.

Negative rating actions for ISMIE could result if it experiences an adverse underwriting performance due to significant claims and inadequate loss reserves, a material decline in premium volume or inadequate reinsurance protection, which could cause the level of capitalization to no longer support its ratings and outlook.

Upward rating movement may occur for ISMIE from continued favorable underwriting and operating performance, the maintenance of strong capitalization and stable policyholder retention while adhering to prudent price and reserve adequacy.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

A.M. Best Company is the world's oldest and most authoritative insurance rating and information source. For more information, visit www.ambest.com.

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