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FOR IMMEDIATE RELEASE

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A.M. Best Assigns Ratings to Saskatchewan Mutual Insurance Company

OLDWICK, N.J., Jan. 26, 2011—A.M. Best Co. has assigned a financial strength rating of A- (Excellent) and an issuer credit rating of “a-” to **Saskatchewan Mutual Insurance Company** (SMI) (Saskatoon, SK). The outlook assigned to both ratings is stable.

The ratings and outlook for SMI are reflective of the company’s strong risk-adjusted capitalization, favorable balance sheet liquidity measures and modest underwriting leverage. In addition, SMI continues to demonstrate a strong underwriting performance, as indicated by loss and loss adjustment expense ratios that have historically outperformed the industry composite. As a result, the company’s profitable operating performance has resulted in favorable pretax operating returns in four of the last five-year periods.

Partially offsetting these positive factors are SMI’s elevated expense ratio and the potential challenges with modernizing several technology platforms to improve efficiencies. In addition, the composition of other underwriting expenses continues to temper underwriting results. SMI also is exposed to an increase in storm frequency and severity, which has added several points to its loss ratio over the last five-year period. SMI’s common stock holding resulted in higher investment leverage as a percentage of equity. This leverage makes SMI susceptible to significant changes in both realized and unrealized gains and losses. Going forward, A.M. Best believes the company is generally well positioned and resolute in its underwriting guidelines to help it maintain positive operating results.

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The principal methodology used in determining these ratings is [Best's Credit Rating Methodology -- Global Life and Non-Life Insurance Edition](#), which provides a comprehensive explanation of A.M. Best's rating process and highlights the different rating criteria employed. Additional key criteria utilized include: "Risk Management and the Rating Process for Insurance Companies"; "Catastrophe Risk Management Incorporated Within the Rating Analysis"; and "Understanding BCAR for Canadian Property/Casualty Insurers." Methodologies can be found at www.ambest.com/ratings/methodology.

Founded in 1899, 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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