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NEWS RELEASE

FOR IMMEDIATE RELEASE

Federated Insurance Receives A (Excellent) Ratings!

WINNIPEG, MB August 27, 2007 – Federated Insurance, a leading provider of Property and Casualty insurance announced today their A.M. Best financial ratings have been upgraded to A (Excellent) from A- (Excellent)!

A.M. Best Company is the leading provider of ratings, news and financial data for the insurance industry worldwide and Best's Ratings are recognized as the benchmark for assessing the financial strength of insurance-related organizations and the credit quality of their obligations.

Best's Financial Strength Ratings (FSR) provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders, employees, and suppliers. Best's Issuer Credit Ratings (ICR) provide an independent opinion, based on a comprehensive quantitative and qualitative evaluation, of a company's balance sheet strength, operating performance, business profile and ultimately its ability to meet its financial obligations.

Federated Insurance Company of Canada has been upgraded to A (Excellent) on both of these ratings. The upgrade reflects our companies:

- ◆ 10 year average underwriting and operating performance
- ◆ Long-term sustainability of financial performance
- ◆ Quality management team
- ◆ Favourable reserving trends
- ◆ Niche business focus
- ◆ High capital levels

A.M. Best further acknowledges their "excellent results well reflect [Federated Insurance]'s knowledge of its customer base, specialized products and services, limited catastrophe exposure, trade association relations and benefits of a direct sales force."

"We are thrilled to report this great news to you," says Federated Insurance President John Paisley. "In these turbulent times, an upgrade in the insurance industry is unusual. We feel this is a testament to the commitment we have made, to ensure we are there for you when you need us. We hope you will take comfort knowing you are working with a 'straight A' company!"

For more information contact Doug Overwater, Vice President Corporate Relations, at 1-800-665-1934.