

A.M. Best Revises Outlook to Positive for Western Financial Insurance

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OLDWICK, N.J.--(BUSINESS WIRE)-- **A.M.**

Best Co. has revised the outlook to positive from stable and affirmed the financial strength rating of B+ (Good) and issuer credit rating (ICR) of "bbb-" of **Western Financial Insurance** (Western) (Winnipeg, Manitoba).

The revised outlook reflects Western's good risk-adjusted capitalization and consistently favorable performance. The ratings also reflect Western's sound pure loss ratios, steadily improving operating performance and conservative investment profile, as the company has significantly reduced its exposure to equity holdings. The company's focused underwriting discipline has consistently produced favorable pure loss ratios that are better than the industry composite for the latest five-year period. In addition, favorable operating performance has resulted in good pretax operating returns in four of the last five years and has continued through year-to-date 2010 results.

Partially offsetting these positive factors are the company's elevated underwriting leverage and other expense ratios, which have tended to drag the otherwise strong loss results. In addition, premium growth has significantly outpaced equity over the latest five-year period. Although Western is a specialty writer and a market leader of pet insurance in Canada, as a monoline writer this poses some inherent risk of concentration. While this is a unique market segment of pet insurance, A.M. Best believes the company is generally well positioned and resolute in its underwriting guidelines to maintain positive operating results.

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" and "Understanding BCAR for Canadian Property/Casualty Insurers." Methodologies can be found at www.ambest.com/ratings/methodology.

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