

BUS A.M. Best Revises Outlook to Stable for CUNA Mutual Insurance
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A.M. Best Revises Outlook to Stable for CUNA Mutual Insurance Society and
Its Core Subsidiaries

Business Wire

OLDWICK, N.J. -- April 21, 2011

A.M. Best Co. has revised the outlook to stable from negative and affirmed the financial strength ratings (FSR) of A (Excellent) and issuer credit ratings (ICR) of "a" of CUNA Mutual Insurance Society (CMIS) as well as CUMIS Insurance Society Group (CUMIS) and its members, CUMIS Insurance Society, Inc. and CUMIS Specialty Insurance Company Inc. A.M. Best also has revised the outlook to stable from negative and affirmed the debt rating of "bbb+" on the \$85 million 8.50% 20-year surplus note issued by CMIS.

Additionally, A.M. Best has affirmed the FSR of B++ (Good) and ICR of "bbb+" of MEMBERS Life Insurance Company (MLIC), a subsidiary of CMIS. At the same time, A.M. Best has affirmed the FSR of A- (Excellent) and ICRs of "a-" of Producers Agriculture Insurance Group (ProAg) and its members, Producers Agriculture Insurance Company and Producers Lloyds Insurance Company (all domiciled in Amarillo, TX). The outlook for these ratings is stable. All companies are headquartered in Madison, WI, unless otherwise specified.

The revised outlook reflects CMIS' improved balance sheet and decreased realized loss position, as well as its reported unrealized gains. The company continues to maintain a well diversified investment portfolio and has taken initiatives to improve the overall quality of its balance sheet, such as decreasing its equity portion of the investment portfolio.

Additionally, the ratings acknowledge the company's continued position as the leading provider of life/health insurance products to members and employees of credit unions, its more than adequate risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR), consistently positive net operating gains and improved balance sheet on a consolidated basis.

Partially offsetting these positive ratings factors are CMIS' substantially reduced but continuing realized investment loss position, continuing exposure to structured securities, the volatility in statutory earnings performance in some of the company's core and ancillary lines of business and declining revenue related to its core credit insurance products given the current lending environment.

The ratings of CUMIS recognize its strong level of risk-adjusted capitalization, conservative balance sheet, overall operating profitability and well-established niche position in the credit union industry. Historically favorable development of prior year loss reserves has benefitted CUMIS' results. CUMIS' ratings also reflect the benefits the group derives from the financial flexibility and diversified operations of its ultimate parent, CMIS.

These rating factors are partially offset by variability in CUMIS' underwriting and investment results in recent years, which have resulted in fluctuations in the group's profitability, as well as the execution risk associated with its expansion into additional lines of business and the continuing effect of a soft insurance market and weak general macroeconomic conditions.

ProAg's ratings reflect the group's adequate capitalization, historical operating profitability, strong agency relations and an experienced management staff. These strengths are somewhat offset by ProAg's rapid gross premium

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growth in recent years, although the group no longer retains premiums following the establishment of a quota share reinsurance agreement with its affiliate, CUMIS Insurance Society, Inc., which applies to all premiums not ceded to the Federal Crop Insurance Corporation or other third party reinsurers. ProAg's ratings recognize the explicit support provided by this reinsurance agreement.

The ratings for MLIC acknowledge its improved risk-adjusted capitalization and status as a wholly owned subsidiary of CMIS. Offsetting these strengths is MLIC's greatly reduced operating profile along with continued net operating losses, which are related to the amortization of the interest maintenance reserve.

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"; "Understanding BCAR for Life and Health Insurers"; "Understanding BCAR for Property/Casualty Insurers"; "Catastrophe Risk Management Incorporated Within the Rating Analysis"; "Natural Catastrophe Stress Test Methodology"; "Rating Members of Insurance Groups"; "The Treatment of Terrorism Risk in the Rating Evaluation"; "A.M. Best's Ratings & the Treatment of Debt"; and "Rating Members of Insurance Groups." 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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