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Press Release - JANUARY 24, 2013

## A.M. Best Upgrades Ratings of GUARD Insurance Group Members

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### FOR IMMEDIATE RELEASE

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**A.M. Best Co.** has upgraded the financial strength rating to A+ (Superior) from A- (Excellent) and issuer credit ratings to "aa-" from "a-" of **NorGUARD Insurance Company**, **AmGUARD Insurance Company**, **EastGUARD Insurance Company** and **WestGUARD Insurance Company**, which operate under an intercompany pooling agreement. All ratings have been removed from under review with positive implications and assigned a stable outlook. These companies are members of **GUARD Insurance Group** (GUARD) and are domiciled in Wilkes-Barre, PA.

The ratings reflect GUARD's solid capitalization, favorable operating profitability achieved through disciplined underwriting initiatives, as well as the cautious manner in which initial claim reserves are established, which has resulted in favorable reserve development in recent years. The ratings also acknowledge the implicit and explicit financial support provided by GUARD's new ultimate parent, **Berkshire Hathaway Inc.** (Berkshire) [NYSE: BRK.A and BRK.B], and Berkshire subsidiary, **National Indemnity Company** (NICO), including significant reinsurance transactions. In addition to Berkshire's track record of supporting its member companies, these transactions demonstrate the explicit commitment provided by Berkshire, for which GUARD members receive rating enhancement.

Partially offsetting these positive rating factors are the group's above-average growth over the past several years and the inherent risks associated with integrating new product lines and expansion into new states, which is compounded by the current soft underwriting cycle and weakened macroeconomic conditions, in addition to a degree of concentration in a couple of significant production sources. Also, the group's net investment ratio is below the workers' compensation composite and comparably rated peers. Despite these concerns, the outlook reflects GUARD members' enhanced financial flexibility provided by Berkshire, strong balance sheet and historical underwriting profitability.

A.M. Best believes GUARD members are well positioned at their current rating level. However, their ratings/outlook could come under pressure should soft market conditions and a lack of underwriting discipline in GUARD's product lines and expansion initiatives result in a decline in underwriting and overall profitability to levels underperforming its peers or should Berkshire fail to provide adequate financial and operational support.