

A.M. Best Upgrades Rating of USABLE Life and Affirms Rating of Florida Combined Life Insurance Company

by Editor

OLDWICK, N.J.--(Insurance Headlines)--March 3, 2006--A.M. Best Co. has upgraded the financial strength rating (FSR) to A (Excellent) from A- (Excellent) of USABLE Life (USAL) (Little Rock, AR). A.M. Best also has affirmed the FSR of A (Excellent) of Florida Combined Life Insurance Company (FCL) (Jacksonville, FL). Both ratings have a stable outlook. The ratings reflect USAL and FCL's strong capitalization, potential for increased efficiencies, wider product distribution, improvement in regional market position, alignment of products with better management expertise and broader reach of the associated entities. The ratings of USAL and FCL are based on their new codependent or symbiotic relationship that has been forged and is currently in place.

USAL, FCL and Florida Combined Insurance Agency (FCIA) were contributed as considerations in the formation of Life and Specialty Ventures, LLC (LSV) in June 2005. LSV is the result of a strategic alliance between Arkansas Blue Cross and Blue Shield (ABCBS) and Blue Cross and Blue Shield of Florida (BCBSFL). ABCBS and BCBSFL agreed to combine their life and specialty product subsidiaries. Under the terms of the alliance, BCBSFL's ownership interest in FCL and FCIA and ABCBS's ownership interest in USAL were exchanged for equal shares of LSV, which in turn, would own all of BCBSFL and ABCBS's former shares.

Well developed administrative competencies and the combining of markets by product type to increase scale are expected to increase operating efficiencies and provide opportunities for a broader distribution landscape while lowering unit costs and raising the barrier to entry for non-state domiciled competitors. The execution of this strategy is further enhanced by the alignment of products with identified management expertise. Additionally, LSV's infrastructure fosters flexibility and growth. Its operating platform encourages growth through alliances with other like minded Blue plans. Since the organization's business development initiatives are created around transparency and partnership, the combined association of companies is expected to significantly broaden its reach, bringing products and services nearer optimal scale without incurring any meaningful increase in acquisition costs.

USAL and FCL are well capitalized companies. The spread of risk is supported by inter-company reinsurance agreements, providing something of a back stop so that both entities are indemnified against extraordinary losses that were forged before the creation of LSV. Going forward, stronger underwriting scrutiny is needed in certain lines of business. There is also room for product redesign so that the overall expanded suite of products and services match changes in policyholder needs and are sufficiently flexible to meet the economic realities of the financially constrained business environment.

For Best's Ratings, an overview of the rating process and rating methodologies, please visit www.ambest.com/ratings.

A.M. Best Co., established in 1899, is the world's oldest and most authoritative insurance rating and information source. For more information, visit A.M. Best's Web site at www.ambest.com.

Contact: A.M. Best Co. Public Relations: Jim Peavy, 908-439-2200, ext. 5644
james.peavy@ambest.com or Rachelle Striegel, 908-439-2200, ext. 5378
rachelle.striegel@ambest.com or Analysts: David Mitchell, 908-439-2200, ext. 5556
5556 david.mitchell@ambest.com or Kenneth Frino, 908-439-2200, ext. 5012
kenneth.frino@ambest.com

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