

PRESS RELEASE—June 22, 2011

DALLAS NATIONAL INSURANCE COMPANY'S PRESIDENT RESPONDS TO A.M. BEST RATING DOWNGRADE

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Obviously, I am very disappointed for our owner, for the employees of Dallas National as well as for our brokers, agents and customers. I believe that we have demonstrated our ability to stick to a core strategy built around workers compensation and general liability insurance and to grow our business profitably. Dave Wood, our owner, has continued to demonstrate his commitment to maintaining the capital necessary to keep Dallas National Insurance Company strong. Through difficult economic times Dallas National has increased its policyholder's capital and surplus.

Consistent with our downgrade to B++ four years ago, A.M. Best feels that our ability to grow the business beyond our own projections and definitely beyond that of a traditional insurance company requires this further reduction. While we understand Best's concern, the growth at Dallas National has resulted primarily from the movement of premium between our affiliated high-deductible worker's compensation programs and the newly developed pay as you go ("paygo") program. Underlying payrolls related to our workers compensation business has grown modestly over the last few years. However, the growth in the retention by Dallas National resulting from this movement in premium is the basis for Best's concern.

And, consistent with what we stated four years ago, we will commit to the Board of Directors to continue to do what has made this Company strong. We will continue to improve underwriting and claims processes. We will continue to maintain strong regulatory compliance. We will continue to partner with reinsurers who are rated A or better by A.M. Best. And we will continue to grow the company profitably.

In the near future, the economic outlook for this country and for the insurance industry will improve dramatically. Unlike some analysts we have never believed that larger companies are more secure than certain small and mid-sized niche players. Moreover, we are not aware of any companies that have failed because they had too much profitable growth. By maintaining our consistent strategy and accepting the profitable business provided by our valued partners, we believe that we are well positioned today and when the economy does improve.

Let me conclude by reiterating our commitment to our staff, our customers, our various reinsurance partners, our brokers and our agents. Dallas National Insurance Company has not changed from what has made us successful. Even with our growth, which some view as excessive, and these difficult economic times we have maintained the course by being fiscally conservative and reserving adequately. Lastly, I would also like to commit that Dallas National will continue to work with A.M. Best to better understand our business and our strategy. I am confident that we can continue to be successful and upgrade our position with A.M. Best.

Respectfully,



Chris Nehls
President and Chief Executive Officer