



250 Main Street * Buffalo, New York 14202 * 1-800-462-1077

For Immediate Release

Contact: Tara Potzler (716) 849-3004

**Merchants Mutual Insurance Company
Debuts Merchants Preferred Insurance Company
in Pennsylvania**

BUFFALO, NY, August 27, 2007 -- Merchants Mutual Insurance Company is proud to announce that its recently formed subsidiary, Merchants Preferred Insurance Company, is now accepting business in Pennsylvania, effective September 1, 2007.

Merchants Preferred Insurance Company is a wholly-owned subsidiary of Merchants Mutual Insurance Company. Merchants Preferred targets preferred risk individuals and businesses, while Merchants Mutual targets standard risks.

Preferred recently earned an A- (excellent) rating with a stable outlook from the A.M. Best Company. Mutual's A- (excellent) rating was also renewed by A.M. Best.

Merchants Mutual Insurance Company and Merchants Preferred Insurance Company comprise Merchants Insurance Group. The companies offer their customers flexible coverage options and high-quality products at competitive prices. The companies' goals are to achieve a leadership position in their target markets by developing superior products, responding to customer requests and resolving claims quickly and accurately.

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Merchants Mutual and Merchants Preferred offer personal and commercial insurance through a network of more than 600 independent insurance agents throughout the Northeast and Midwest. With corporate headquarters and regional operations located in Buffalo, N.Y., Merchants operates offices in Hauppauge, N.Y.; Albany, N.Y.; Moorestown, N.J.; Manchester, N.H., and Columbus, OH. Merchants' website can be accessed at www.merchantsgroup.com.