



MP takes one-time charge on Cap Re investment

Feb. 26, 1998) Minnesota Power, Inc. announced today that it will take a \$1.7 million charge against first quarter 1999 earnings as a result of a \$44 million reserve established for likely extraordinary insurance claims at Capital Re (NYSE: KRE), a financial guaranty reinsurance and specialty insurance company in which Minnesota Power holds a 21 percent equity investment.

The reserve relates to Capital Re's reinsurance of asset backed securities originated by Commercial Financial Services (CFS) which is under state and federal investigation for alleged fraud.

Earlier this week Capital Re reported a 36 percent increase in revenue in 1998 and a 25 percent increase in premiums written. Excluding the CFS loss, Capital Re's diluted earnings per share in 1998 increased by 30 percent.

Ace Bermuda Insurance, Ltd., announced this week that it will invest \$75 million in Capital Re through purchase of common stock, subject to affirmation of Capital Re's financial ratings, customary conditions and regulatory approval.

Edwin L. Russell, Minnesota Power's Chief Executive Officer, said, "We warmly welcome Ace in joining Minnesota Power as a major investor in Capital Re."

"We believe that Capital Re is a fundamentally sound business and that additional investment will support strong prospects for growth initiatives in 1999 and beyond," Russell said.

Minnesota Power may increase its ownership interests in Capital Re through open market purchases of additional shares of common stock, Russell concluded.