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**FOR IMMEDIATE RELEASE
WEDNESDAY, OCTOBER 31, 2007**

**FIRST MERCURY FINANCIAL CORPORATION ANNOUNCES
ACQUISITION OF AMERICAN MANAGEMENT CORPORATION**

SOUTHFIELD, MI – October 31, 2007 – First Mercury Financial Corporation (NYSE: FMR) (“First Mercury” or the “Company”) announced today that it has entered into a purchase agreement to acquire all of the outstanding stock of American Management Corporation (“American Management” or “AMC”). The acquisition is subject to regulatory approval and other conditions to closing. Financial terms of the transaction were not disclosed. The transaction is expected to close in early 2008. Subsequent to the transaction, American Management will continue to operate under its existing name as a wholly owned subsidiary of First Mercury.

American Management is headquartered in Conway, Arkansas and is a privately held, diversified specialty insurance services firm that markets, underwrites, and administers insurance products in niche markets for several major insurers. American Management produced premiums of approximately \$100 million in 2006, with the majority of the production focused on petroleum marketers and related risks.

“We are pleased to announce this transaction which fits into our overall growth strategy,” said Richard H. Smith, chairman and chief executive officer of First Mercury. “This acquisition will allow us to enter new products and market segments while diversifying our revenue stream by continuing to operate AMC as an insurance services operation. To ensure continuity for all stakeholders of AMC and strengthen our leadership team, Stephen Strange, Sr. will continue as president of American Management, which he has led for over 23 years,” added Smith.

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Stephen Strange, Sr., president of American Management Corporation stated, “We look forward to joining the First Mercury team. Both First Mercury and AMC have track records of sustainable growth and profitable underwriting across multiple market cycles, with a focus on specialty niche markets. I believe that First Mercury brings superior resources and support to AMC that will allow us to continue our existing growth strategy.”

Smith concluded, “We are pleased with the progress we have made toward our growth objectives to date and will continue to manage our pipeline of opportunities to support the expansion of the Company.”

About First Mercury Financial Corporation

First Mercury Financial Corporation markets and underwrites specialty commercial insurance products, focusing on niche and underserved segments where the company has underwriting expertise and other competitive advantages. During the company’s 34 years of underwriting risks, First Mercury has established CoverX® as a recognized brand among insurance agents and brokers. As primarily an excess and surplus (E&S) lines underwriter, First Mercury has developed the underwriting expertise and cost-efficient infrastructure which has enabled it to effectively underwrite such risks.

Safe Harbor Statement

This release contains forward-looking statements that relate to future periods and includes statements regarding our anticipated performance. Generally, the words “anticipates,” “believes,” “expects,” “intends,” “estimates,” “projects,” “plans” and similar expressions identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, among others: our ability to maintain or the lowering or loss of one of our financial or claims-paying ratings; our actual incurred losses exceeding our loss and loss adjustment expense reserves; the failure of reinsurers to meet their obligations; our inability to obtain reinsurance coverage at reasonable prices; the failure of any loss limitations or exclusions or changes in claims or coverage; our lack of long-term operating history in certain specialty classes of insurance; our ability to acquire and retain additional underwriting expertise and capacity; the concentration of our insurance business in relatively few specialty classes; competition risk; fluctuations and uncertainty within the excess and surplus lines insurance industry; the extensive regulations to which our business is subject and our failure to comply with these regulations; our ability to maintain our risk-based capital at levels required by regulatory authorities; our inability to realize our investment objectives; and the risks identified in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K. Given these uncertainties, you are cautioned not to place undue reliance on these

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forward-looking statements. We assume no obligation to update or revise them or provide reasons why actual results may differ.

For more information on the Company, please visit the Company's website at www.firstmercury.com