

October 30, 2009

To our clients, agents and brokers:

We are again pleased to report strong results in a difficult economic climate. While we continue to feel top line pressure, our loss activity remained modest and our investment portfolio continued to improve.

Overall, gross written premiums were down 5.8% for the quarter. Contract surety premiums declined roughly 8% while commercial surety premiums were essentially flat. The decrease in contract surety premiums resulted from less construction activity overall combined with accelerated competition in the public sector. Commercial surety premiums remained flat as the result of the general decline in the overall economy.

On the positive side, our loss activity remained under control. The balance sheets of the vast majority of our clients continue to be very strong. While construction backlogs continue to fall, most clients have worked very hard to resize their operations to current market realities.

While our operating expenses remain under control, our expense ratio for the quarter was negatively impacted by 4.5 percentage points due to the impairment of capitalized software development costs related to in-development projects that we decided to terminate.

Finally, our investment portfolio continued to improve and we continue in a favorable unrealized gain position.

We thank all our employees and business partners for their continued support of our franchise.

Sincerely,



John F. Welch,
President & Chief Executive Officer

CNA Surety Selected Financial Highlights

(in thousands of US Dollars)

Statement of Operations Data:

	3 Months Ended September 30, 2009	3 Months Ended September 30, 2008	9 Months Ended September 30, 2009	9 Months Ended September 30, 2008	Year Ended December 31, 2008
Gross Written Premiums	\$113,402	\$120,362	\$341,361	\$361,299	\$467,127
Net Written Premiums	\$106,361	\$108,805	\$320,495	\$333,626	\$431,679
Net Earned Premiums	\$109,703	\$109,696	\$316,549	\$320,814	\$431,696
Pre Tax Income	\$ 36,378	\$ 50,353	\$ 96,399	\$117,331	\$159,212
Net Income	\$ 25,524	\$ 34,333	\$ 68,555	\$ 81,285	\$110,403

	3 Months Ended September 30, 2009	3 Months Ended September 30, 2008	9 Months Ended September 30, 2009	9 Months Ended September 30, 2008	Year Ended December 31, 2008
Loss Ratio	22.3%	8.0%	26.8%	19.4%	18.7%
Expense Ratio	56.7%	56.2%	54.5%	54.5%	54.5%
Combined Ratio	79.0%	64.2%	81.3%	73.9%	73.2%

Balance Sheet Data:

	As of September 30, 2009	As of September 30, 2008	As of December 31, 2008
Total Investments & Cash	\$1,309,197	\$1,058,558	\$1,126,079
Total Assets	\$1,708,963	\$1,513,792	\$1,565,519
Unpaid Losses & LAE	\$ 428,286	\$ 424,561	\$ 428,724
Total Stockholder's Equity	\$ 884,762	\$ 722,231	\$ 767,295
Statutory Surplus	\$ 626,937	\$ 529,769	\$ 554,637

Financial Strength Rating:

Best Rating: A Excellent

S&P Rating: A-

CNA Surety Corporation provides a full range of surety and fidelity bonds in all 50 states, Canada and Puerto Rico. Headquartered in Chicago, Illinois, CNA Surety Corporation is the largest publicly traded surety company and is listed on the New York Stock Exchange (NYSE: SUR).

Through a combined network of approximately 37,000 independent agents, the company has the capability to serve a full range of surety needs, from the smallest commercial bonds to multi-million dollar contract bonds.

CNA Surety is known for its expert underwriting, solid financial strength, and a high level of personal service. With a highly diverse product line, and an unparalleled distribution system, CNA Surety ranks as one of the largest surety companies in the United States.

If you have questions or would like additional information regarding CNA Surety, please contact us at **1-800-331-6053** or info@cnasurety.com.



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