

July 30, 2010

To our clients, agents and brokers:

We are again pleased to report very strong earnings this quarter. The favorable reserve release reflects the continuation of favorable claim trends in the older accident years. Our loss estimates for the more recent accident years continue to reflect the challenges facing the construction industry. Given the challenges, we feel very positive about our results and remain confident that we have the expertise, tools and financial strength to successfully navigate this difficult environment.

Contract surety and commercial surety gross written premiums declined 1.6% and 2.4% respectively, for the quarter. For the six month period, both lines were relatively flat from last year.

Our incurred loss activity, while increasing on the smaller end, remains well within our loss provision estimates. While we expect some pressure on the loss ratio going forward, to date, our clients have effectively managed the downturn.

We continue to manage our expenses in a prudent manner and our investment portfolio remains in a very solid unrealized gain position.

We again thank all our employees, producers and business partners for supporting our operations as we strive to be the surety of choice in the marketplace.

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 June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009	Year Ended December 31, 2009
Gross Written Premiums	\$114,947	\$116,834	\$227,474	\$227,959	\$438,305
Net Written Premiums	\$108,744	\$110,115	\$215,404	\$214,134	\$411,034
Net Earned Premiums	\$105,214	\$105,695	\$203,466	\$206,846	\$421,872
Pre Tax Income	\$ 41,047	\$ 30,974	\$ 71,349	\$ 60,021	\$169,208
Net Income (Loss)	\$ 28,625	\$ 22,167	\$ 49,430	\$ 43,031	\$117,861

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009	Year Ended December 31, 2009
Loss Ratio	20.5%	29.3%	24.7%	29.3%	16.5%
Expense Ratio	53.0%	52.9%	53.4%	53.3%	55.3%
Combined Ratio	73.5%	82.2%	78.1%	82.6%	71.8%

Balance Sheet Data:

	As of June 30, 2010	As of June 30, 2009	As of December 31, 2009
Total Investments & Cash	\$1,409,199	\$1,203,988	\$1,322,654
Total Assets	\$1,810,018	\$1,610,950	\$1,709,035
Unpaid Losses & LAE	\$ 439,344	\$ 419,812	\$ 406,123
Total Stockholder's Equity	\$ 990,170	\$ 828,677	\$ 923,084
Statutory Surplus	\$ 729,041	\$ 597,064	\$ 679,302

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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www.cnasurety.com

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