



**Robert W. Minster**  
*Executive Vice President &  
Chief Operating Officer*

August 18, 2009

To our Valued Agents, Reinsurers, Employees and others:

**Subject: IFIC Acquisition of ACC**

On August 17, 2009 I signed a Stock Purchase/Sale Agreement on behalf of IFIC to acquire Allegheny Casualty Company (ACC). The closing of this agreement is subject to regulatory approval and satisfactory rating agency(ies) review and completion of due diligence. The Stock Purchase/Sale Agreement requires the closing of the transaction to occur on or before December 31, 2009. I expect the transaction to close before this deadline. Through some common ownership, IFIC and ACC are affiliated companies.

The reason IFIC is acquiring ACC is to develop a leading national franchise of secured contract surety serving agents' contractor clients who are somewhat financially distressed but otherwise qualified for surety credit. With the number of financially distressed contractors increasing, we feel it is important for IFIC to offer a surety market to our valued agents that serves their clients that fall into this group.

Both IFIC and ACC are major writers of surety bail bonds. This transaction will formally consolidate the largest bail franchise in the United States. I expect there will be no change in IFIC's or ACC's bail operations due to this transaction.

Currently, IFIC has six Senior Vice Presidents who report to me, each of whom runs one of the current six major departments of the company. These departments are: Legal, Finance, Human Resources, IT, Commercial Underwriting and Contract Underwriting. Once this transaction closes, we will appoint a seventh Senior Vice President and form a seventh department called Secured Contract Underwriting. This department and its employees will be dedicated solely to underwriting secured contract under ACC. The ACC underwriters will be IFIC employees with ACC business cards and will write bonds on ACC paper. Our claims operation will establish two separate units: one for our current "standard" surety bond claims and the other for secured contract or "non-standard" ACC surety bond claims.

With the exception of low six figure bonds (with a per principal bonded aggregate of about \$1 million) all bonds written in ACC will require about 20% collateral or more with funds control being given some credit towards the collateral requirement. IFIC agents doing business with ACC will have to enter into separate agency agreements with ACC. The rate and commission structures will be non-standard ones, the details of which will be finalized by the time of closing of the transaction. In 2008 ACC began writing small standard and non-standard contract and commercial surety with a small group of highly talented employees. I look forward to working with them as we further define and develop the surety market they have begun so well.

As always, we appreciate and thank you for your business and look forward to providing you more details on this as they become available.

Sincerely,

A handwritten signature in black ink that reads 'Bob Minster'.