

“Letter of Security”

October 2005

To All Security Agents:

With the cold weather in our future, I hope that you are all enjoying the glorious weather that we have been experiencing.

Enclosed with this mailing are your third quarter results. This year has proven to be very unusual from the loss standpoint: A very mild January and many fire losses throughout the summer; very few storm claims but the lead poisoning claims still appearing. We trust that your agency has had profitable experience so far this year.

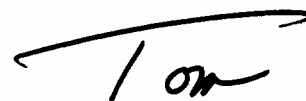
I am constantly being asked by both the Claims and Underwriting Departments to put friendly reminders in these letters. Most recently, it has been suggested that I mention replacement cost versus actual cash value. With the ever-rising building costs, it does not take long for the building once insured to 80% of replacement cost to become underinsured. With the replacement cost provision in our policies there is a requirement that the coverage be maintained at 80% of the replacement cost, if that option is chosen. If at the time of loss, the coverage is less than 80% of the replacement cost at that time, the loss is adjusted either on an ACV basis or is prorated based on the percentage that the coverage bears to the replacement cost. The answer to this dilemma is to either add inflation guard coverage, contact your insureds to review coverage on a regular basis or write the policy on an ACV basis. I would think that regular contact would be the most advantageous as additional opportunities may arise.

I mentioned fires this summer many were caused by candles! We are looking for a source for an informational pamphlet on candle safety. If anyone should know of a source, we would appreciate it if you could let us know. Our plan is to use them as an insert with other mailings to our insureds.

Finally, I would like to inform you of the retirement of two long time employees. Maggie Thorpe in our Underwriting Support Department had over 19 years of service and John Daugherty in Marketing had just over 20 years with the company. I am sure that you will join us in wishing them good luck in the future.

We again would like to thank you for your loyal support, and if you have any questions or comments on the above please feel free to contact us.

Sincerely,



Thomas R. Ruane, CPCU
President

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