Board of Directors
VLCT Property and Casualty Intermunicipal Fund, Inc.

In planning and performing our audit of the financial statements of VLCT Property and Casualty Intermunicipal Fund, Inc. ("the Fund") as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During the course of our audit work, we had the opportunity to observe the operations in some detail. We submit the following comments to you, which are not considered to be material weaknesses, but represent areas in which internal controls could be strengthened.

The following control deficiencies were noted during the course of our audit:

Claims process:

- JLCo recommends that the claims bordereau (report) be reconciled to the general ledger with a description of all variances at year end. Management has instituted a monthly reconciliation for all cash activity. JLCo recommends adding a reconciliation for all claim activity, which would include reinsurance and subrogation recoverables.

Staff Response: *In a continued effort to improve the process, Staff will include a reconciliation for all claim activity that includes reinsurance and subrogation. The new Navrisk claims system will go live on January 1, 2011 and will be able to automatically run reports to reflect this data.*

Underwriting process:

- During the audit, it was noted that the review controls within the underwriting process could be enhanced. Even with the new NavRisk system, it is still reliant on data input. Additionally, adjustments are still being applied manually. JLCo recommends management develop and implement a process to review individual underwriting files.

Staff Response: *Beginning with the 2011 renewal, staff has developed a process to review the contribution charges calculated for individual members. Staff will ensure that the individual reviews are complete and well documented. Staff agrees that the NavRisk program functionality strengthens underwriting controls but individual file review is still required.*

We believe these recommendations will enhance the control environment of the Fund.

During our audit, we also noted the following items, which have been discussed with management. These items are not considered control deficiencies but are presented for consideration by management.

Financial statement process:

- Currently the financial statements are reviewed by multiple individuals but limited documentation is recorded. Documentation of the review provides evidence that the controls in place are operating effectively and can be relied upon during the financial statement audit. We recommend that management enhance the documentation of the financial statement review process.

Staff Response: *Staff meets quarterly to review budget to actual reports along with a detailed trial balance and signs off when the review has been completed. Management also reviews the quarterly financial statements and analysis summary and emails final approval. With increased staffing in the finance department, Staff will continue to enhance this process by creating additional documentation to clearly identify significant areas of review and cross checking to work papers.*

- We recommend that the accounting records be closed prior to the start of audit fieldwork and a final trial balance be available, requiring minimal reclassifying and/or adjusting entries from management, which will promote an efficient audit process for both Management and auditors.

Staff Response: *Staff will strive to provide the auditors with a final unaudited trial balance and supporting work papers at the onset of audit fieldwork and recognizes this promotes an efficient audit process. We are establishing a more formal timeline internally, with actions and responsibilities by staff member, to manage the year end process.*

Claims process:

- JLCo recommends that management maintain a reinsurance report that captures all reinsurance activity (ceded loss activity).

Staff Response: *Staff has multiple independent spreadsheets to reflect subrogation, reinsurance and claims paid. Staff will work with the current reports and come up with a better consolidation and reconciliation of information for the 2011 year end close. Staff is working on reporting requirements in the new system that will capture this more completely in one report.*

Investment Process:

- The investment allocation by fund year should be reviewed by management for reasonableness and updated if necessary. JLCo noted that some fund years have a negative balance as of December 31, 2010.

Staff Response: *Staff will review the current process in conjunction with the actuarial reports to determine the funds necessary for each fund year. The agreed upon methodology and process will be documented and entries will be made to appropriately move funds to the appropriate fund year.*

This communication is intended solely for the information and use of the board of directors management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Johnson Lambert & Co. LLP

Burlington, Vermont
March 16, 2011