

Best's Rating Report



SENECA INSURANCE COMPANY, INC.

New York, New York



A

Ultimate Parent: Fairfax Financial Holdings Limited
SENECA INSURANCE COMPANY, INC.
 160 Water Street, New York, NY 10038-4922
 Web: www.senecainsurance.com

Tel: 212-344-3000
 AMB#: 000324
 Ultimate Parent#: 058364

Fax: 212-344-4567
 NAIC#: 10936
 FEIN#: 13-2941133

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the company and its insurance subsidiaries, the company is assigned a Best's Financial Strength Rating of A (Excellent). The company's Financial Size Category is Class VIII.

RATING RATIONALE

The following text is derived from the report of Seneca Insurance Group.

Rating Rationale: The rating applies to Seneca Insurance Company and its reinsured subsidiary, Seneca Specialty Insurance Company. This rating reflects the group's strong and sustained underwriting and operating performance that has significantly outperformed its peers, and its superior risk-adjusted capital position. Somewhat offsetting the positive rating factors are the group's level of underwriting expenses (which is more than offset by the lower than average level of loss and loss adjustment expenses), and continued competitive market conditions. The rating outlook reflects A.M. Best's expectation that the group will continue to generate these favorable levels of underwriting and operating performance in the future.

The positive rating factors are derived from the group's diverse product offering and management's emphasis on underwriting process and control, ability to react to changing market conditions, and creation of profitable new business opportunities. The group has produced loss ratios significantly lower than those of the industry for over 10 years. Underwriting results have benefitted from consistently favorable development of prior years' loss reserves, generating favorable accident year results. Although Seneca maintains an expense structure several points higher than other package and

property writers, it is mitigated by the group's excellent historical loss experience. The group maintains a superior level of risk-adjusted capitalization that demonstrates strong organic growth from both underwriting and investment results, only modestly offset by dividend payments to its parent.

Best's Financial Strength Rating: A

Outlook: Stable

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
02/09/11	A	05/04/07	A- g
06/02/10	A	04/03/06	A- g
06/22/09	A	03/17/06	A- gu
06/25/08	A g		

KEY FINANCIAL INDICATORS (\$000)

Period Ending	Statutory Data						Overall Liq. (%)	Oper. Cash-flow (%)
	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus		
2006	114,146	109,370	25,468	19,088	307,231	116,037		
2007	103,682	98,587	38,078	25,288	318,435	127,723		
2008	101,255	98,130	33,183	31,872	331,884	145,759		
2009	97,873	105,072	37,626	28,355	343,980	167,070		
2010	98,726	125,113	27,263	26,614	384,647	182,084		
Period Ending	Profitability			Leverage			Liquidity	
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
2006	86.2	3.8	23.1	14.4	0.9	2.6	160.8	124.7
2007	75.5	3.8	36.8	22.6	0.8	2.3	167.1	134.7
2008	75.9	3.3	33.9	14.6	0.7	1.9	178.5	113.5
2009	74.1	4.4	37.4	17.4	0.6	1.7	194.6	118.1
2010	86.6	4.5	23.4	15.0	0.7	1.8	189.9	145.3
5-Yr	80.0	4.0	30.6

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(* Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

BUSINESS REVIEW

The following text is derived from the report of Seneca Insurance Group.

Seneca Insurance Group (Seneca) is comprised of Seneca Insurance Company (SIC) and its wholly-owned and reinsured subsidiary Seneca Specialty Insurance Company (SSIC), an admitted excess and surplus lines company capitalized by SIC in 1998. Licensed in all 50 states, the group is a specialty commercial insurer of non-standard, small accounts, with four main business areas: Commercial Multi-Peril, which focuses on non-standard business; specialty casualty, which includes E&S casualty; specialty property, with an emphasis on E&S property and inland marine; and bail bonds.

Business is sourced primarily by regional retail and wholesale brokers, with bail bond business agents managed by an exclusive general agent. Business is largely produced from branch offices throughout the United States.

Affiliations: The company is a member of and participates in the business underwritten or serviced by the Fair Plan.

2010 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Com'l MultiPeril.....	57,400	56,961	45.5	34.9	55,951
Oth Liab Occur	11,341	25,998	20.8	35.3	33,683
Fire	5,747	11,313	9.0	28.4	4,364
Allied Lines	3,355	9,458	7.6	31.3	5,861
Inland Marine	7,340	8,633	6.9	21.5	3,918
Workers' Comp.....	6,913	6,190	4.9	68.3	13,681
Surety.....	4,331	4,331	3.5	...	1,000
All Other.....	2,297	2,229	1.8	32.7	8,255
Totals	98,726	125,113	100.0	33.8	126,713

Geographical breakdown of direct premium writings (\$000): New York, \$39,925 (40.4%); Kentucky, \$8,178 (8.3%); New Jersey, \$6,703 (6.8%); California, \$3,982 (4.0%); Virginia, \$3,323 (3.4%); other jurisdictions, \$36,615 (37.1%).

FINANCIAL PERFORMANCE

The following text is derived from the report of Seneca Insurance Group.

The group's underwriting and operating results significantly outperform the commercial casualty peer group. Pre-tax operating income (PTOI) remained favorable, with the group's combined ratio remaining well-below the peer group average. PTOI did decline in 2010, resulting primarily from a lower level of favorable development of prior years' reserves. Net income was in-line with its 2009 level, benefitting from realized investment gains. While both pre-tax operating and net income have been somewhat variable over the five-year historical period (with the variability primarily driven by changes in underwriting income), both have been positive throughout the period.

As indicated above, net underwriting income fell in 2010, primarily as the level of favorable development of prior years' loss reserves declined to \$5.8 million in 2010 from \$25.3 million in 2009. On an accident year basis, the combined ratio of 92.2 posted in 2010 is an improvement over the 99.9 in 2009. Given competitive market conditions that have dominated in recent years, it is expected that reserve releases will be more modest in the near term than in recent years. Despite the increase for calendar year 2010, the group's loss and loss adjustment expense ratio remains significantly lower than that of the peer group, having averaged more than 28 points below the composite average over the past five years and with the 2010 loss ratio more than 25 points better than the peer group average.

At the same time, the group generally reports higher-than-average ratios of expenses to net premiums written, reflecting in part the higher costs associated with its underwriting and loss prevention processes. The group's loss results, however, more than compensate for the increased expense, resulting in an average combined ratio more than 18 points better than the commercial casualty composite over the past five years. No changes are anticipated in the group's strategy or market focus, and these results are expected to continue in the near-to-mid term.

The group's investments are managed by an affiliate, Hamblin Watsa Investment Counsel, which emphasizes total return. Net investment yield, while consistently enhancing pre-tax operating revenue, has averaged below the composite group over the past five years. The group's investment allocation to long-term bonds, stocks, cash and short-term investments have generally exceeded those of the composite, with a lower percentage of non-invested assets. The higher concentration of assets in stocks, cash and short-term assets, which typically generate lower levels of investment income than bonds, and the allocation of the group's bond portfolio primarily to lower-yielding US government and municipal issues have contributed to the below-average yields, although they have afforded the group some tax benefits. Realized gains have generally enhanced operating returns, benefitting net income. The investment portfolio is expected to be managed on a total return basis in the future.

PROFITABILITY ANALYSIS

Period Ending	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio
2006	23.1	18.0	86.2	77.1	18.9	19.2	94.3	79.9
2007	36.8	20.7	75.5	65.1	20.6	15.7	94.7	78.8
2008	33.9	21.5	75.9	66.1	16.6	-1.0	98.9	83.7
2009	37.4	21.2	74.1	60.7	14.9	11.2	100.0	85.2
2010	23.4	16.0	86.6	73.9	10.4	9.4	104.5	88.9
5-Yr	30.6	19.4	80.0	68.9	16.4	10.7	98.3	83.1

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income (\$000)	—Loss Ratios—			—Expense Ratios—			Div. Pol.	Comb. Ratio
		Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.		
2006	15,399	36.8	10.2	47.0	18.8	20.4	39.2	...	86.2
2007	27,373	18.5	16.3	34.8	19.6	21.1	40.7	...	75.5
2008	23,547	26.0	9.8	35.8	18.7	21.4	40.1	...	75.9
2009	24,147	23.3	8.9	32.2	20.1	21.9	41.9	...	74.1
2010	12,494	33.8	14.6	48.3	20.8	17.5	38.2	...	86.6
5-Yr	...	28.0	12.0	40.0	19.6	20.3	40.0	...	80.0

INVESTMENT INCOME ANALYSIS (\$000)

Period Ending	Company						Industry Composite	
	Net Inv. Income	Realized Capital Gains	Unrealized Capital Gains	Inv. Inc. Growth (%)	Inv. Yield (%)	Total Return (%)	Inv. Inc. Growth (%)	Inv. Yield (%)
2006	10,069	2,887	861	16.2	3.8	5.3	9.2	4.8
2007	10,705	33	-6	6.3	3.8	3.8	9.6	5.0
2008	9,635	9,677	-2,468	-10.0	3.3	5.8	-5.4	4.7
2009	13,479	122	4,772	39.9	4.4	6.1	-9.1	4.4
2010	14,769	6,083	1,398	9.6	4.5	6.8	2.3	4.4
5-Yr	...	...	...	11.6	4.0	5.6	1.0	4.7

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2010 Inv. Assets (\$000)	—% of Invested Assets—		Annual % Change
		2010	2009	
Long-term bonds	265,631	74.0	75.9	9.8
Stocks	31,079	8.7	7.3	34.4
Affiliated Investments.....	27,126	7.6	8.1	4.7
Other Inv Assets.....	35,004	9.8	8.7	26.1
Total.....	358,840	100.0	100.0	12.6

2010 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt. Val to Stmt Val (%)	Avg. Maturity (Yrs)	Class 1-2 (%)	Class 3-6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
States, terr & poss..	6.6	-2.6	25.0	100.0	...	...	...
Special Revenue.....	68.3	6.6	21.2	100.0
Corporates.....	2.5	21.2	11.5	10.9	89.1
Total all bonds..	100.0	5.0	19.7	97.8	2.2

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CAPITALIZATION

The following text is derived from the report of Seneca Insurance Group.

Based on Best's Capital Adequacy Ratio (BCAR), Seneca maintains a superior level of risk-adjusted capitalization, which benefits from consistently positive earnings and contained catastrophe exposure. A.M. Best expects that the group's capitalization will remain at a superior level in light of expectation of continued underwriting quality and conservative management of loss reserves, combined with consistent investment management and dividend policies.

The group's surplus has increased by over 72% over the five year period, driven primarily by operating earnings. Realized and unrealized capital gains have also benefitted total return during the period. Dividend payments historically represent a substantial percentage of return, but consistent accretion of surplus has more than offset increases in net premium volume and associated liabilities, resulting in below-average levels of underwriting leverage and leading to continued improvements in the group's risk-adjusted capital position.

The consistently favorable recognition of favorable development of prior years' loss reserves has benefitted underwriting results and surplus. As noted in the Financial Performance section, however, a lower level of redundancies was recognized in 2010 compared with 2009, producing a 5.6 point benefit to the 2010 calendar year combined ratio, compared with the 25 point benefit in the calendar year 2009 results versus accident year combined ratio. Favorable development was recognized for each of the last ten accident years, as well as for the total of years 1999 and prior. Reserve redundancies are attributable to the group's conservative reserving practices and its emphasis on business lines which are traditionally short-tail. It is expected that the group's level of favorable reserve recognition will remain at a lower level than was recognized in 2009 and some earlier years.

CAPITAL GENERATION ANALYSIS (\$000)

Period Ending	Source of Surplus Growth					PHS Growth (%)
	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	
2006	25,468	3,748	-9,773	-9,056	10,387	9.8
2007	38,078	27	-12,729	-13,691	11,685	10.1
2008	33,183	7,209	-12,515	-9,840	18,037	14.1
2009	37,626	4,893	-12,053	-9,155	21,311	14.6
2010	27,263	7,481	-13,479	-6,251	15,014	9.0
5-Yr	161,618	23,357	-60,548	-47,993	76,434	...

QUALITY OF SURPLUS (\$000)

Period Ending	Year-End PHS	% of PHS			Dividend Requirements		
		Cap. Stock/Contrib. Cap.	Other	Unassigned Surplus	Stockholder Divs	Div. To POI (%)	Div. To Net Inc. (%)
2006	116,037	26.8	...	73.2	-9,773	38.4	51.2
2007	127,723	24.3	...	75.7	-12,729	33.4	50.3
2008	145,759	21.3	...	78.7	-12,515	37.7	39.3
2009	167,070	18.6	...	81.4	-12,053	32.0	42.5
2010	182,084	17.1	...	82.9	-13,479	49.4	50.6

LEVERAGE ANALYSIS

Period Ending	Company				Industry Composite			
	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2006	0.9	1.1	2.6	3.2	0.9	1.6	3.3	4.3
2007	0.8	1.0	2.3	2.9	0.8	1.5	3.1	4.0
2008	0.7	0.8	1.9	2.4	0.9	1.7	3.4	4.4
2009	0.6	0.7	1.7	2.0	0.8	1.5	3.0	3.8
2010	0.7	0.7	1.8	2.0	0.7	1.5	2.9	3.8

Current BCAR: 355.1

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		GPW		NPW		NPE	
	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)
2006	114,146	-11.9	134,216	-1.2	109,370	-0.6	110,024	0.6
2007	103,682	-9.2	122,227	-8.9	98,587	-9.9	103,479	-5.9
2008	101,255	-2.3	120,175	-1.7	98,130	-0.5	98,006	-5.3
2009	97,873	-3.3	125,370	4.3	105,072	7.1	100,614	2.7
2010	98,726	0.9	140,603	12.2	125,113	19.1	116,751	16.0
5-Yr CAGR	...	-5.3	...	0.7	...	2.6	...	1.3
5-Yr Chg	...	-23.8	...	3.5	...	13.7	...	6.7

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR (\$000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '10	Develop. to		Develop. to NPE (%)	Unpaid Res. to @12/10	Unpaid Res. to Develop. (%)
			Orig. (%)	PHS (%)			
2005	101,944	65,093	-36.1	-34.9	59.5	13,303	20.4
2006	115,102	67,130	-41.7	-41.3	61.0	19,316	28.8
2007	115,946	76,052	-34.4	-31.2	73.5	28,914	38.0
2008	112,692	82,781	-26.5	-20.5	84.5	43,204	52.2
2009	102,904	97,408	-5.3	-3.3	96.8	72,055	74.0
2010	119,076	119,076	...	...	102.0	119,076	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR (\$000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '10	Develop. to		Unpaid Res. to @12/10	Acc. Yr Ratio	Acc. Yr Comb Ratio
			Orig. (%)	PHS (%)			
2005	41,603	27,505	-33.9	-33.9	4,221	38.4	76.5
2006	41,877	25,030	-40.2	-40.2	6,013	36.2	75.4
2007	41,496	28,276	-31.9	-31.9	9,598	42.8	83.4
2008	38,700	32,323	-16.5	-16.5	14,290	46.6	86.7
2009	42,493	41,777	-1.7	-1.7	28,851	58.6	100.5
2010	47,021	47,021	...	...	47,021	53.8	92.0

CEDED REINSURANCE ANALYSIS (\$000)

Period Ending	Company				Industry Composite			
	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Ceded Reins. to PHS (%)
2006	76,309	82.2	45.3	65.8	82.7	73.4	100.7	100.7
2007	83,468	81.1	47.3	65.4	83.5	65.3	90.5	90.5
2008	71,238	82.5	34.6	48.9	83.1	73.6	101.6	101.6
2009	50,181	85.5	19.4	30.0	81.4	64.5	89.1	89.1
2010	44,180	91.3	17.7	24.3	79.9	60.8	84.4	84.4

2010 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates.....	3,376	1,428	3	...	4,807
US Insurers.....	23,366	11,121	2,900	-5,478	31,909
Other Non-US.....	45	100	142	...	287
Total (ex US Affils).....	23,411	11,221	3,042	-5,478	32,196
Grand Total.....	26,787	12,649	3,045	-5,478	37,003

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Period Ending	Company					Industry Composite			
	Class 3-6 Bonds	Real Estate/Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv.	Affil. Inv.	Class 3-6 Bonds	Common Stocks	
2006	3.0	...	...	11.4	14.4	20.9	6.2	16.6
2007	2.6	...	...	20.0	22.6	19.4	5.9	15.4
2008	2.3	...	...	12.3	14.6	17.1	5.5	9.5
2009	3.6	...	...	13.8	17.4	15.5	6.0	8.6
2010	3.6	...	...	11.5	15.0	14.9	7.1	9.3

LIQUIDITY

The following text is derived from the report of Seneca Insurance Group.

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Overall liquidity measures remain strong and reflect the concentration of shorter-term assets (including equities, short-term investments and cash) in the group's investment portfolio. Underwriting cash flow was enhanced by increased premiums in 2010. During 2009, the group increased its allocation to long-term bonds by redeploying cash and short-term investments owned at the end of 2008, resulting in negative net cash flow. Those assets reflected the sale of much of the group's U.S. Treasury security portfolio late in 2008. Investment income continues to favorably impact operating cash flow, but is offset by income tax payments, resulting in operating cash flows that are somewhat below underwriting cash flow in recent years.

LIQUIDITY ANALYSIS

Period Ending	Company				Industry Composite			
	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents to PHS (%)
2006	30.9	132.5	160.8	3.1	23.7	109.2	141.3	12.0
2007	37.4	140.6	167.1	2.6	21.8	111.3	144.6	10.5
2008	85.2	150.7	178.5	1.7	19.0	104.7	140.1	12.4
2009	23.8	166.0	194.6	1.8	21.3	110.9	145.3	9.5
2010	23.0	164.1	189.9	1.4	21.2	111.2	145.6	9.3

CASH FLOW ANALYSIS (\$000)

Period Ending	Company				Industry Composite			
	Underw Cash Flow	Oper. Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper. Cash Flow (%)	Underw Cash Flow (%)	Oper. Cash Flow (%)	
2006	28,391	23,646	-5,615	134.7	124.7	113.1	125.0	
2007	28,939	28,646	-17,788	139.8	134.7	111.1	121.2	
2008	19,932	13,132	113,396	124.9	113.5	100.4	111.8	
2009	17,665	17,468	-101,004	120.5	118.1	98.5	109.4	
2010	39,274	43,561	6,807	145.6	145.3	96.5	108.3	

HISTORY

The company was incorporated on March 29, 1978, under the laws of New York as Eagle Star Insurance Company of America. Following a change in ownership and management, the present title was adopted on April 8, 1987. Pursuant to a transaction entered into in February 1990 between Eagle Star Insurance Company Ltd. (Eagle Star) and the company, all liabilities arising from business written by the company prior to December 31, 1986 have been assumed by The Continental Insurance Company and Eagle Star. The transaction was approved by the New York Department of Insurance effective as of December 31, 1989.

All of the outstanding stock of the company is owned by The North River Insurance Company, which is a wholly-owned subsidiary of Crum & Forster Holdings, Inc., which is a wholly-owned subsidiary of Fairfax Inc. The latter is 100% owned by FFHL Group Ltd., which is a wholly-owned subsidiary of Fairfax Financial Holdings Limited, Toronto, Ontario, Canada.

Paid-up capital of \$4,800,000 is comprised of 24,000 common shares at \$200 par value each. All authorized shares are outstanding.

MANAGEMENT

On August 31, 2000 Fairfax Financial Holdings Limited, through its subsidiary, Crum & Forster Holdings, acquired Sen-Tech International Holdings Inc. (Sen-Tech), Seneca Insurance Company's parent, in a cash transaction. The Seneca Insurance Company is not included in Crum & Forster's intercompany pooling agreement and has been operating independently. In May 1996, Trident Partnership, L.P. had purchased a 72% equity interest in Sen-Tech from Odyssey Partners, L.P. (Odyssey). On October 8, 1993, J.P. Morgan Capital Corp., Boston Insurance Investors, Third Avenue Value Fund and National Reinsurance Corporation had purchased a 28% collective ownership interest through a private placement of \$10.0 million of common stock, which reduced Odyssey's controlling interest to approximately 72%.

Seneca Insurance Company is under the direction of Gary Dubois (President and CEO - appointed March 2011) and Marc Wolin (Chief Operating Officer). Seneca was formerly under the direction of Douglas Libby who is currently the Chief Executive Officer of Crum & Forster, the Company's parent company. Gary Dubois is President of Valiant Insurance Company (a subsidiary of Fairfax Financial Holdings Limited) and a senior executive at Crum & Forster. Marc Wolin was previously Seneca's Chief Financial Officer since 1989.

Officers: President and Chief Executive Officer, Gary Dubois; Senior Vice Presidents, Keith McCarthy (Standard Lines), Ellen C. O'Connor (Inland Marine and Surplus Property); Vice President and Chief Information Officer, Ahmed Yakhour; Vice President and Controller, Vince Maida; Vice Presidents, David W. Bishop (Surplus Property), John Brennan (E & S Property), Al Caradonio (Actuarial), Greg Crapanzano (Claims), Tom Diaczynsky (Surplus Property), Frank V. Donahue, Jr. (Claims), Dennis J. Hammer, David Hansen (Surplus Property), Michael Kotte (Kentucky Branch), Matthew Kunish (Actuarial), Kent Kuwitzky (Colorado Branch), Robert LeBrun (E&S Casualty), Kathleen McNamara, Anthony Ottati (Operations), Michael Skadra (E & S Casualty), Joseph Stanton (Surplus Property), Chris I. Stormo (Administration); Secretary, Treasurer and Chief Operating Officer, Marc Wolin.

Directors: Paul Bassaline, Harvey Childs, Stephen Eisenmann, Donald Fischer, David Ghezzi, Dennis J. Hammer, Gabriel Krausman, Matthew Kunish, Albert B. Lewis, Douglas M. Libby, Mary Jane Robertson, Chris Stormo, Marc T. Wolin.

REGULATORY

An examination of the financial condition was made as of December 31, 2005 by the Insurance Department of New York. The 2010 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Matthew Kunish, FIA, FCAS, FSA, MAAA.

Territory: The company is licensed in the District of Columbia, Puerto Rico and all states.

REINSURANCE

The following text is derived from the report of Seneca Insurance Group.

Property per risk coverage is maintained, attaching over \$1,000,000 up to \$20,000,000 for excess and surplus property and inland marine. The group's underwriting guidelines prohibit concentrations of risk in areas susceptible to catastrophic loss.

The current catastrophe program provides for \$80.0 million excess of a \$10.0 million retention, with the \$10.0 million excess \$10.0 million layer placed with United States Fire Insurance Company, a subsidiary of Crum & Forster, and \$70 million excess \$20 million placed with Lloyd's, Bermuda, and direct U.S. reinsurers. Casualty clash protection, placed with U.S. Fire, is maintained for \$3,000,000 excess \$1,000,000 with respect to each and every loss occurrence.

U.S. Fire provides reinsurance for \$1 million excess \$1 million custom property, \$4 million excess \$1 million standard lines, \$9.5 million excess \$5 million workers compensation, and \$10 million excess \$10 million catastrophe coverage.

Seneca Specialty Insurance Company, a wholly owned subsidiary of Seneca, cedes 100% of its business to Seneca, which in turn is protected by Seneca's underlying reinsurance contracts.

BALANCE SHEET

ADMITTED ASSETS (\$000)

	12/31/10	12/31/09	'10%	'09%
Bonds.....	265,631	241,992	69.1	70.4
Preferred stock.....	10,173	...	2.6	...
Common stock.....	20,906	23,125	5.4	6.7
Cash & short-term invest.....	29,605	22,797	7.7	6.6
Other non-affil inv asset.....	1,000	...	0.3	...
Investments in affiliates.....	27,126	25,896	7.1	7.5
Total invested assets.....	354,440	313,811	92.1	91.2
Premium balances.....	16,069	16,534	4.2	4.8
Accrued interest.....	4,400	4,972	1.1	1.4
All other assets.....	9,738	8,664	2.5	2.5
Total assets.....	384,647	343,980	100.0	100.0

Best's Rating Report



LIABILITIES & SURPLUS (\$000)

	12/31/10	12/31/09	'10%	'09%
Loss & LAE reserves	126,713	110,013	32.9	32.0
Unearned premiums	62,678	54,316	16.3	15.8
Conditional reserve funds .....	...	140	...	0.0
All other liabilities	13,172	12,441	3.4	3.6
Total liabilities	202,562	176,910	52.7	51.4
Capital & assigned surplus	31,076	31,076	8.1	9.0
Unassigned surplus	151,009	135,995	39.3	39.5
Total policyholders' surplus	182,084	167,070	47.3	48.6
Total liabilities & surplus	384,647	343,980	100.0	100.0

SUMMARY OF 2010 OPERATIONS (\$000)

Statement of Income	12/31/10	Funds Provided from Operations	12/31/10
Premiums earned	116,751	Premiums collected	125,462
Losses incurred	39,422	Benefit & loss related pmts	28,247
LAE incurred	17,001	LAE & undrw expenses paid	57,941
Undrw expenses incurred	47,834	Undrw cash flow	39,274
Net underwriting income	12,494	Investment income	14,296
Net investment income	14,769	Pre-tax cash operations	53,570
Pre-tax oper income ...	27,263	Income taxes pd (recov) ...	10,009
Realized capital gains	6,083	Net oper cash flow	43,561
Income taxes incurred	6,732		
Net income	26,614		

Why is this *Best's*® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Best's Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of an insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Best's Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Financial Strength Rating is assigned after a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

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Secure Best's Financial Strength Ratings

A++ and A+	Superior
A and A-	Excellent
B++ and B+	Good

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C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

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