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 **Fax: 212-344-4567**
AMB#: 000324 **NAIC#: 10936**
Ultimate Parent#: 058364 **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 exceeded the industry, 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), continued competitive market conditions and an investment yield that lags that of the composite. 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 delivered loss ratios significantly lower than those of the industry over a sustained period of time. 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
06/02/10	A	05/04/07	A- g
06/22/09	A	04/03/06	A- g
06/25/08	A g	03/17/06	A- gu

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2005	129,571	110,013	40,954	29,639	287,836	105,650
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

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Period Ending	Profitability: Comb. Ratio	Profitability: Inv. Yield (%)	Profitability: Pretax ROR (%)	Leverage: NA Inv Lev	Leverage: NPW to PHS	Leverage: Net Lev.	Liquidity: Overall Liq. (%)	Liquidity: Oper. Cash-flow (%)
2005	70.3	3.7	37.4	9.4	1.0	2.8	158.2	143.3
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
5-Yr	76.5	3.8	33.6	…	…	…	…	…

(*) 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.

2009 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written: Direct	Premiums Written: Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
Com'l MultiPeril	54,074	49,629	47.2	22.2	50,618
Oth Liab Occur	9,693	15,070	14.3	30.9	23,539
Fire	5,892	10,100	9.6	34.8	2,952
Allied Lines	3,790	8,683	8.3	43.4	5,743
Inland Marine	7,650	6,934	6.6	31.1	3,731
Workers' Comp	8,096	6,669	6.3	-6.2	12,823
Surety	3,937	3,937	3.7	…	1,000
Oth Liab CM	2,220	1,656	1.6	-22.6	6,808
All Other	2,522	2,393	2.3	48.9	2,801
Totals	97,873	105,072	100.0	23.3	110,013

Geographical breakdown of direct premium writings ($000): New York, $39,934 (40.8%); Kentucky, $9,120 (9.3%); New Jersey, $6,980 (7.1%); California, $3,548 (3.6%); Virginia, $3,315 (3.4%); 46 other jurisdictions, $34,976 (35.7%).

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 increased by 14% in 2009, driven by increases in both net underwriting and net investment income. Net income declined modestly, as the group experienced a modest realized capital loss that was greater than the increase operating income and the decline in income taxes. 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's in pre-tax

The improvement in net underwriting income in 2009 was driven by an increase in net premiums earned and a decrease in incurred losses, partially offset by higher commissions and other underwriting expenses. The group's loss and loss adjustment expense ratio is significantly lower than that of the peer group, having averaged nearly 35 points below the peer group average over the past five years. Incurred losses have historically benefitted from recognition of redundancies in loss reserves established for earlier accident years. Seneca's results have generally been very stable, with its highest five year loss & LAE ratio being 30 points below the composite 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 20 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 low-yielding US government and municipal issues have contributed to the below-average yields. Realized gains have generally been favorable operating returns. The investment portfolio is expected to be managed on a total return basis in the future.

PROFITABILITY ANALYSIS

Period Ending	Company: Pretax ROR (%)	Company: Return on PHS	Company: Comb. Ratio	Company: Oper. Ratio	Industry Composite: Pretax ROR (%)	Industry Composite: Return on PHS	Industry Composite: Comb. Ratio	Industry Composite: Oper. Ratio
2005	37.4	32.7	70.3	62.3	8.5	8.2	104.4	90.6
2006	23.1	18.0	86.2	77.1	19.3	19.5	94.1	79.5
2007	36.8	20.7	75.5	65.1	20.9	15.8	94.5	78.4
2008	33.9	21.5	75.9	66.1	16.7	-1.0	98.9	83.7
2009	37.4	21.2	74.1	60.7	15.0	11.3	99.9	85.0
5 -Yr	33.6	22.3	76.5	66.4	16.1	10.7	98.3	83.4

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income ($000)	Loss Ratios: Pure Loss	Loss Ratios: LAE	Loss Ratios: Loss & LAE	Expense Ratios: Net Comm.	Expense Ratios: Other Exp.	Expense Ratios: Total Exp.	Div. Pol.	Comb. Ratio
2005	32,287	25.8	6.4	32.1	17.3	20.8	38.1	…	70.3
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
5-Yr	…	26.2	10.3	36.5	18.9	21.1	40.0	…	76.5

INVESTMENT INCOME ANALYSIS ($000)

Period Ending	Company: Net Inv. Income	Company: Realized Capital Gains	Company: Unrealized Capital Gains	Company: Inv. Inc. Growth (%)	Company: Inv. Yield (%)	Company: Total Return (%)	Industry Composite: Inv. Inc. Growth (%)	Industry Composite: Inv. Yield (%)
2005	8,667	3,152	1,127	44.1	3.7	5.5	19.4	4.9
2006	10,069	2,887	861	16.2	3.8	5.3	9.6	4.9
2007	10,705	33	-6	6.3	3.8	3.8	9.8	5.0
2008	9,635	9,677	-2,468	-10.0	3.3	5.8	-6.4	4.7
2009	13,479	122	4,772	39.9	4.4	6.1	-8.9	4.4
5-Yr	…	…	…	16.6	3.8	5.3	3.6	4.8

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INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2009 Inv. Assets ($000)	% of Invested Assets 2009	% of Invested Assets 2008	Annual % Change
Long-term bonds	241,992	75.9	44.5	78.3
Stocks	23,125	7.3	5.9	29.4
Affiliated Investments	25,896	8.1	8.2	3.8
Other Inv Assets	27,769	8.7	41.4	-78.0
Total	318,783	100.0	100.0	4.6

2009 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)
Governments	10.6	-1.6	1.8	100.0	…	…	…
States, terr & poss.	7.2	-1.6	24.1	100.0	…	…	…
Special Revenue	75.5	15.5	21.1	100.0	…	…	…
Corporates	6.7	27.5	22.7	66.2	33.8	…	…
Total all bonds	100.0	14.9	19.3	97.8	2.2	…	…

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 100% 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. Redundancies in loss reserves recognized in 2009 produced a 27 point benefit in the calendar year results versus the 2009 accident year combined ratio and totaled over $25 million. 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.

CAPITAL GENERATION ANALYSIS ($000)

Period Ending	Source of Surplus Growth: Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
2005	40,954	4,279	-8,160	-13,895	23,179	28.1
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
5-Yr	175,309	20,156	-55,229	-55,637	84,599	…

QUALITY OF SURPLUS ($000)

Period Ending	Year-End PHS	% of PHS: Cap. Stock/ Contrib. Cap.	% of PHS: Other	% of PHS: Unassigned Surplus	Dividend Requirements: Stock-holder Divs	Div. To POI (%)	Div. To Net Inc. (%)
2005	105,650	29.4	…	70.6	-8,160	19.9	27.5
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

LEVERAGE ANALYSIS

Period Ending	Company: NPW to PHS	Company: Res. to PHS	Company: Net Lev.	Company: Gross Lev.	Industry Composite: NPW to PHS	Industry Composite: Res. to PHS	Industry Composite: Net Lev.	Industry Composite: Gross Lev.
2005	1.0	1.1	2.8	3.6	1.0	1.8	3.7	4.9
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	3.9
2008	0.7	0.8	1.9	2.4	0.9	1.6	3.4	4.4
2009	0.6	0.7	1.7	2.0	0.8	1.5	2.9	3.8

Current BCAR: 371.8

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	GPW ($000)	GPW (% Chg)	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
2005	129,571	-3.4	135,833	0.5	110,013	3.2	109,381	10.2
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
5-Yr CAGR	…	-6.1	…	-1.5	…	-0.3	…	0.3
5-Yr Chg	…	-27.0	…	-7.2	…	-1.4	…	1.4

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

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/09	Unpaid Res. to Develop. (%)
2004	97,931	56,379	-42.4	-50.4	56.8	12,175	21.6
2005	101,944	66,499	-34.8	-33.5	60.8	17,751	26.7
2006	115,102	69,622	-39.5	-39.2	63.3	26,262	37.7
2007	115,946	80,690	-30.4	-27.6	78.0	40,892	50.7
2008	112,692	87,561	-22.3	-17.2	89.3	60,411	69.0
2009	102,904	102,904	…	…	102.3	102,904	100.0

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

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. to Orig. (%)	Unpaid Reserves @12/09	Acc. Yr Loss Ratio	Acc. Yr Comb Ratio
2004	41,753	24,683	-40.9	4,496	39.3	77.9
2005	41,603	27,433	-34.1	5,576	38.3	76.4
2006	41,877	26,116	-37.6	8,511	37.2	76.4
2007	41,496	30,422	-26.7	14,630	45.2	85.8
2008	38,700	32,465	-16.1	19,519	46.8	86.9
2009	42,493	42,493	…	42,493	59.8	101.8

CEDED REINSURANCE ANALYSIS ($000)

Period Ending	Company: Ceded Reins. Total	Company: Bus. Ret. (%)	Company: Reins. Recov. to PHS (%)	Company: Ceded Reins. to PHS (%)	Industry Composite: Bus. Ret. (%)	Industry Composite: Reins. Recov. to PHS (%)	Industry Composite: Ceded Reins. to PHS (%)
2005	83,639	82.9	57.7	79.2	83.5	90.3	121.0
2006	76,309	82.2	45.3	65.8	82.5	71.7	98.8
2007	83,468	81.1	47.3	65.4	83.6	63.5	88.4
2008	71,238	82.5	34.6	48.9	83.0	71.6	99.4
2009	50,181	85.5	19.4	30.0	82.0	62.6	86.9

2009 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	2,449	574	121	…	3,144
Foreign Affiliates	…	…	2	…	2
US Insurers	20,045	13,240	3,610	-5,202	31,693
Other Non-US	540	41	133	…	714
Total (ex US Affils)	20,585	13,281	3,745	-5,202	32,409
Grand Total	23,034	13,855	3,866	-5,202	35,553

* Includes Commissions less Funds Withheld

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INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2005	...	...	...	9.4	9.4	21.6	6.9	16.1
2006	3.0	...	...	11.4	14.4	20.9	6.1	16.5
2007	2.6	...	...	20.0	22.6	19.4	5.9	15.5
2008	2.3	...	...	12.3	14.6	17.1	5.6	9.5
2009	3.6	...	...	13.8	17.4	15.5	6.2	8.6

LIQUIDITY

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

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. 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. Underwriting cash flows have been consistently positive, but have declined in recent years as loss and expense payments have increased as a proportion of modestly declining premium collections. 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

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2005	23.3	129.5	158.2	3.2	20.8	102.7	137.8	12.0
2006	30.9	132.5	160.8	3.1	23.9	109.2	141.7	11.9
2007	37.4	140.6	167.1	2.6	22.0	111.3	144.9	10.4
2008	85.2	150.7	178.5	1.7	19.1	104.7	140.4	12.2
2009	23.8	166.0	194.6	1.8	21.4	110.8	145.5	9.3

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Period Ending	Underw Cash Flow	Oper. Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper. Cash Flow (%)	Underw Cash Flow (%)	Oper. Cash Flow (%)
2005	40,610	35,976	7,901	158.2	143.3	114.9	127.9
2006	28,391	23,646	-5,615	134.7	124.7	113.5	125.5
2007	28,939	28,646	-17,788	139.8	134.7	111.8	122.1
2008	19,932	13,132	113,396	124.9	113.5	100.7	112.1
2009	17,665	17,468	-101,004	120.5	118.1	98.9	109.8

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 Marc Adee (President and CEO) 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. Marc Adee is President of Fairmont Specialty and a senior executive at Crum & Forster. Marc Wolin was previously Seneca's Chief Financial Officer since 1989.

Officers: President and Chief Executive Officer, Marc Adee; Senior Vice Presidents, Keith McCarthy (Standard Lines), Ellen C. O'Connor (Inland Marine and Surplus Property); Vice President and Chief Information Officer, Ahmed Yaknour; Vice President and Controller, Vince Maida; Vice Presidents, David W. Bishop (Surplus Property), John Brennan (E & S Property), Al Caradonio (Actuarial), 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, Michael Skadra (E & S Casualty), Joseph Stanton (Surplus Property), Chris I. Storm (Administration); Secretary, Treasurer and Chief Operating Officer, Marc T. A. Wolin.

Directors: Marc Adee, 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 2009 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.

Excess of loss reinsurance is maintained for all property and casualty claims attaching over $1,000,000 up to $5,000,000 for its standard lines, attaching over $1,000,000 up to $20,000,000 for excess and surplus property, and attaching over $500,000 up to $10,000,000 for the workers compensation line. Umbrella liability is ceded on an 80% quota share basis for the first $1,000,000 and fully reinsured for $4 million above that amount.

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 domestic reinsurers, 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 90% of its business to Seneca, which in turn is protected by Seneca's underlying reinsurance contracts.

Best's Rating Report

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/09	12/31/08	'09%	'08%
Bonds	241,992	135,718	70.4	40.9
Common stock	23,125	17,867	6.7	5.4
Cash & short-term invest	22,797	123,802	6.6	37.3
Investments in affiliates	25,896	24,949	7.5	7.5
Total invested assets	313,811	302,335	91.2	91.1
Premium balances	16,534	16,089	4.8	4.8
Accrued interest	4,972	2,322	1.4	0.7
All other assets	8,664	11,138	2.5	3.4
Total assets	343,980	331,884	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/09	12/31/08	'09%	'08%
Loss & LAE reserves	110,013	121,437	32.0	36.6
Unearned premiums	54,316	49,858	15.8	15.0
Conditional reserve funds	140	193	0.0	0.1
All other liabilities	12,441	14,637	3.6	4.4
Total liabilities	176,910	186,125	51.4	56.1
Capital & assigned surplus	31,076	31,076	9.0	9.4
Unassigned surplus	135,995	114,684	39.5	34.6
Total policyholders' surplus	167,070	145,759	48.6	43.9
Total liabilities & surplus	343,980	331,884	100.0	100.0

SUMMARY OF 2009 OPERATIONS ($000)

Statement of Income	12/31/09	Funds Provided from Operations	12/31/09
Premiums earned	100,614	Premiums collected	103,734
Losses incurred	23,454	Benefit & loss related pmts	31,413
LAE incurred	8,944		
Undrw expenses incurred	44,069	LAE & undrw expenses paid	54,657
Net underwriting income	24,147	Undrw cash flow	17,665
Net investment income	13,479	Investment income	10,437
Pre-tax oper income	37,626	Pre-tax cash operations	28,102
Realized capital gains	122		
Income taxes incurred	9,392	Income taxes pd (recov)	10,634
Net income	28,355	Net oper cash flow	17,468

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

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