Best's Rating Report

PROOF

SENECA INSURANCE COMPANY, INC.

New York, New York

Financial Strength Rating
A.M. BEST
A Excellent

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: 212-444-3998**
AMB#: 000324 | **NAIC#: 10936**
Ultimate Parent#: 058364 | **FEIN#: 13-2941133**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A | **Outlook**: Stable
Best's Financial Size Category: VIII

RATING RATIONALE

The following text is derived from A.M. Best's Credit Report on Seneca Insurance Group (AMB# 018494).

Rating Rationale: The ratings apply to Seneca Insurance Company, Inc. and its reinsured subsidiary, Seneca Specialty Insurance Company. The ratings reflect 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 higher than average underwriting expense levels and significant amount of new business. The outlooks reflect A.M. Best's expectation that the group will continue to generate favorable levels of underwriting and operating performance, albeit at a slightly lower level, given the competitive operating environment and lower level of favorable reserve redundancies available.

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 as sophisticated underwriting and claims management has benefited the group's loss ratio. In addition, calendar year performance has benefited from consistently favorable development of prior years' loss reserves. The group maintains a superior level of risk-adjusted capitalization with strong organic growth from both underwriting and investment results, offset in recent years by dividend payments to its parent.

Although A.M. Best believes the members of the group are well positioned at their current rating levels, factors that could lead to negative rating actions include operating performance falling short of A.M. Best's expectations, driven by either underwriting or investment results, or a decline in risk-adjusted capitalization that no longer supports the current ratings.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
03/28/13	A	06/02/10	A
05/03/12	A	06/22/09	A
02/09/11	A	06/25/08	A

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
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
2011	116,271	155,910	21,447	22,777	370,315	129,156
2012	143,564	190,053	23,830	22,168	443,927	157,330

Best's Rating Report

PROOF

Period Ending	Profitability: Comb. Ratio	Profitability: Inv. Yield (%)	Profitability: Pre-tax ROR (%)	Leverage: NA Inv Lev	Leverage: NPW to PHS	Leverage: Net Lev.	Liquidity: Overall Liq. (%)	Liquidity: Oper. Cash-flow (%)
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
2011	91.6	4.5	15.2	24.2	1.2	3.1	153.9	130.0
2012	91.3	3.9	13.5	17.0	1.2	3.0	155.2	133.5
5-Yr	85.3	4.1	22.7	…	…	…	…	…

(*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on Seneca Insurance Group (AMB# 018494).

Seneca Insurance Group (Seneca) is comprised of Seneca Insurance Company, Inc. (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.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (% Chg)
2008	101,255	-2.3	18,921	2.0
2009	97,873	-3.3	27,497	45.3
2010	98,726	0.9	41,877	52.3
2011	116,271	17.8	58,867	40.6
2012	143,564	23.5	71,067	20.7
5-Yr CAGR	…	6.7	…	30.8

Period Ending	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (% Chg)	NPW ($000)	NPW (% Chg)
2008	22,045	-6.7	98,130	-0.5
2009	20,297	-7.9	105,072	7.1
2010	15,490	-23.7	125,113	19.1
2011	19,229	24.1	155,910	24.6
2012	24,578	27.8	190,053	21.9
5-Yr CAGR	…	0.8	…	14.0

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

2012 BY-LINE BUSINESS ($000)

Product Line	DPW ($000)	DPW (%)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (%)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (%)
Com'l MultiPeril	72,446	50.5	12,021	16.9	8,206	33.4
Oth Liab Occur	16,953	11.8	18,584	26.1	3,458	14.1
Fire	11,761	8.2	18,676	26.3	5,060	20.6
Inland Marine	21,815	15.2	3,666	5.2	3,313	13.5
Allied Lines	6,499	4.5	18,120	25.5	3,627	14.8
Workers' Comp	6,269	4.4	…	…	613	2.5
Surety	5,480	3.8	…	…	229	0.9
All Other	2,342	1.6	…	…	72	0.3
Total	143,564	100.0	71,067	100.0	24,578	100.0

Product Line	NPW ($000)	NPW (%)	Business Retention (%)
Com'l MultiPeril	76,261	40.1	92.8
Oth Liab Occur	32,078	16.9	91.5
Fire	25,376	13.4	85.8
Inland Marine	22,168	11.7	88.7
Allied Lines	20,992	11.0	88.0
Workers' Comp	5,656	3.0	90.2
Surety	5,252	2.8	95.8
All Other	2,270	1.2	96.9
Total	190,053	100.0	90.9

BY-LINE RESERVE ($000)

	2012	2011	2010	2009	2008
Com'l MultiPeril	73,590	64,252	55,951	50,618	56,785
Oth Liab Occur	60,713	47,398	33,683	23,539	22,724
Fire	12,442	7,489	4,364	2,952	3,681
Inland Marine	7,171	1,789	3,918	3,731	3,045
Allied Lines	10,444	10,248	5,861	5,743	4,218
Workers' Comp	11,411	12,642	13,681	12,823	18,398
Surety	28	1,000	1,000	1,000	1,000
All Other	3,794	5,007	8,255	9,609	11,586
Total	179,594	149,825	126,713	110,013	121,437

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2012	2011	2010	2009	2008
New York	46,431	42,266	39,925	39,934	44,153
New Jersey	10,147	8,302	6,703	6,980	7,149
Texas	10,110	5,688	1,895	494	247
Kentucky	8,485	8,462	8,178	9,120	9,965
California	7,138	5,514	3,982	3,548	2,505
Pennsylvania	4,503	3,628	2,631	3,066	2,421
Florida	4,498	3,480	2,382	2,626	2,373
Illinois	4,206	3,449	3,078	2,996	2,467
Virginia	3,927	3,577	3,323	3,315	2,688
Colorado	3,318	2,944	2,440	2,277	2,316
All Other	40,801	28,962	24,188	23,517	24,970
Total	143,564	116,271	98,726	97,873	101,255

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Seneca Insurance Group (AMB# 018494).

Seneca participates in risk management at the Fairfax group level under the direction of a Chief Risk Officer. Risks are reviewed on a quarterly basis with risk managers at the Seneca level. This practice allows Seneca to share information, resources and best practices with the other operating entities. Fairfax monitors and estimates each of its anticipated risks as a percentage of capital.

Best's Rating Report

PROOF

At the Seneca level, the business risks relating to the operating, underwriting and regulatory environments are addressed through various means. Seneca and Fairfax level actuaries, as well as external auditor's review the loss reserves. Seneca also benefits from group level disaster recovery plans for IT systems and ongoing operations. Risks relating to pandemics or catastrophes that effect staffing are also addressed thru offsite facilities.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Seneca Insurance Group (AMB# 018494).

Operating Results: The group's underwriting and operating results outperform the commercial casualty peer group on both a five and ten year basis. Pre-tax operating income remained favorable, with the group's combined ratio remaining well below the peer group average. Net income has declined over the past five years, resulting primarily from a lower level of underwriting income due mainly to less favorable development of prior years' reserves and competitive market conditions. In addition reduced investment gains have been recorded. Despite the decline and variability over the past five years both pre-tax operating income and net income have been positive throughout the period.

Net underwriting income was strong again in 2012, as the level of favorable development of prior years' loss reserves and accident year results remained consistent albeit lower than the last few years. On an accident year basis, despite competitive market conditions that have dominated in recent years and a deterioration over the past few years, the group's loss and loss adjustment expense ratio remains significantly lower than that of the peer group, having averaged about 15 points below the peers' average on a five and ten year basis.

At the same time, the group generally reports a higher-than-average expense ratio, 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 higher expenses, resulting in an average combined ratio significantly better than the commercial casualty composite over the past five years. Following significant growth over the past few years, due mainly to an increase in exposure as rates have only been increased moderately, the company is expected to slow the pace of growth and absorb the new business in the near to mid-term.

The group's investments are managed by an affiliate, Hamblin Watsa Investment Counsel Ltd., which emphasizes total return. Net investment yield, while consistently enhancing pre-tax operating revenue, has been slightly lower than 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. 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. Minimizing factors is the group's higher percentage in invested assets as a percentage of all assets compared to peers. Realized gains have generally enhanced operating returns, benefiting net income.

The group's investment yield in 2012 and total returns, including modest realized and unrealized gains, were favorable and in-line with the industry. The group's invested asset base, after declining in 2011 following a large dividend payment, rebounded in 2012 given the significant increase in premium volume. The company has a higher percentage of total assets invested than its peers. The portion of assets not invested, mainly consist of reinsurance recoverables due from non-affiliates. During 2012 the group increased its level of short-term investments which will most likely suppress investment income in the near term.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2008	33,183	22,195	31,872	29,404
2009	37,626	28,234	28,355	33,127
2010	27,263	20,532	26,614	28,012
2011	21,447	16,044	22,777	21,922
2012	23,830	17,389	22,168	23,563
5-Yr Total	143,349	104,394	131,786	136,028

	Company			Industry Composite		
Period Ending	Pre-tax ROR	Return on PHS	Operating Ratio	Pre-tax ROR	Return on PHS	Operating Ratio
2008	33.9	21.5	66.1	16.7	-0.9	83.7
2009	37.4	21.2	60.7	15.0	11.3	85.0
2010	23.4	16.0	73.9	10.6	9.4	88.6
2011	15.2	14.1	80.9	6.1	5.4	93.5
2012	13.5	16.5	83.5	6.4	7.7	92.8
5-Yr Avg	22.7	17.7	74.8	11.0	6.6	88.7

UNDERWRITING EXPERIENCE

		Loss Ratios			Expense Ratios				
Period Ending	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio
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
2011	6,343	39.5	15.1	54.6	21.6	15.4	37.0	...	91.6
2012	10,227	39.9	14.8	54.7	21.5	15.0	36.5	...	91.3
5-Yr	76,758	33.9	13.1	47.0	20.7	17.6	38.3	...	85.3

BY-LINE LOSS RATIO

	2012	2011	2010	2009	2008	5-Yr Avg
Com'l MultiPeril	38.6	39.9	34.9	22.2	24.8	33.0
Oth Liab Occur	41.6	40.2	35.3	30.9	57.9	39.8
Fire	49.2	56.6	28.4	34.8	20.2	41.4
Inland Marine	63.5	15.5	21.5	31.1	20.2	37.9
Allied Lines	28.8	67.2	31.3	43.4	31.4	39.9
Workers' Comp	30.0	32.5	68.3	-6.2	23.3	28.5
Surety	-19.1	...	...	...	...	-4.4
All Other	28.3	-38.3	32.7	15.0	26.9	16.4
Total	39.9	39.5	33.8	23.3	26.0	33.9

DIRECT LOSS RATIO BY STATE

	2012	2011	2010	2009	2008	5-Yr Avg
New York	47.3	27.9	28.8	7.8	20.5	26.6
New Jersey	64.8	6.0	43.6	-7.4	11.7	25.8
Texas	54.6	30.7	38.7	-0.8	100.8	46.4
Kentucky	54.5	28.2	127.7	25.0	35.5	52.8
California	32.9	21.3	17.1	37.9	17.5	26.3
Pennsylvania	22.3	33.0	42.2	-15.5	-47.0	9.2
Florida	20.0	15.7	-18.0	38.8	30.0	17.8
Illinois	76.6	57.8	18.5	31.0	43.0	47.8
Virginia	56.4	18.6	23.5	-14.2	-5.3	19.4
Colorado	16.0	70.9	42.4	48.5	71.7	48.4
All Other	32.1	41.4	35.9	13.5	18.8	28.9
Total	43.4	31.0	38.8	11.7	20.6	30.0

INVESTMENT GAINS

Year	Company Net Inv Income	Company Realized Capital Gains	Company Unrealized Capital Gains
2008	9,635	9,677	-2,468
2009	13,479	122	4,772
2010	14,769	6,083	1,398
2011	15,104	6,732	-855
2012	13,603	4,779	1,395
5-Year Total	66,591	27,392	4,243

Year	Company Inv Inc Growth (%)	Company Inv Yield (%)	Company Return on Inv Assets (%)	Company Total Return (%)	Industry Composite Inv Inc Growth (%)	Industry Composite Inv Yield (%)
2008	-10.0	3.3	6.7	5.8	-5.8	4.7
2009	39.9	4.4	4.5	6.1	-8.9	4.4
2010	9.6	4.5	6.3	6.8	2.6	4.5
2011	2.3	4.5	6.6	6.3	-5.1	4.2
2012	-9.9	3.9	5.3	5.7	-5.8	3.9
5-Yr Avg	4.5	4.1	5.9	6.1	-4.7	4.3

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Seneca Insurance Group (AMB# 018494).

Capitalization: Based on Best's Capital Adequacy Ratio (BCAR), Seneca maintains a superior level of risk-adjusted capitalization, which benefits from consistently positive earnings and manageable catastrophe exposure. A.M. Best expects that the group's capitalization will remain at a superior level, despite significant increase in new business over the past few years, in light of the expectation of continued underwriting quality, conservative loss reserve positions and investment management.

The consistent recognition of net income supported by realized and unrealized gains as well as favorable development of prior years' loss reserves has benefited capital generation and resulted in underwriting leverage measures that are in-line with the industry and are expected to remain there as the extraordinary dividend paid in 2011 was a reallocation of capital, no dividend was paid in 2012. 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)

Year	Source of Surplus Growth: Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2008	33,183	9,677	10,988	-2,468
2009	37,626	122	9,392	4,772
2010	27,263	6,083	6,732	1,398
2011	21,447	6,732	5,403	-855
2012	23,830	4,779	6,441	1,395
5-Yr Total	143,349	27,392	38,955	4,243

Year	Source of Surplus Growth: Net Cont. Capital	Other Changes	Change in PHS	% Chg in PHS
2008	-12,515	1,148	18,037	14.1
2009	-12,053	237	21,311	14.6
2010	-13,479	481	15,014	9.0
2011	-74,769	-81	-52,929	-29.1
2012	…	4,610	28,174	21.8
5-Yr Total	-112,816	6,395	29,607	4.3

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2008	…	…	31,076	114,684
2009	…	…	31,076	135,995
2010	…	…	31,076	151,009
2011	…	…	31,076	98,080
2012	…	…	31,076	126,254

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2008	145,759	193	145,952
2009	167,070	140	167,210
2010	182,084	…	182,084
2011	129,156	535	129,691
2012	157,330	552	157,882

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.
2008	0.7	0.8	1.9	2.4	0.9	1.6	3.3	4.3
2009	0.6	0.7	1.7	2.0	0.8	1.5	2.9	3.8
2010	0.7	0.7	1.8	2.0	0.7	1.5	2.9	3.7
2011	1.2	1.2	3.1	3.4	0.8	1.5	3.1	3.9
2012	1.2	1.1	3.0	3.3	0.8	1.5	3.1	4.0

Current BCAR: 212.6

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 (%)
2008	71,238	82.5	34.6	48.9	83.2	72.8	100.4
2009	50,181	85.5	19.4	30.0	82.3	63.5	87.6
2010	44,180	91.3	17.7	24.3	81.0	59.9	83.2
2011	37,568	91.3	17.6	29.1	81.5	62.1	87.4
2012	46,440	90.9	17.4	29.5	82.3	62.5	88.9

2012 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	11,241	1,423	…	…	12,664
US Insurers	19,229	7,839	4,024	-4,190	26,902
Other Non-US	68	110	292	…	470
Total (ex US Affils)	19,297	7,949	4,316	-4,190	27,372
Grand Total	30,538	9,372	4,316	-4,190	40,036

* Includes Commissions less Funds Withheld

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

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '12	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/12	Unpaid Res. to Develop. (%)
2007	115,946	68,852	-40.6	-36.9	66.5	10,602	15.4
2008	112,692	72,273	-35.9	-27.7	73.7	16,875	23.3
2009	102,904	82,737	-19.6	-12.1	82.2	31,301	37.8
2010	119,076	103,020	-13.5	-8.8	88.2	54,803	53.2
2011	140,950	131,029	-7.0	-7.7	92.9	92,349	70.5
2012	169,781	169,781	…	…	96.5	169,781	100.0

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

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '12	Develop. to Orig. (%)	Unpaid Reserves @12/12	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2007	41,496	23,839	-42.6	2,250	38.5	79.1
2008	38,700	29,015	-25.0	6,273	43.2	83.3
2009	42,493	37,614	-11.5	14,426	54.3	96.2
2010	47,021	45,637	-2.9	23,502	52.3	90.6
2011	61,000	59,401	-2.6	37,546	59.5	96.5
2012	77,432	77,432	…	77,432	60.5	97.0

The following text is derived from A.M. Best's Credit Report on Seneca Insurance Group (AMB# 018494).

Liquidity: 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 over the past few years. Investment income continues to favorably impact operating cash flow. Current assets exceed overall liabilities by a considerable margin, enhancing the group's liquidity position. The group also benefits from the favorable liquidity position of its ultimate parent, Fairfax.

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 (%)
2008	85.2	150.7	178.5	1.7	19.1	104.9	140.7	12.0
2009	23.8	166.0	194.6	1.8	21.4	110.9	145.7	9.3
2010	23.0	164.1	189.9	1.4	21.3	111.1	145.9	9.2
2011	18.5	120.8	153.9	3.8	20.1	109.3	143.9	10.5
2012	20.4	120.5	155.2	5.3	22.0	108.1	143.7	11.2

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
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	98.2	109.3
2010	39,274	43,561	6,807	145.6	145.3	96.5	108.2
2011	30,434	35,777	-6,188	127.3	130.0	95.9	106.9
2012	50,340	49,277	16,479	137.1	133.5	98.1	110.4
5-Yr Total	157,645	159,214	29,490	…	…	…	…

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
2008	2.3	…	…	12.3	14.6	17.1	5.4	9.3
2009	3.6	…	…	13.8	17.4	15.5	6.0	8.4
2010	3.6	…	…	11.5	15.0	14.9	7.2	9.1
2011	4.2	…	…	19.9	24.2	27.8	7.4	9.7
2012	1.8	…	1.0	14.2	17.0	29.4	7.3	10.4

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					
	0-1	1-5	5-10	10-20	20-	Yrs-Avg Maturity
Government	13.4	…	0.1	0.7	14.0	13
Gov't Agencies & Muni	…	24.9	30.7	…	14.7	10
Industrial & Misc	0.6	0.1	…	…	0.9	15
Total	14.0	24.9	30.7	0.7	29.6	11

	2012	2011	2010	2009	2008
Bonds (000)	266,261	227,342	265,631	241,992	135,718
US Government	17.1	14.6	14.3	1.0	18.7
Foreign - All Other	…	…	…	0.6	…
State/Special Revenue - US	81.6	82.7	83.2	91.6	78.5
Industrial & Misc - US	1.2	2.6	2.5	6.8	2.8
Private Issues	…	0.4	1.5	1.3	1.5
Public Issues	100.0	99.6	98.5	98.7	98.5

Bond Quality (%)	2012	2011	2010	2009	2008
Class 1	95.8	94.2	96.0	89.2	98.4
Class 2	3.3	3.7	1.8	8.6	0.3
Class 3	0.9	1.1	1.0	1.1	…
Class 4	…	…	1.2	1.2	1.3
Class 5	…	1.0	…	…	…

INVESTMENTS - EQUITIES

	2012	2011	2010	2009	2008
Stocks (000)	78,198	71,684	58,204	49,021	42,816
Unaffiliated Common	28.6	35.9	35.9	47.2	41.7
Affiliated Common	59.1	50.1	46.6	52.8	58.3
Unaffiliated Preferred	12.3	14.0	17.5	…	…

INVESTMENTS - OTHER INVESTED ASSETS

	2012	2011	2010	2009	2008
Other Inv Assets (000)	41,449	23,417	30,605	22,797	123,802
Cash	-7.6	-29.0	85.2	22.2	2.6
Short-Term	103.9	129.0	11.5	77.8	97.4
Schedule BA Assets	3.7	…	…	…	…
All Other	…	…	3.3	…	…

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, Corp., which is a wholly-owned subsidiary of Fairfax (US) 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, The North River Insurance Company acquired Sen-Tech International Holdings Inc. (Sen-Tech), Seneca Insurance Company's parent, in a cash transaction. The Seneca Insurance Company, Inc. is not included in Crum & Forster's intercompany pooling agreement and has been operating independently. In May 1996, The 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%.

Best's Rating Report

PROOF

Seneca Insurance Company, Inc. is under the direction of Gary Dubois (President and CEO) and Marc Wolin (Chief Operating Officer), with underwriting operations led by Keith McCarthy (SVP Standard Lines) and Steven Fomchenko (SVP Surplus Property and Inland Marine). Seneca was formerly under the direction of Douglas Libby who is currently the Chief Executive Officer of Crum & Forster Holdings Corp., the Company's indirect parent company. Gary Dubois is a senior executive with the Crum & Forster Insurance Group with other responsibilities exclusive of Seneca Insurance Company, Inc. Marc Wolin has been Seneca's Chief Financial Officer since 1989.

Officers: Chairman of the Board, Douglas M. Libby; President and Chief Executive Officer, Gary N. Dubois; Senior Vice President, Secretary, Treasurer, Chief Operating Officer and Chief Financial Officer, Marc T.A. Wolin; Senior Vice Presidents, Steven Fomchenko (Inland Marine and Surplus Property), Keith McCarthy (Standard Lines), Chris I. Stormo (Administration); Vice President and Chief Information Officer, Ahmed K. Yaknour; Vice Presidents, Kathleen G. Alicks, David W. Bishop (Surplus Property), Albert J. Caradonio (Actuarial), Gregory A. Crapanzano (Claims), Thomas A. Diaczynsky (Surplus Property), Frank V. Donahue, Jr. (Claims), David A. Hansen (Surplus Property), John W. Holmes (Arizona Branch), George Juzdan, Michael S. Kotte (Kentucky Branch), Matthew W. Kunish (Actuarial), Kent A. Kuwitzky (Colorado Branch), Vincent I. Maida, Kenneth S. McClelland, Kathleen A. McNamara, John R. Moran, Jr., Lauren Parente, John Rendina, Kenneth J. Ryan (Surety), Michael J. Skadra (E & S Casualty), Joseph E. Stanton (Surplus Property), Chris I. Stormo.

Directors: Paul W. Bassaline, Harvey Childs, Gary N. Dubois, Stephen A. Eisenmann, Donald R. Fischer, David J. Ghezzi, Gabriel M. Krausman, Matthew W. Kunish, Albert B. Lewis, Douglas M. Libby, Stephen M. Mulready, Mary Jane Robertson, Chris I. Stormo, Marc T. A. Wolin.

REGULATORY

An examination of the financial condition was made as of December 31, 2010, by the insurance department of New York. The 2012 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Matthew W. Kunish, FIA, FCAS, FSA, MAAA.

REINSURANCE

The following text is derived from A.M. Best's Credit Report on Seneca Insurance Group (AMB# 018494).

Property per risk coverage is maintained, attaching over $1,000,000 up to $25,000,000 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.

United States Fire Insurance Company provides reinsurance for $1 million excess $1 million custom property, $4 million excess $1 million standard lines, $9.5 million excess $0.5 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)

	12/31/12	12/31/11	'12%	'11%
Bonds	266,261	227,342	60.0	61.4
Preferred stock	9,631	10,023	2.2	2.7
Common stock	22,350	25,759	5.0	7.0
Cash & short-term invest	39,896	23,417	9.0	6.3
Other non-affil inv asset	1,553	…	0.3	…
Investments in affiliates	46,217	35,901	10.4	9.7
Total invested assets	385,909	322,442	86.9	87.1
Premium balances	35,852	30,733	8.1	8.3
Accrued interest	3,642	3,566	0.8	1.0
All other assets	18,524	13,573	4.2	3.7
Total assets	443,927	370,315	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/12	12/31/11	'12%	'11%
Loss & LAE reserves	179,594	149,825	40.5	40.5
Unearned premiums	91,677	77,574	20.7	20.9
Conditional reserve funds	552	535	0.1	0.1
All other liabilities	14,775	13,226	3.3	3.6
Total liabilities	286,598	241,159	64.6	65.1
Capital & assigned surplus	31,076	31,076	7.0	8.4
Unassigned surplus	126,254	98,080	28.4	26.5
Total policyholders' surplus	157,330	129,156	35.4	34.9
Total liabilities & surplus	443,927	370,315	100.0	100.0

SUMMARY OF 2012 OPERATIONS ($000)

Statement of Income	12/31/12	Funds Provided from Operations	12/31/12
Premiums earned	175,950	Premiums collected	185,968
Losses incurred	70,278	Benefit & loss-related pmts	50,409
LAE incurred	26,037		
Undrw expenses incurred	69,408	LAE & undrw expenses paid	85,219
Net underwriting income	10,227	Undrw cash flow	50,340
Net investment income	13,603	Investment income	10,444
Pre-tax oper income	23,830	Pre-tax cash operations	60,784
Realized capital gains	4,779		
Income taxes incurred	6,441	Income taxes pd (recov)	11,508
Net income	22,168	Net oper cash flow	49,277

Best's Rating Report

PROOF

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 A.M. Best Europe - Rating Services Limited.

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.

Best's Financial Strength Ratings are assigned according to the following scale:

Secure Best's Financial Strength Ratings

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

Vulnerable Best's Financial Strength Ratings

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

For the latest **Best's Financial Strength Ratings** and *AMB Credit Reports* visit the A.M. Best web site at **www.ambest.com**. You may also obtain *AMB Credit Reports* by calling our Customer Service department at +1-908-439-2200, ext. 5742. To expedite your request, please provide the company's identification number (AMB #).