

REPORT ON EXAMINATION

OF THE

SENECA INSURANCE COMPANY

AS OF

DECEMBER 31, 2010

DATE OF REPORT

DECEMBER 27, 2011

EXAMINER

QILIN

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

December 27, 2011

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30720 dated May 27, 2011, attached hereto, I have made an examination into the condition and affairs of Seneca Insurance Company, Inc. as of December 31, 2010, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Seneca Insurance Company, Inc.

Wherever the term "the Department" appears herein without qualification, it should be understood to mean the New York Department of Financial Services.

The examination was conducted at the Company's home office located at 160 Water Street, New York, NY 10038.

1. SCOPE OF EXAMINATION

The Department has performed a multi-state examination of Seneca Insurance Company. The previous examination was conducted as of December 31, 2005. This examination covered the five year period from January 1, 2006 through December 31, 2010. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company’s own control environment assessment. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated on March 29, 1978, under the laws of New York as Eagle Star Insurance Company of America. It was formed to serve as the corporate vehicle in the domestication of the United States Branch of the Eagle Star Insurance Company, Ltd., London, England, which entered the United States through the State of New York in 1916. The Company was licensed and the domestication became effective as of July 1, 1978. The present name was adopted on April 8, 1987.

On October 8, 1993, a new holding company, Sen-Tech International Holdings, Inc. (“Sen-Tech”) was formed. On April 26, 2000, Sen-Tech entered into a merger agreement to be acquired by Crum and Forster Holdings Inc., which is a subsidiary of Fairfax Financial Holdings Limited. The transaction was completed on August 31, 2000, with the acquirer being North River Insurance Company, which is a wholly-owned subsidiary of Crum and Forster Holdings Inc.

As of December 31, 2010, capital paid in was \$4,800,000 consisting of 24,000 shares of common stock at \$200 par value per share. Gross paid in and contributed surplus was \$26,275,566. These amounts were unchanged during the examination period.

A. Management

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty-one members. The board meets at least one time during each calendar year. At December 31, 2010, the board of directors was comprised of the following thirteen members:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|-----------------------------------|--|
| Paul W. Bassaline Randolph, NJ | Vice President and Assistant Controller, United States Fire Insurance Company |

Name and ResidencePrincipal Business Affiliation

Harvey K. Childs
Greenville, PA

Chairman of the Board,
Bail USA, Inc.

Stephen A. Eisenmann
Jersey City, NJ

Senior Vice President, Claims,
United States Fire Insurance Company

Donald R. Fischer
Wyckoff, NJ

Senior Vice President, Underwriting,
United States Fire Insurance Company

David J. Ghezzi
Stanhope, NJ

Senior Vice President, Financial Services,
United States Fire Insurance Company

Dennis J. Hammer
Somerville, NJ

Senior Vice President and Controller,
United States Fire Insurance Company

Gabriel M. Krausman
New York, NY

Retired,
NY State Supreme Court Judge

Matthew W. Kunish
Madison, NJ

Senior Vice President, Actuarial,
United States Fire Insurance Company

Albert B. Lewis
New York, NY

Attorney,
D'Amato and Lynch

Douglas M. Libby
New York, NY

Chairman of the Board,
Seneca Insurance Company, Inc.

Mary Jane Robertson
Morristown, NJ

Executive Vice President, Treasurer and Chief
Financial Officer,
United States Fire Insurance Company and
Crum and Forster Holdings Corp.

Chris I. Stormo
Ledgewood, NJ

Senior Vice President,
Seneca Insurance Company, Inc. and United
States Fire Insurance Company

Marc T. A. Wolin
Merrick, NY

Senior Vice President, Chief Financial Officer,
Chief Operating Officer and Secretary,
Seneca Insurance Company, Inc.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2010, the principal officers of the Company were as follows:

| <u>Name</u> | <u>Title</u> |
|------------------|--|
| Marc J. Adee | President and Chief Executive Officer |
| Marc T. Wolin | Senior Vice President, Chief Operating Officer, Treasurer and Secretary |
| Vincent I. Maida | Vice President |

B. Territory and Plan of Operation

As of December 31, 2010, the Company was licensed to write business in all states and the District of Columbia.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

| <u>Paragraph</u> | <u>Line of Business</u> |
|------------------|--|
| 4 | Fire |
| 5 | Miscellaneous property |
| 6 | Water damage |
| 7 | Burglary and theft |
| 8 | Glass |
| 9 | Boiler and machinery |
| 10 | Elevator |
| 12 | Collision |
| 13 | Personal injury liability |
| 14 | Property damage liability |
| 15 | Workers' compensation and employers' liability |
| 16 | Fidelity and surety |
| 19 | Motor vehicle and aircraft physical damage |
| 20 | Marine and inland marine |
| 21 | Marine protection and indemnity |

In addition, the Company is licensed to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including coverages described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress, as amended; 33 USC Section 901 et seq. as amended). The Company is also licensed to write special risk insurance pursuant to Section 6302 of the New York Insurance Law.

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$3,700,000.

The Company's primary lines of business written are commercial multi peril, other liability, inland marine, workers compensation, fire and surety (bail bonds). The business is largely produced through branches in New York, Kentucky, Colorado and Virginia.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

| <u>Calendar Year</u> | <u>New York State</u> | <u>Total Premiums</u> | <u>Premiums Written in New York State as a Percentage of Total Premium</u> |
|----------------------|-----------------------|-----------------------|--|
| 2006 | \$47,734,707 | \$114,145,875 | 41.82% |
| 2007 | \$46,054,106 | \$103,681,503 | 44.42% |
| 2008 | \$44,153,163 | \$101,254,961 | 43.61% |
| 2009 | \$39,933,817 | \$ 97,872,685 | 40.80% |
| 2010 | \$39,925,425 | \$ 98,725,913 | 40.44% |

C. Reinsurance

Assumed reinsurance accounted for 29.8% of the Company's gross premium written at December 31, 2010. During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The Company's assumed reinsurance program consists of property and casualty coverage assumed on a quota share basis, pursuant to the terms of a 100% quota share treaty with Seneca Specialty Insurance Company, a wholly owned subsidiary domiciled in Arizona. The Company utilizes reinsurance accounting as defined in the NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 62 for its assumed reinsurance business.

The Company has structured its ceded reinsurance program as follows:

| <u>Type of Treaty</u> | <u>Cession</u> |
|--|--|
| <u>Commercial Umbrella</u> | |
| <u>Quota Share</u> | 80% quota share of the first \$1,000,000 net loss, each occurrence. |
| 100 % Authorized | 100% of \$4,000,000 excess of \$1,000,000 net loss, each occurrence. |
| <u>Umbrella Excess Quota Share</u> (policies classified as non-admitted umbrella and excess liability written by the Wholesale Casualty Division) | 50% up to \$10,000,000 each and every loss, each and every policy. |
| 100% Authorized | |
| <u>Workers' Compensation Excess of Loss</u> | |
| First layer | \$1,500,000 excess of \$500,000 ultimate net loss, each loss occurrence. |
| 100% Authorized | |
| Second layer | \$3,000,000 excess of \$2,000,000 ultimate net loss, each loss occurrence. |
| 100% Authorized | |
| Third layer | \$5,000,000 excess of \$5,000,000 ultimate net loss, each loss occurrence. |
| 100% Authorized | |
| <u>Equipment Breakdown</u> | 100% up to \$25,000,000 any one accident, any one policy. |
| 100 % Authorized | |
| <u>Multiple Line Excess of Loss – Property only</u> | |
| First layer | \$1,000,000 excess of \$1,000,000 each risk, each loss subject to a limit of \$3,000,000 any one loss occurrence. |
| 100% Authorized | |
| Second layer | \$3,000,000 excess of \$2,000,000 each risk, each loss subject to a limit of \$9,000,000 any one loss occurrence. |
| 100% Authorized | |
| <u>All Property and Casualty Business (basket)</u> | |
| 100% Authorized | \$1,000,000 excess of \$1,000,000 any one loss occurrence for two or more policies involved in the same loss occurrence. |

Type of TreatyCessionCasualty Clash

100% Authorized

\$3,000,000 excess of \$1,000,000 any one loss occurrence for two or more policies involved in the same loss occurrence.

Property Per Risk Excess of Loss

(Business written by C&F Underwriters)

First layer
100 % Authorized

\$1,000,000 excess of \$1,000,000 each and every risk, each loss, subject to a limit of \$3,000,000 any one loss occurrence.

Second layer
100% Authorized

\$3,000,000 excess of \$2,000,000 each risk, each loss subject to a limit of \$9,000,000 any one loss occurrence.

Third layer
Mostly authorized

\$15,000,000 excess of \$5,000,000 each risk, each loss subject to a limit of \$15,000,000 any one loss occurrence.

Property Catastrophe Excess of Loss

First layer
100% Authorized

\$10,000,000 excess of \$10,000,000 each and every loss occurrence.

Second layer
Mostly authorized

\$10,000,000 excess of \$20,000,000 each and every loss occurrence.

Third layer
Mostly authorized

\$20,000,000 excess of \$30,000,000 each and every loss occurrence.

Fourth layer
Mostly authorized

\$40,000,000 excess of \$50,000,000 each and every loss occurrence.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that not all affiliated reinsurance agreements were filed timely with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law which states that:

“Transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit and he has not disapproved it within such period. . .

(2) reinsurance treaties or agreements. . .”

It is recommended that the Company comply with Section 1505(d)(2) of the New York Insurance Law and notify the superintendent in writing of its intention to enter into any transactions at least thirty days prior thereto, or such shorter period as may permit, with any person in its holding company system.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause fulfilling the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer and chief financial officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

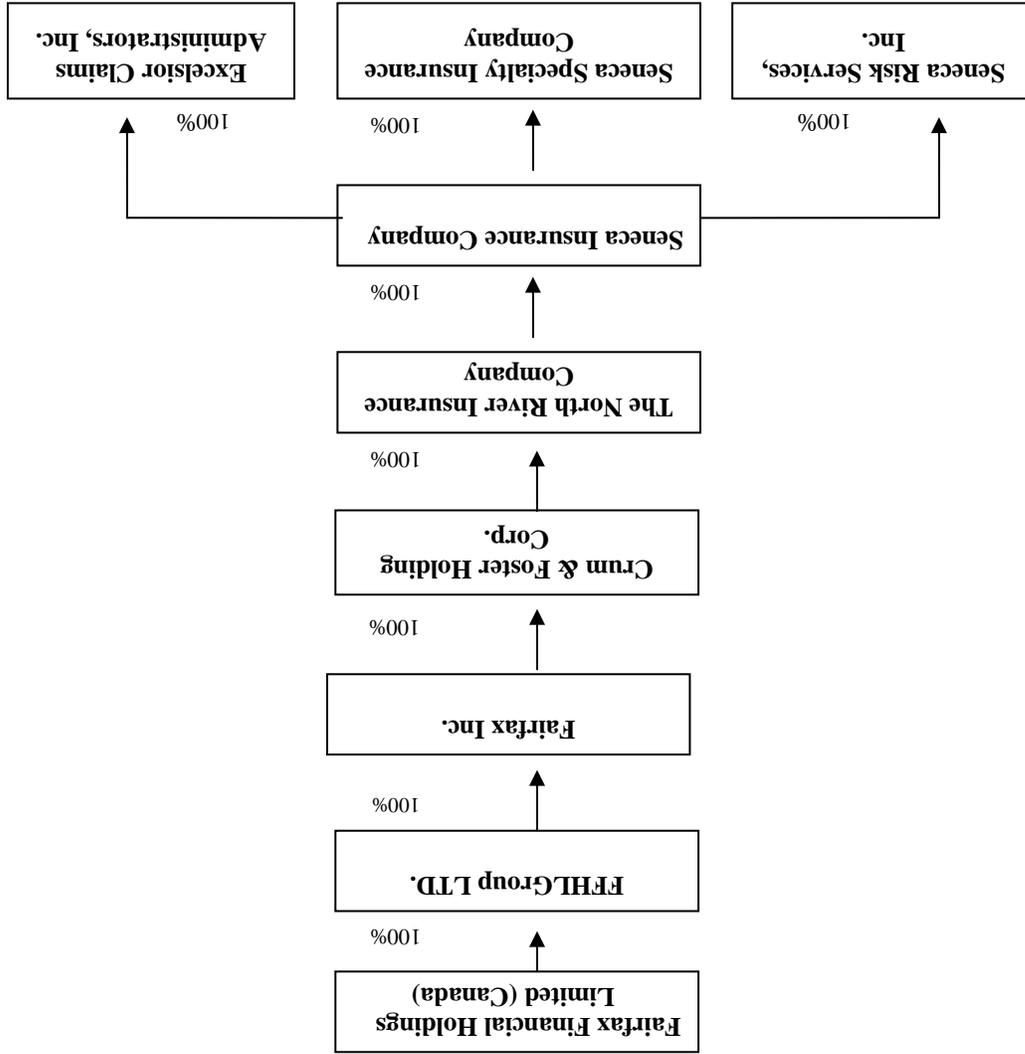
During the period covered by this examination, the Company commuted one reinsurance agreement where it was a ceding reinsurer. This commutation was essentially neutral to the Company's surplus position.

D. Holding Company System

The Company is a member of Fairfax Financial Holdings, Limited (“FFH”), Canada. The Company is a wholly-owned subsidiary of North River Insurance Company, a New Jersey corporation, which is ultimately controlled by Fairfax Inc.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2010:



At December 31, 2010, the Company was party to the following agreements with other members of its holding company system, all of which were submitted to and non-disapproved by the Department pursuant to Section 1505(d)(3) of the New York Insurance Law:

1. Claims Adjustment Agreement

Effective April 29, 1994, the Company entered into a claims adjustment agreement with Excelsior Claims Administrators, Inc. ("Excelsior"). Pursuant to the terms of the agreement, Excelsior performs various claims services on behalf of the Company.

2. Tax Allocation Agreement

Pursuant to the terms of this agreement, the Company files a consolidated federal income tax return with its parent company Fairfax, Inc. The agreement was non-disapproved by the Department and became effective January 3, 2000.

3. Administrative Services Agreement

Effective January 31, 2000, the Company entered into an administrative services agreement with United States Fire Insurance Company. Pursuant to the terms of the agreement each party agreed to provide certain underwriting, claims, policy administration and general services for each other.

4. Investment Management Agreement

Effective October 1, 2002, the Company entered into an investment management agreement with Hamblin Watsa Investment Counsel Ltd. (“Hamblin Watsa”) and Fairfax Financial Holdings Limited (“Fairfax Financial”). Pursuant to this agreement, Hamblin Watsa performs all functions relative to the management of the Company’s investment portfolio, and Fairfax Financial provides investment administration services to the Company. The agreement was amended on January 1, 2005.

5. Underwriting and Claims Administrative Services Agreement

Effective January 1, 2008, the Company entered into an underwriting and claims administrative services agreement with Seneca Specialty Insurance Company (“Seneca Specialty”). Pursuant to this agreement, the Company acts as the Manager on behalf of Seneca Specialty to perform all functions related to underwriting, claims service and office operations.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2010, based upon the results of this examination:

| | |
|--|-----|
| Net premiums written to surplus as regards policyholders | 69% |
| Liabilities to liquid assets (cash and invested assets less investments in affiliates) | 57% |
| Premiums in course of collection to surplus as regards policyholders | 1% |

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

| | <u>Amounts</u> | <u>Ratios</u> |
|--|----------------------|----------------|
| Losses and loss adjustment expenses incurred | \$211,660,312 | 40.02% |
| Other underwriting expenses incurred | 214,253,934 | 40.51 |
| Net underwriting gain | <u>102,960,000</u> | <u>19.47</u> |
| Premiums earned | <u>\$528,874,246</u> | <u>100.00%</u> |

F. Accounts and Records

Agency Billed Premium Receivables

It is noted that due to system limitations, the Company aged its agency billed policy premium receivable based on the date due from the producers and not based on the effective date of the underlying insurance contracts as required by SSAP No. 6 Paragraph 7(a), which states:

“The due date for all premium balances addressed by this statement is determined as follows: (a) Original and deposit premiums-governed by the effective date of the underlying insurance contract and not the agent/reporting entity contractual relationship.”

The improper aging process did not result in a material misstatement of the agents’ balances receivable as of December 31, 2010. Therefore, no financial adjustment for the examination is required; however, it is recommended that Company properly age its agents’ balances receivable in accordance with SSAP No. 6 Paragraph 7(a).

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2010 as determined by this examination and as reported by the Company:

| <u>Assets</u> | <u>Assets</u> | <u>Assets Not Admitted</u> | <u>Net Admitted Assets</u> |
|---|----------------------|--------------------------------|--------------------------------|
| Bonds | \$265,631,299 | \$ 0 | \$265,631,299 |
| Preferred stocks | \$10,172,600 | | 10,172,600 |
| Common stocks | 48,031,548 | | 48,031,548 |
| Cash, cash equivalents and short-term investments | 29,604,540 | | 29,604,540 |
| Receivables for securities | 1,000,000 | | 1,000,000 |
| Investment income due and accrued | 4,399,569 | | 4,399,569 |
| Uncollected premiums and agents' balances in the course of collection | 2,607,884 | 73,661 | 2,534,223 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 13,534,914 | | 13,534,914 |
| Amounts recoverable from reinsurers | 1,616,580 | | 1,616,580 |
| Net deferred tax asset | 9,824,973 | 3,044,752 | 6,780,221 |
| Electronic data processing equipment and software | 983,865 | 879,785 | 104,080 |
| Furniture and equipment | 207,630 | 207,630 | 0 |
| Equities and deposits in pools and associations | 699,216 | | 699,216 |
| Miscellaneous receivables | 113,576 | | 113,576 |
| Other assets nonadmitted | <u>487,416</u> | <u>487,416</u> | <u>0</u> |
| Total assets | <u>\$389,340,134</u> | <u>\$4,693,244</u> | <u>\$384,646,890</u> |

Liabilities, Surplus and Other FundsLiabilities

| | |
|---|----------------------|
| Losses and loss adjustment expenses | \$126,712,983 |
| Commissions payable, contingent commissions and other similar charges | 794,897 |
| Other expenses (excluding taxes, licenses and fees) | 3,530,573 |
| Taxes, licenses and fees (excluding federal and foreign income taxes) | 3,024,383 |
| Current federal and foreign income taxes | 2,976,129 |
| Unearned premiums | 62,677,708 |
| Ceded reinsurance premiums payable (net of ceding commissions) | 1,530,627 |
| Funds held by company under reinsurance treaties | 145,593 |
| Amounts withheld or retained by company for account of others | 57,144 |
| Miscellaneous payables | <u>1,112,429</u> |
| Total liabilities | <u>\$202,562,466</u> |

Surplus and Other Funds

| | |
|--|----------------------|
| Common capital stock | \$ 4,800,000 |
| Gross paid in and contributed surplus | 26,275,566 |
| Unassigned funds (surplus) | <u>151,008,858</u> |
| Surplus as regards policyholders | <u>182,084,424</u> |
| Total liabilities, surplus and other funds | <u>\$384,646,890</u> |

NOTE: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2008. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax years 2009 and 2010 are currently under examination. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders increased \$76,434,027 during the five-year examination period January 1, 2006 through December 31, 2010, detailed as follows:

Underwriting Income

| | | |
|--|--------------------|--------------------|
| Premiums earned | | \$528,874,246 |
| Deductions: | | |
| Losses and loss adjustment expenses incurred | \$211,660,312 | |
| Other underwriting expenses incurred | <u>214,253,934</u> | |
| Total underwriting deductions | | <u>425,914,246</u> |
| Net underwriting gain or (loss) | | \$102,960,000 |

Investment Income

| | | |
|--|-------------------|----------------------|
| Net investment income earned | \$58,657,648 | |
| Net realized capital gain | <u>18,800,615</u> | |
| Net investment gain or (loss) | | 77,458,263 |
| Net income before federal and foreign income taxes | | \$180,418,263 |
| Federal and foreign income taxes incurred | | <u>49,201,392</u> |
| Net income | | <u>\$131,216,871</u> |

| | | | |
|--|-----------------------------|------------------------------|----------------------|
| Surplus as regards policyholders per report on examination as of December 31, 2005 | | | \$105,650,397 |
| | <u>Gains in Surplus</u> | <u>Losses in Surplus</u> | |
| Net income | \$131,216,871 | | |
| Net unrealized capital gains | 4,556,448 | | |
| Change in net deferred income tax | 1,343,075 | | |
| Change in non-admitted assets | | \$ 321,138 | |
| Change in provision for reinsurance | 186,864 | | |
| Dividends to stockholders | <u> </u> | <u>60,548,093</u> | |
| Total gains and losses | <u>\$137,303,258</u> | <u>\$60,869,231</u> | |
| Net increase in surplus | | | <u>76,434,027</u> |
| Surplus as regards policyholders per report on examination as of December 31, 2010 | | | <u>\$182,084,424</u> |

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$126,712,983 is the same as reported by the Company as of December 31, 2010. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained five recommendations as follows (page numbers refer to the prior report):

| <u>ITEM</u> | <u>PAGE NO.</u> |
|---|-----------------|
| A. <u>Management</u> | |
| It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced. | 5 |
| The Company has complied with this recommendation. | |
| B. <u>Reinsurance</u> | |
| It is recommended that the Company comply with Section 1505(d)(2) of the New York Insurance Law and notify the Superintendent in writing of its intention to enter into any transactions at least thirty days prior thereto, or such shorter period as may permit, with any person in its holding company system. | 9 |
| The Company has not complied with this recommendation. A similar recommendation is made in this report. | |
| C. <u>Accounts and Records</u> | |
| i. It is recommended that the Company formalize a cost sharing agreement setting forth provisions that would serve as guidelines to properly allocate, reimburse and settle the cost of shared expenses with Seneca Specialty Insurance Company. The allocation method of shared expenses should be consistent with the provisions of Department Regulation 30. | 13 |
| The Company has complied with this recommendation. | |
| ii. It is recommended that in the future, the Company should comply with Section 1316 of the New York Abandoned Property Law and report the proper amount to the Comptroller. | 13 |
| The Company has complied with this recommendation. | |
| iii. It is recommended that the Company amend its custodial agreement to include the safeguards and provisions per the NAIC Financial Condition Examiners Handbook, Part 1, Section IV – J. | 14 |
| The Company has complied with this recommendation. | |

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

| <u>ITEM</u> | | <u>PAGE NO.</u> |
|-------------|--|-----------------|
| A. | <u>Reinsurance</u> | |
| | It is recommended that the Company comply with Section 1505(d)(2) of the New York Insurance Law and notify the superintendent in writing of its intention to enter into any transactions at least thirty days prior thereto, or such shorter periods as may permit, with any person in its holding company system. | 9 |
| B. | <u>Accounts and Records</u> | |
| | It is recommended that Company properly age its agents' balances receivable in accordance with SSAP No. 6 Paragraph 7(a). | 12 |

Respectfully submitted,

_____/s/_____
Qi Lin
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

QI LIN, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____/s/_____
Qi Lin

Subscribed and sworn to before me
this _____ day of _____, 2012.

Appointment No. 30720

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, James J. Wrynn Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Qi Lin

as proper person to examine into the affairs of the

SENECA INSURANCE COMPANY, INC.

and to make a report to me in writing of the condition of the said

Company

with such other information as she shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 27th day of May, 2011



James J. Wrynn

JAMES J. WRINN

Superintendent of Insurance