

## SeaBright Reports Q2 Financial Results

August 4, 2011

To Our Valued Brokers:

Earlier today, SeaBright Holdings, Inc. released its financial results for the second quarter of 2011 and for the first half-year. These results can be accessed here: <http://investor.sbxhi.com/releasedetail.cfm?ReleaseID=596909>. SeaBright continues to be affected by extraordinary workers' compensation market conditions, characterized by a sluggish economy and rising medical costs. These factors have combined to increase claim costs. The impact has been particularly evident in our construction book of business and in California.

While we've weathered this storm well in recent quarters, the second quarter of this year resulted in a net operating loss of nearly \$16 million for SeaBright Holdings, the financial parent of SeaBright Insurance Company. Driving this loss is our recognition of net adverse development of prior years' loss reserves, which totalled \$27.1 million.

SeaBright is not alone; increasing costs have contributed to deteriorating combined ratios for the workers' compensation line according to recent data from the National Council on Compensation Insurance (NCCI). Loss reserves have increasingly become a concern for the workers' compensation industry. NCCI recently indicated that reserves for this line are deficient by \$10 billion, and that deficiency is on the rise.

Today's results, while disappointing, had minimal effect on our overall financial strength. With total assets of over \$900 million and policyholder surplus of \$286 million, we remain a solid choice for your clients. With respect to operating leverage, SeaBright has also taken a conservative posture. Our written-to-surplus ratio is a low .85. Our capitalization remains very strong.

	<b>12/31/2010</b>	<b>6/30/2011</b>
Policyholder Surplus	\$301 million	\$286 million
Written/Surplus Ratio	0.79	0.85

While the horizon may be cloudy for the workers' compensation industry, SeaBright's course is clear. We aim to be your preferred workers' compensation market today and for the long term. You can count on us for the financial strength and superior service your clients require. For questions and additional information regarding today's announcement, please email us at [IR@sbxhi.com](mailto:IR@sbxhi.com).

