

**REPORT ON EXAMINATION**  
**OF**  
**SENECA SPECIALTY INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2023**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
SENECA SPECIALTY INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2023

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 21st day of May, 2025

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May 15, 2025

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.004, an examination has been made of the affairs, financial condition and management of

**SENECA SPECIALTY INSURANCE COMPANY**

hereinafter referred to as the Company or SSIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its home office located at 1209 Orange Street, Wilmington, Delaware. The administrative office of the Company is located at 199 Water Street, New York, New York.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of SSIC. The last examination of the Company was conducted by the Delaware Department of Insurance (Department) and covered the five-year period from January 1, 2015 through December 31, 2019. This examination covers the four-year period from January 1, 2020 through December 31, 2023.

The examination of the Company was performed as part of the multi-state coordinated examination of Fairfax Group of regulated United States (U.S.) property and casualty insurance companies (Fairfax U.S. Group) as of December 31, 2023. The Department was the lead state for the Fairfax U.S. Group examination. The examination was conducted concurrently with that of the Company's U.S. affiliates. The Companies in the Fairfax U.S. Group and their state of domicile are summarized as follows by subgroup:

**Allied World Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Allied World Assur Co US Inc.	19489	DE
Allied World Ins Co	22730	NH
Allied World Natl Assur Co	10690	NH
Allied World Surplus Lines Ins Co	24319	AR
Allied World Specialty Ins Co	16624	DE
Vantapro Specialty Ins Co	44768	AR

**Crum & Forster Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
American Underwriters Ins Co	10251	AR
Crum & Foster Ind. Co	31348	DE
Crum & Forster Ins Co	42471	NJ
Crum & Forster Specialty Ins Co	44520	DE
First Mercury Ins Co	10657	DE
MTAW Insurance Co	16498	DE
North River Insurance Co	21105	NJ
Seneca Ins Co Inc.	10936	NY
Seneca Specialty Ins Co	10729	DE
United States Fire Ins Co	21113	DE
Monitor Life Insurance Co	81442	NY

**Hudson Subgroup – 100% owned by Odyssey Re Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Hudson Excess Insurance Co	14484	DE
Hudson Insurance Co	25054	DE
Hilltop Specialty Insurance Co	37079	NY

**Odyssey Re Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Greystone Insurance Co	10019	CT
Odyssey Reinsurance Co	23680	CT

**Riverstone/TIG Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
TIG Insurance Co	25534	CA

**Zenith Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Zenith Insurance Co	13269	CA
ZNat Insurance Co	30120	CA

To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm PricewaterhouseCoopers LLC (PwC). Certain auditor work papers of the 2023 PwC audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

#### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

#### **COMPANY HISTORY**

The Company was originally organized and incorporated on October 28, 1997, as a domestic property and casualty insurer pursuant to the laws of the State of Arizona. Effective November 25, 2014, the Company re-domesticated to the State of Delaware. Sen-Tech International Holdings, Inc. ultimately controlled the Company until August 31, 2000, when ultimate control was transferred to Fairfax Financial Holdings Limited (FFHL).

Capitalization

The Company is authorized to issue 10,000 shares of common stock with a par value of \$1,000 per share. As of December 31, 2023, the Company had 8,233.442 common shares issued and outstanding totaling \$8,233,442. All outstanding common shares of the Company are owned by Seneca Insurance Company (SIC), a New York domiciled company.

Dividends

There were no dividends paid by the Company during the period covered.

**MANAGEMENT AND CONTROL**

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of its Board of Directors (Board). The Company's bylaws require its Board consist of not less than three (3) or more than seven (7) members.

Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualify except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Marc James Adee	Chairman of the Board
Marc Todd Andrew Wolin	President
Arleen Ambrose Paladino	Treasurer

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, one or more Vice Presidents, a Secretary and a Treasurer. One person may hold two offices in the Company, except for the offices of President and Secretary. Officers are chosen annually by the Board. The primary officers serving as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Marc Todd Andrew Wolin	President
Arleen Ambrose Paladino	Treasurer
Michael Patrick McTigue	Assistant Vice President, Secretary
Yun Thiam Yap	Assistant Vice President, Controller
Kathleen Grace Alicks	Senior Vice President
Frank Vincent Donahue, Jr.	Senior Vice President
Keith McCarthy	Senior Vice President
John West Rendina	Senior Vice President & COO
Antonietta Vitale Castano	Senior Vice President
Jessica Marie Frankovich	Senior Vice President
Alejandro Morales	Senior Vice President

Corporate Records

The recorded minutes of the Shareholders and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regard to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system known as FFHL as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. FFHL is a publicly listed

company whose subordinate voting shares trade on the Toronto Stock Exchange under the symbol FFH. As of December 31, 2023, FFHL had consolidated assets (IFRS Basis) of \$91,985 million and shareholders' equity of \$27,709 million. 18 *Del. C.* §5001(3) states that “. . .Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10 percent or more of the voting securities of any other person.” Pursuant to this presumption, V. Prem Watsa and The Watsa Family Trust, which collectively owned or controlled 10% or more of the voting shares of the Company as of the examination date, are considered controlling entities of the Company.

The companies in the Crum & Forster sub-group are ultimately 100% owned by Crum & Forster Holding Corporation (CFH), which is 100% owned by Fairfax US Inc., which is 100% owned by FFHL Group Ltd., which is 100% owned by FFHL.

An abbreviated organizational chart of FFHL as of December 31, 2023, with domicile in brackets, along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

Seneca Specialty Insurance Company

		Equity Ownership Percentage	Voting Control Percentage	
V. Prem Watsa and the Watsa Family Trust {1}{8}	{2}	9.84 %	43.88%	{3}
All Other Publicly Traded Shares Held {4}	{5}	90.16%	56.12%	{6}
Fairfax Financial Holdings Limited [Canada] {7}		100.0%	100.0%	
FFHL Group Ltd. [Canada]		100.0%	100.0%	
Fairfax (US) Inc. [DE]		100.0%	100.0%	
Crum & Forster Holdings Corp. [DE]		100.0%	100.0%	
United States Fire Insurance Company [DE]		100.0%	100.0%	
Crum & Forster Specialty Insurance Company [DE]		100.0%	100.0%	
Crum & Forster SPC Reinsurance Company [Cayman Islands]		100.0%	100.0%	
Crum & Forster SPC [Cayman Islands]		100.0%	100.0%	
American Underwriters Insurance Company [AR]		100.0%	100.0%	
The North River Insurance Company [NJ]		100.0%	100.0%	
Seneca Insurance Company, Inc. [NY]		100.0%	100.0%	
<b>Seneca Specialty Insurance Company</b>		100.0%	100.0%	
Crum & Forster Insurance Company [NJ]		100.0%	100.0%	
Crum & Forster Indemnity Company [DE]		100.0%	100.0%	
First Mercury Insurance Company [DE]		100.0%	100.0%	
MTAW Insurance Company [DE]		100.0%	100.0%	
Monitor Life Insurance Company of New York		100.0%	100.0%	

Notes 1 through 8 more fully describe the ownership and voting percentages throughout the holding company.

{1} Through voting and economic ownership control, both directly and indirectly, of the following individual and entities: Mr. V. Prem Watsa, 2771489 Canada Limited, The Second 1109 Holdco Limited and The Sixty-Two Investment Company Limited

{2} Calculated as follows:

Description	Shares Outstanding	Shares Owned/Controlled	Percentage of total shares outstanding
Total Single Voting Shares (SVS) outstanding	22,254,478		
<b>Prem Watsa SVS Shares:</b>			
SVS Shares owned through Second 810 HoldCo Ltd.		257,517	1.1572%
SVS Shares owned through 12002574 Canada Inc.		195,100	.8767%
SVS shares held directly {8}		289,491	1.3008%
SVS Shares held through Sixty Two HoldCo		50,620	.2275%
Additional SVS shares under control and direction		2,100	.0094%
<b>Total SVS shares owned/controlled</b>		794,828	3.5715%
Total MVS Shares Outstanding	1,548,000		
MVS Shares owned and controlled through Sixty Two Holdco		1,548,000	100%
Total MVS + SVS Shares Outstanding	23,802,478		
<b>Total MVS + SVS Shares owned and controlled by Mr. Watsa</b>		2,342,828	9.8428%

- {3} Calculated as 1.95% through ownership of SVS shares held by V. Prem Watsa directly and/or through the Second 810 HoldCo Ltd. and 12002574 Canada Inc. as delineated in Note 2 above (including 2100 additional SVS shares under his control and/or direction) and 41.93% through ownership of MVS and SVS Shares held through Sixty-Two HoldCo. It should be noted that pursuant to Canadian securities filing requirements, the 2100 subordinate voting shares owned by immediate family members of Mr. Watsa are also considered to be under the control and/or direction of Mr. Watsa and are therefore included in the voting control percentages reported herein.
- {4} No other individual or entity owns or controls greater than 10% of the voting common shares of FFHL as of December 31, 2023.
- {5} Calculated as 100.00% - 9.84% {2}
- {6} Calculated as 100.00% - 43.88% {3}
- {7} FFHL common shares are publicly traded on the Toronto Stock Exchange in Canadian dollars under the symbol FFH and in US dollars under the symbol FFH.U. As of December 31, 2023, FFHL has issued 1,548,000 multiple voting common shares, 22,254,478 subordinate voting common shares, and 58,239,178 non-voting preferred Series C thru M. FFHL's equity attributable to Shareholders as of December 31, 2023, totals \$22,950.5 million (\$ U.S.) which consists of \$21,615 million (includes \$3.8 million of multiple voting

shares) related to voting common shares (94.18% of the total) and \$1,335.5 million related to non-voting preferred shares (05.82% of the total).

{8} On May 13, 2024, FFHL re-purchased 275,000 SVS from Mr. Watsa for cancellation, reducing the number of shares held directly by Mr. Watsa to 14,491. As a result, the 1.95% year-end 2023 ownership percentage shown in Note 3 above would be reduced to approximately 1.24% after cancellation in 2024.

### Agreements with Affiliates

The Company has entered into various agreements with members of the affiliated group in an effort to obtain efficiencies in operations and limit costs. The Company had the following material intercompany agreements in effect as of December 31, 2023:

#### *Administrative Services Agreement*

Effective January 1, 2005, SSIC entered an affiliated Administrative Services Agreement with United States Fire Insurance Company (USF). In accordance with the agreement, USF provides underwriting and administrative services subject to guidelines, procedures and limitations established by the Company's Board. All premiums received or collected by USF and all claims payments made on behalf of the Company are settled monthly on a net basis.

#### *Investment Management Agreement*

Effective January 1, 2002, and amended January 1, 2005, the Company entered an investment management agreement with Hamblin Watsa Investment Counsel Ltd (Hamblin Watsa) and FFHL. Pursuant to the agreement, Hamblin Watsa is authorized to supervise and direct all investments of SSIC and to exercise whatever powers the Company may possess with respect to its invested assets. Investment transactions will be in accordance with the investment objectives of the Company and subject to restrictions established by the Company, as communicated to Hamblin Watsa in writing from time to time.

#### *Underwriting and Claims Administrative Services Agreement*

Effective January 1, 2008, SSIC entered an Underwriting and Claims Administrative Services Agreement with SIC. In accordance with the agreement, SIC provides SSIC various

underwriting and claims management services as further defined by the agreement. As required by the agreement, SIC collects all premium and money due to the Company and pays all losses, liabilities, reinsurance premiums and other expenses on behalf of the Company.

*Tax Allocation Agreement*

Effective January 1, 2009, SSIC became a party to a tax allocation agreement with CFH along with certain affiliates. CFH, the Company and affiliates constitute an affiliated group and have elected to file a consolidated return under the provisions of §1501 of the Internal Revenue Code of 1986. Pursuant to the terms of the tax allocation agreement, no party will be required to pay more in taxes or receive a lesser payment of a refund than it would have paid or received if it computed its taxes independently and filed a separate tax return.

*Master Administrative Service Agreement*

Effective November 1, 2014, SSIC entered into a Master Administrative Services Agreement among various U.S. operating subsidiaries of FFHL. Each party to the agreement may provide certain administrative services to any other party. Each party provides quarterly detailed statements to each company to which it provided services during the quarter.

**TERRITORY AND PLAN OF OPERATION**

Territory

The Company conducts business as a nonadmitted excess and surplus lines carrier in all fifty states and the District of Columbia and writes commercial property and liability business on an excess and surplus basis.

Plan of Operation

The Company underwrites business produced primarily by excess and surplus lines brokers. Business is underwritten nationwide from the Company's offices in New York, New

Jersey, Richmond, Philadelphia, Chicago, Atlanta and Los Angeles. The Company's primary profit centers include the excess and surplus lines property business written through wholesalers and an online binding program that writes small excess and surplus lines casualty package business through a limited number of wholesalers.

The Company reported the following distribution of Direct Premiums Written for 2023:

Line of Business	Direct Premium Written	Percentage of Direct Premium Written
Fire	\$ 97,057,895	44%
Allied Lines	96,103,317	44%
Inland Marine	13,935,967	6%
Commercial multiple peril	6,832,024	3%
Other liability- occurrence	3,501,449	2%
Other lines	3,289,307	1%
Total Direct Premium Written	\$ 220,719,959	100%

**REINSURANCE**

**General**

The Company reported the following distribution of net premiums written for 2023:

Direct		\$220,719,959
Reinsurance assumed from affiliates	\$	-
Reinsurance assumed from non-affiliates		-
Total gross (direct and assumed)	\$	<u>\$220,719,959</u>
Reinsurance ceded to affiliates		\$220,719,959
Reinsurance ceded to non-affiliates		-
Total ceded		<u>\$220,719,959</u>
Net premiums written	\$	<u><u>-</u></u>

**External Ceded**

As of December 31, 2023, the Company had no external cessions with third party reinsurers.

**Affiliated Reinsurance**

The Company has in place a 100% quota share reinsurance agreement with SIC. Under the terms of the agreement the Company cedes 100% of all business written to SIC.

**FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2023
- Statement of Liabilities and Surplus as of December 31, 2023
- Statement of Income for the year ended December 31, 2023
- Statement of Capital and Surplus Account for the year ended December 31, 2023
- Reconciliation of Capital and Surplus for the Period December 31, 2019 to December 31, 2023

Statement of Assets  
As of December 31, 2023

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 58,726,743	\$ -	\$ 58,726,743
Cash	811,391	-	811,391
Cash equivalents	279,593	-	279,593
Short term investments	100,000	-	100,000
Receivables for securities	20,051	-	20,051
Subtotals; cash and invested assets	<u>\$ 59,937,778</u>	<u>\$ -</u>	<u>\$ 59,937,778</u>
Investment income due and accrued	557,839	-	557,839
Total Assets	<u>\$ 60,495,617</u>	<u>\$ -</u>	<u>\$ 60,495,617</u>

Statement of Liabilities and Surplus  
As of December 31, 2023

		<u>Notes</u>
Losses	\$ -	1
Loss adjustment expenses	-	1
Current federal and foreign income taxes	158,448	
Net deferred tax liability	2,593	
Payable to parent; subsidiaries and affiliates	1,569,778	
Total liabilities	<u>\$ 1,730,819</u>	
Common capital stock	\$ 8,233,442	
Gross paid in and contributed surplus	26,703,905	
Unassigned funds (surplus)	23,827,451	
Surplus as regards policyholders	<u>\$ 58,764,798</u>	
Total liabilities and surplus	<u><u>\$ 60,495,617</u></u>	

Statement of Income  
For the Year Ended December 31, 2023

Underwriting Income	
Premiums earned	\$ -
Losses incurred	<u>\$ -</u>
Loss adjustment expenses incurred	-
Total underwriting deductions	<u>\$ -</u>
Net underwriting gain (loss)	<u>\$ -</u>
Investment Income	
Net investment income earned	\$ 2,198,849
Net realized capital gains (losses) less capital gains tax of \$(48,784)	<u>(666,869)</u>
Net investment gain (loss)	<u>\$ 1,531,980</u>
Other Income	
Total other income	<u>\$ -</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 1,531,980
Federal and foreign income taxes incurred	<u>421,591</u>
Net income	<u><u>\$ 1,110,389</u></u>

Capital & Surplus Account  
For the Year Ended December 31, 2023

Surplus as regards policyholders; December 31 prior year	\$ 57,583,310
Net income	1,110,389
Change in net unrealized capital gains or (losses) less capital gains tax of \$	
Change in net unrealized foreign exchange capital gain (loss)	
Change in net deferred income tax	71,099
Change in nonadmitted assets	
Change in provision for reinsurance	
Dividends to stockholders	
Change in surplus as regards policyholders for the year	<u>\$ 1,181,488</u>
Surplus as regards policyholders; December 31 current year	<u>\$ 58,764,798</u>

**Reconciliation of Capital and Surplus**  
As of December 31, 2019 to December 31, 2023

	Common Capital Stock	Preferred Stock	Aggregate Write ins for special surplus	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2019	\$ 8,233,442	\$ -		\$ 26,703,905	\$ 18,278,876	\$ 53,216,223
12/31/2020	-	-		-	1,356,493 (1)	1,356,493
12/31/2020	-	-		-	46,061 (2)	46,061
12/31/2021	-	-		-	2,823,402 (1)	2,823,402
12/31/2021	-	-		-	(28,865) (2)	(28,865)
12/31/2022	-	-		-	243,688 (1)	243,688
12/31/2022	-	-		-	(73,692) (2)	(73,692)
12/31/2023	-	-		-	1,110,389 (1)	1,110,389
12/31/2023	-	-		-	71,099 (2)	71,099
<b>Total</b>	<b>\$ 8,233,442</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,703,905</b>	<b>\$ 23,827,451</b>	<b>\$ 58,764,798</b>

(1) Represents net income

(2) Change in unrealized capital gains (losses), Change in net unrealized foreign exchange capital gain, Change in net deferred income tax, Change in non-admitted assets and Change in provision for reinsurance

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Losses	\$-0-
Loss Adjustment Expenses	\$-0-

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2023. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

**SUBSEQUENT EVENTS**

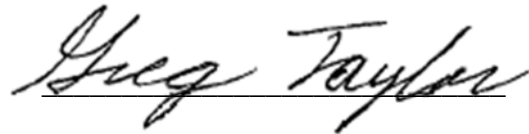
There were no material subsequent events noted for the Company.

**SUMMARY OF RECOMMENDATIONS**

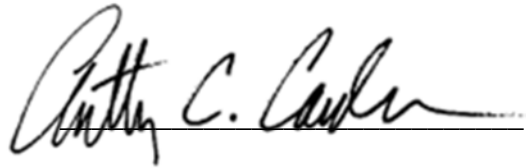
There are no exam report recommendations as a result of this examination.

The assistance and cooperation of the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully Submitted,

A handwritten signature in black ink that reads "Greg Taylor". The signature is written in a cursive style and is positioned above a horizontal line.

Greg Taylor, CFE  
Examiner In-Charge  
State of Delaware

A handwritten signature in black ink that reads "Anthony C. Cardone". The signature is written in a cursive style and is positioned above a horizontal line.

Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

I, Greg Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 24.004.

  
\_\_\_\_\_  
Greg Taylor, CFE