UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2005

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ________ to ________

Commission File Number 000-51124

SeaBright Insurance Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**56-2393241**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2101 4th Avenue, Suite 1600
Seattle, Washington 98121
(Address of principal executive offices, including zip code)

(206) 269-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	**Shares outstanding as of November 7, 2005**
Common Stock, $0.01 Par Value	16,405,143

SeaBright Insurance Holdings, Inc.

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

SEABRIGHT INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2005 (Unaudited)	December 31, 2004
	(in thousands)	
ASSETS		
Investment securities available for sale, at fair value	$ 236,194	$ 105,661
Cash and cash equivalents	15,992	8,279
Accrued investment income	2,641	1,096
Premiums receivable, net of allowance	9,746	7,397
Deferred premiums	70,347	59,243
Retrospective premiums accrued	3,349	1,086
Federal income tax recoverable	751	397
Service income receivable	196	304
Reinsurance recoverables	15,297	13,484
Receivable under adverse development cover	2,853	2,853
Prepaid reinsurance	5,019	5,254
Property and equipment, net	877	493
Deferred federal income taxes, net	8,079	3,604
Deferred policy acquisition costs, net	8,870	7,588
Intangible assets, net	1,545	2,093
Goodwill	1,527	1,821
Other assets	6,357	5,459
Total assets	$ 389,640	$ 226,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Unpaid loss and loss adjustment expense	$ 121,126	$ 68,228
Unearned premiums	77,751	67,626
Reinsurance funds withheld and balances payable	3,712	1,553
Premiums payable	3,514	3,128
Accrued expenses and other liabilities	21,876	15,207
Surplus notes	12,000	12,000
Total liabilities	239,979	167,742
Commitments and contingencies		
Stockholders' equity:		
Series A preferred stock, $0.01 par value; 750,000 shares authorized; issued and outstanding – no shares at September 30, 2005 and 508,265.25 shares at December 31, 2004	–	5
Undesignated preferred stock, $0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	–	–
Common stock, $0.01 par value; authorized – 75,000,000 shares at September 30, 2005 and 10,000,000 shares at December 31, 2004; issued and outstanding – 16,405,143 shares at September 30, 2005 and no shares at December 31, 2004	164	–
Paid-in capital	131,474	50,831
Accumulated other comprehensive income (loss)	(972)	530
Retained earnings	18,995	7,004
Total stockholders' equity	149,661	58,370
Total liabilities and stockholders' equity	$ 389,640	$ 226,112

See accompanying notes to condensed consolidated financial statements.

SEABRIGHT INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(dollars in thousands, except income per share amounts)			
Revenue:				
Premiums earned	$ 40,719	$ 24,038	$ 109,523	$ 48,201
Net investment income	2,132	693	5,227	1,638
Net realized gain (loss)	(14)	–	48	17
Claims service income	523	728	1,799	2,298
Other service income	41	132	141	727
Other income	874	492	2,860	1,800
	44,275	26,083	119,598	54,681
Losses and expenses:				
Loss and loss adjustment expenses	27,095	16,854	74,350	34,823
Underwriting, acquisition and insurance expenses	8,058	4,291	23,074	10,507
Other expenses	1,411	1,217	4,642	3,567
	36,564	22,362	102,066	48,897
Income before federal income taxes	7,711	3,721	17,532	5,784
Federal income tax expense (benefit):				
Current	3,049	1,498	9,208	3,296
Deferred	(405)	(472)	(3,667)	(1,528)
	2,644	1,026	5,541	1,768
Net income	$ 5,067	$ 2,695	$ 11,991	$ 4,016
Basic earnings per share	$ 0.31	$ –	$ 0.79	$ –
Diluted earnings per share	$ 0.30	$ 0.35	$ 0.75	$ 0.55
Weighted average basic shares outstanding	16,403,929	–	15,201,515	–
Weighted average diluted shares outstanding	16,703,313	7,777,808	16,007,576	7,256,149

See accompanying notes to condensed consolidated financial statements.

SEABRIGHT INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 11,991	$ 4,016
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization of deferred policy acquisition costs	14,156	6,254
Policy acquisition costs deferred	(15,438)	(11,106)
Provision for depreciation and amortization	1,981	1,132
Net realized gain (loss) on investments	(48)	17
Gain on sale of fixed assets	–	(5)
Benefit for deferred federal income taxes	(3,667)	(1,528)
Amortization of compensation expense	12	–
Changes in certain assets and liabilities:		
Federal income tax recoverable	(354)	(19)
Unpaid loss and loss adjustment expense	52,899	21,662
Reinsurance recoverables, net of reinsurance withheld	(1,128)	(1,804)
Unearned premiums, net of deferred premiums and premiums receivable	(5,591)	5,933
Accrued investment income	(1,544)	(537)
Other assets and other liabilities	4,283	3,943
Net cash provided by operating activities	57,552	27,958
Cash flows from investing activities:		
Purchases of investments	(309,425)	(53,394)
Sales of investments	163,052	10,911
Maturities and other	16,340	2,742
Purchases of property and equipment	(596)	(204)
Net cash used in investing activities	(130,629)	(39,945)
Cash flows from financing activities:		
Issuance of common stock	80,775	–
Exercise of stock options	15	–
Issuance of surplus notes	–	12,000
Debt issuance costs	–	(591)
Issuance of preferred stock	–	5,161
Net cash provided by financing activities	80,790	16,570
Net increase in cash and cash equivalents	7,713	4,583
Cash and cash equivalents at beginning of period	8,279	5,008
Cash and cash equivalents at end of period	$ 15,992	$ 9,591
Supplemental disclosures:		
Accrued expenses for purchases of investments	$ 3,843	$ 3,489
Federal income taxes paid	9,625	3,244
Interest paid on surplus notes	622	159

See accompanying notes to condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

SeaBright Insurance Holdings, Inc., a Delaware corporation (“SIH”), was formed in June 2003. On July 14, 2003, SIH entered into a purchase agreement with Kemper Employers Group, Inc. (“KEG”), Eagle Pacific Insurance Company, Inc. and Pacific Eagle Insurance Company, Inc. (collectively “Eagle” or the “Eagle Entities”), and Lumbermens Mutual Casualty Company (“LMC”) (the “Acquisition”). Under this agreement, SIH acquired Kemper Employers Insurance Company (“KEIC”), PointSure Insurance Services, Inc. (“PointSure”), and certain assets of Eagle, primarily renewal rights.

SeaBright Insurance Company (“SBIC”), formerly KEIC, is licensed to write workers’ compensation insurance in 43 states and the District of Columbia. Domiciled in the State of Illinois and commercially domiciled in the State of California, SBIC focuses on employers with complex workers’ compensation exposures and provides coverage under multiple state and federal acts, applicable common law or negotiated agreements. Prior to the Acquisition, beginning in 2000, KEIC wrote business only in California. In May 2002, KEIC ceased writing business and by December 31, 2003, all premiums related to business prior to the Acquisition were 100% earned.

PointSure is engaged primarily in administrative and wholesale insurance brokerage activities. The Eagle Entities, from whom we purchased certain assets, were both writers of state act workers’ compensation insurance and United States Longshore and Harbor Workers’ Compensation Act (“USL&H”) insurance, whose policies went into run-off on September 30, 2003.

Under new ownership, KEIC resumed writing business effective October 1, 2003, primarily targeting policy renewals for former Eagle business in the states of California, Hawaii and Alaska. In November 2003, the Illinois Department of Financial and Professional Regulation, Division of Insurance (the “Illinois Division of Insurance”) granted permission for KEIC to change its name to SeaBright Insurance Company.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of SIH and its wholly owned subsidiaries, PointSure and SBIC (collectively, the “Company”). All significant intercompany transactions among these affiliated entities have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and pursuant to the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The condensed consolidated balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and notes required by GAAP for complete financial statements. These financial statements and notes should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2004 included in the Company’s Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 28, 2005.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial information set forth therein. Results of operations for the three month and nine month periods ended September 30, 2005 are not necessarily indicative of the results expected for the full fiscal year or for any future period.

b. Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. For example, the Company used significant estimates in determining the unpaid loss and loss adjustment expenses, goodwill and other intangibles, earned premiums on retrospectively rated policies, earned but unbilled premiums, federal income taxes and amounts related to reinsurance. Actual results could differ from those estimates. Such estimates and judgments could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

c. Revenue Recognition

Premiums for primary and reinsured risks are included in revenue over the life of the contract in proportion to the amount of insurance protection provided (i.e., ratably over the policy period). The portion of the premium that is applicable to the unexpired period of the policies in-force is not included in revenue but is deferred and recorded as unearned premium in the liability section of the balance sheet. Deferred premiums represent the unbilled portion of annual premiums.

Earned premiums on retrospectively rated policies are based on the Company's estimate of loss experience as of the measurement date. Loss experience includes known losses specifically identifiable to a retrospective policy as well as provisions for future development on known losses and for losses incurred but not yet reported, which are developed using actuarial loss development factors that are consistent with how the Company projects losses in general. For retrospectively rated policies, the governing contractual minimum and maximum rates are established at policy inception and are made a part of the insurance contract. Premiums from retrospectively rated policies totaled 21.2% and 15.0% of total premiums written for the three month periods ended September 30, 2005 and 2004, respectively, and 30.8% and 33.5% of total premiums written for the nine month periods then ended, respectively.

d. Unpaid Loss and Loss Adjustment Expense

Unpaid loss and loss adjustment expense represents an estimate of the ultimate net cost of all unpaid losses incurred through the specified period. The loss adjustment expense component is an estimate of unpaid expenses to be incurred in settlement of the claims included in the liability for unpaid losses. These liabilities, which anticipate salvage and subrogation recoveries and are presented gross of amounts recoverable from reinsurers, include estimates of future trends in claim severity and frequency and other factors that could vary as the losses are ultimately settled.

The Company uses independent actuaries to assist in the evaluation of the adequacy of its liability for unpaid loss and loss adjustment expense. In light of the Company's short operating history and uncertainties concerning the effects of recent legislative reform specifically as it relates to the Company's California workers' compensation class of business, actuarial techniques are applied that use the historical experience of the Company's predecessor as well as industry information in the analysis of unpaid loss and loss adjustment expense. These techniques recognize, among other factors:

- the Company's claims experience and that of its predecessor;
- the industry's claims experience;
- historical trends in reserving patterns and loss payments;
- the impact of claim inflation;
- the pending level of unpaid claims;
- the cost of claim settlements;
- legislative reforms affecting workers' compensation; and
- the environment in which insurance companies operate.

Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the liability for unpaid loss and loss adjustment expense is adequate. Estimates are reviewed periodically and any necessary adjustment is included in the results of operations of the period in which the adjustment is determined.

e. Reinsurance

The Company protects itself from excessive losses by reinsuring with nonaffiliated reinsurers certain levels of risk in various areas of exposure. Reinsurance premiums, commissions, expense reimbursements and liabilities related to ceded business are accounted for on a basis consistent with that used in accounting for original policies issued and the terms of the reinsurance contracts. The unpaid loss and loss adjustment expense subject to the adverse development cover with LMC is calculated on a quarterly basis using generally accepted actuarial methodology.

Amounts recoverable in excess of acquired insurance liabilities at September 30, 2003 are recorded gross in unpaid loss and loss adjustment expense in accordance with SFAS No. 141, "Business Combinations," with a corresponding amount receivable from the seller. Amounts are shown net in the statement of operations. Premiums ceded to other companies are reported as a reduction of premiums written and earned. Reinsurance recoverables are determined based on the terms and conditions of the reinsurance contracts.

f. Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, net of any applicable valuation allowances.

g. Earnings Per Share

The following table provides the reconciliation of basic and diluted weighted average shares outstanding used in calculating earnings per share for the three month and nine month periods ended September 30, 2005 and 2004:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Basic weighted average shares outstanding	16,403,929	–	15,201,515	–
Weighted average shares issuable upon:				
Conversion of preferred stock outstanding prior to initial public offering	–	7,777,808	569,803	7,256,149
Exercise of stock options and vesting of restricted stock	299,384	–	236,258	–
Diluted weighted average shares outstanding	16,703,313	7,777,808	16,007,576	7,256,149

h. Stock Based Compensation

The Company measures its employee stock-based compensation arrangements using the provisions outlined in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," which is an intrinsic value-based method of recognizing compensation costs. The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-based Compensation." None of the Company's stock options had an intrinsic value at grant date and, accordingly, no compensation cost has been recognized for its stock option plan activity.

The following table illustrates the effect on net income for the three month and nine month periods ended September 30, 2005 and 2004 as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock based compensation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(in thousands, except income per share data)			
Net income:				
As reported	$ 5,067	$ 2,695	$ 11,991	$ 4,016
Less SFAS No. 123 compensation costs, net of taxes	(61)	(23)	(181)	(58)
Pro forma net income	$ 5,006	$ 2,672	$ 11,810	$ 3,958
Net income per common share:				
Basic – as reported	$ 0.31	$ –	$ 0.79	$ –
Basic – pro-forma	$ 0.31	$ –	$ 0.78	$ –
Diluted – as reported	$ 0.30	$ 0.35	$ 0.75	$ 0.55
Diluted – pro-forma	$ 0.30	$ 0.34	$ 0.74	$ 0.54

The compensation expense included in pro forma net income is not likely to be representative of the effect on reported net income for future years because options vest over several years and additional awards may be made each year.

i. Recent Accounting Statements

SFAS No. 123 (revised 2004), “Share-based Payment,” was issued in December 2004. SFAS No. 123(R) is a revision of SFAS No. 123. SFAS No. 123(R) supersedes APB Opinion No. 25 and amends SFAS No. 95, “Statement of Cash Flows.” Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro forma disclosure is no longer an alternative.

SFAS No. 123(R) must be adopted no later than January 1, 2006, and the Company expects to adopt the Statement on or before that date. As permitted by SFAS No. 123, the Company currently accounts for share-based payments to employees using the intrinsic value method as detailed in Opinion No. 25 and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R)’s fair value method will have an impact on the Company’s results of operations, although it will have no impact on the Company’s overall financial position. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS No. 123(R) in prior periods, the impact of the standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share discussed above.

j. Comprehensive Income

The following table summarizes the Company’s comprehensive income for the three month and nine month periods ended September 30, 2005 and 2004:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(in thousands)			
Net income	$ 5,067	$ 2,695	$ 11,991	$ 4,016
Reclassification adjustment for net realized gains (losses) recorded into income	(14)	–	48	12
Tax (expense) benefit related to reclassification adjustment	5	–	(17)	(4)
Increase (decrease) in unrealized gain on investment securities available for sale	(3,497)	1,950	(2,359)	802
Tax (expense) benefit related to unrealized gains (losses)	1,224	(664)	826	(273)
Total comprehensive income	$ 2,785	$ 3,981	$ 10,489	$ 4,553

3. Investments

The consolidated cost or amortized cost, gross unrealized gains and losses, and estimated fair value of investment securities available for sale at September 30, 2005 are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
U.S. Treasury securities	$ 20,039	$ 1	$ (289)	$ 19,751
Government sponsored agency securities	11,623	8	(154)	11,477
Corporate securities	32,178	14	(429)	31,763
Tax-exempt municipal securities	127,754	373	(680)	127,447
Mortgage pass-through securities	34,135	6	(263)	33,878
Collateralized mortgage obligations	3,811	–	(27)	3,784
Asset-backed securities	8,150	–	(56)	8,094
Total investment securities available for sale	$ 237,690	$ 402	$ (1,898)	$ 236,194

The unrealized loss on temporarily impaired investments totaled $1.9 million at September 30, 2005 for investment securities available for sale with a fair value of $177.5 million. All were impaired for less than one year. The Company evaluated investment securities with September 30, 2005 fair values less than amortized cost and has determined that the decline in value is temporary and is related to the change in market interest rates since purchase.

The amortized cost and estimated fair value of investment securities available for sale at September 30, 2005, by contractual maturity, are set forth below. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Maturity	Cost or Amortized Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	$ 5,197	$ 5,159
Due after one year through five years	49,340	48,856
Due after five years through ten years	113,825	113,355
Due after ten years	23,232	23,068
Securities not due at a single maturity date	46,096	45,756
Total investment securities available for sale	$ 237,690	$ 236,194

The amortized cost of investment securities available for sale deposited with various regulatory authorities was $51.2 million at September 30, 2005.

4. Premiums

Direct premiums written totaled $37.5 million and $21.6 million for the three month periods ended September 30, 2005 and 2004, respectively, and $134.4 million and $85.2 million for the nine month periods then ended, respectively.

Premiums receivable consisted of the following at September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
	(in thousands)	
Premiums receivable	$ 10,486	$ 8,068
Allowance for doubtful accounts	(740)	(671)
	$ 9,746	$ 7,397

5. Reinsurance

a. Reinsurance Ceded

Under reinsurance agreements, the Company cedes various amounts of risk to nonaffiliated insurance companies for the purpose of limiting the maximum potential loss arising from the underlying insurance risks. For the period from October 1, 2004 through October 1, 2005, the Company entered into reinsurance agreements wherein it retained the first $500,000 of each loss occurrence. Losses in excess of $500,000 up to $100.0 million were 100% reinsured with nonaffiliated reinsurers. On October 1, 2005, the Company entered into new reinsurance agreements with nonaffiliated reinsurers that are effective through October 1, 2006. The new reinsurance program provides coverage up to $50.0 million per loss occurrence, subject to certain limitations. Under the new program, the Company retains the first $500,000 of losses per occurrence. The next $500,000 of losses per occurrence (excess of the first $500,000 of losses per occurrence retained by the Company) are 50% reinsured, subject to an annual aggregate deductible of $1.5 million. The next $4.0 million of losses per occurrence (excess of the first $1.0 million of losses per occurrence) are reinsured, subject to an annual aggregate deductible of $2.0 million. Policies covering losses per occurrence in excess of $5.0 million up to $50.0 million contain no annual aggregate deductibles.

As part of the Acquisition, SIH and LMC entered into an adverse development excess of loss reinsurance agreement (the “Agreement”). The Agreement, after taking into account any recoveries from third party reinsurers, requires LMC to reimburse SBIC 100% of the excess of the actual loss at December 31, 2011 over the initial insurance liabilities at September 30, 2003. The Agreement also requires SBIC to reimburse LMC 100% of the excess of the initial insurance liabilities at September 30, 2003 over the actual loss results at December 31, 2011. The amount of adverse loss development under the Agreement was $2.9 million at September 30, 2005. The increase in the amount due from LMC is netted against loss and loss adjustment expense in the accompanying unaudited condensed consolidated statements of operations.

As part of the Agreement, LMC placed into trust (the “Trust”) an amount equal to 10% of the balance sheet insurance liabilities of SBIC on the date of the Acquisition. Thereafter, the Trust shall be adjusted each quarter, if warranted, to an amount equal to 102% of LMC’s obligations under the Agreement. Initial loss liabilities were $16.0 million. The balance of the Trust was $4.9 million at September 30, 2005 and $4.8 million at December 31, 2004.

b. Reinsurance Assumed

The Company assumes business from the National Council for Compensation Insurance in the states of Alabama, Alaska, Arizona, Illinois, Nevada, New Jersey, Oregon and South Carolina as part of the Residual Market Pool program.

c. Reinsurance Recoverables and Income Statement Effects

Balances affected by reinsurance transactions are reported gross of reinsurance in the accompanying condensed consolidated balance sheets. Reinsurance recoverables are comprised of the following amounts at September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
	(in thousands)	
Reinsurance recoverables on unpaid loss and loss adjustment expenses	$ 14,621	$ 12,582
Reinsurance recoverables on paid losses	676	902
Total reinsurance recoverables	$ 15,297	$ 13,484

The effects of reinsurance on statement of operations amounts are as follows for the three month and nine month periods ended September 30, 2005 and 2004:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(in thousands)			
Reinsurance assumed:				
Written premiums	$ 2,059	$ 915	$ 6,188	$ 915
Earned premiums	2,035	768	5,435	768
Losses and loss adjustment expenses incurred	1,590	682	4,000	682
Reinsurance ceded:				
Written premiums	$ 6,083	$ 2,611	$ 17,901	$ 9,589
Earned premiums	6,617	3,632	18,136	7,438
Losses and loss adjustment expenses incurred	(57)	996	4,083	1,091

6. Unpaid Loss and Loss Adjustment Expenses

The following table summarizes the activity in unpaid loss and loss adjustment expense for the three month and nine month periods ended September 30, 2005 and 2004:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(in thousands)			
Beginning balance	$ 88,553	$ 29,612	$ 55,646	$ 18,495
Incurred related to:				
Current period	29,181	16,854	76,436	34,823
Prior periods	(2,086)	–	(2,086)	–
Total incurred	27,095	16,854	74,350	34,823
Paid related to:				
Current period	(7,902)	(2,812)	(14,765)	(6,490)
Prior periods	(1,241)	(1,409)	(8,726)	(4,583)
Total paid	(9,143)	(4,221)	(23,491)	(11,073)
Unpaid loss and loss adjustment expense, net of reinsurance recoverables	106,505	42,245	106,505	42,245
Reinsurance recoverables	14,621	9,150	14,621	9,150
Unpaid loss and loss adjustment expense	$ 121,126	$ 51,395	$ 121,126	$ 51,395

The $2.1 million reduction of insurance liabilities in the three months and nine months ended September 30, 2005 resulted from favorable development of accident year 2004 losses.

7. Surplus Notes

In a private placement on May 26, 2004, SBIC issued $12.0 million in subordinated floating rate surplus notes due in 2034. Interest, paid quarterly in arrears, is calculated at the beginning of the interest payment period using the 3-month LIBOR rate plus 400 basis points, subject to certain limitations. Interest expense totaled $233,000 and $641,000 for the three month and nine month periods ended September 30, 2005, respectively, and $168,000 and $231,000 for the three month and nine month periods ended September 30, 2004.

8. Contingencies

a. SBIC is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time premiums are written. Other assessments are accrued either at the time of assessment or in the case of premium-based assessments, at the time the premiums are written, or in the case of loss-based assessments, at the time the losses are incurred. As of September 30, 2005, SBIC has recorded a liability for guaranty fund and other assessments of $4.2 million and a guaranty fund receivable of $1.6 million. These amounts represent management's best estimate based on information received from the states in which it writes business and may change due to many factors, including the Company's share of the ultimate cost of current and future insolvencies. The majority of assessments are paid out in the year following the year in which the premium is written or the losses are paid. Guaranty fund receivables and other surcharge items are generally realized by a charge to new and renewing policyholders in the year following the year in which the related assessments were paid.

b. In June 2004, the Company was notified of a claim for damages brought by an individual against PointSure. In April 2005, a complaint against PointSure in connection with this matter was filed in the Superior Court of Washington for King County. The complaint alleges breach and unjust enrichment related to the termination of an alleged contract between PointSure and the plaintiff and seeks a judgment awarding damages to the plaintiff in an amount to be proven at trial, plus attorneys' fees and costs. The Company disputes the allegations in the complaint and is defending this case vigorously. Management believes the outcome of this matter will not have a material adverse effect on the Company's financial position.

c. The Company is involved in various claims and lawsuits arising in the ordinary course of business. Management believes the outcome of these matters will not have a material adverse effect on the Company's financial position.

9. Initial Public Offering

On January 26, 2005, the Company closed its initial public offering of 8,625,000 shares of common stock, including the underwriters' over-allotment option to purchase 1,125,000 shares of common stock, at a price of $10.50 per share for net proceeds of approximately $80.8 million, after deducting underwriters' fees, commissions and offering costs totaling approximately $9.8 million. As part of the initial public offering, all 508,365.25 outstanding shares of the Company's Series A convertible preferred stock were converted into 7,777,808 shares of the Company's common stock. Included in other assets at December 31, 2004 was approximately $1.3 million of offering costs associated with the initial public offering. These costs were deducted from the gross proceeds of the offering at closing.

On January 26, 2005, the Company contributed approximately $74.8 million of the net proceeds to SBIC. The Company is using the remaining net proceeds for general corporate purposes, including supporting the growth of PointSure. The use of proceeds from the offering does not represent a material change from the use of proceeds described in the prospectus that was included in the related Registration Statement on Form S-1. Except for the contribution of proceeds to SBIC, no proceeds or expenses were paid to the Company's directors, officers, ten percent shareholders or affiliates.

10. Common Stock Options and Restricted Stock Awards

The following table summarizes stock option activity since December 31, 2004:

	Number of Options
Stock options outstanding at December 31, 2004	491,508
Options granted	315,351
Options exercised	(2,335)
Options forfeited	–
Stock options outstanding at September 30, 2005	804,524

In March 2005, the Compensation Committee of the Board of Directors granted 2,000 shares of restricted common stock to each of three non-employee directors. The restricted shares automatically vest on the third anniversary of the date of grant. In the nine month period ended September 30, 2005, the Company recorded compensation expense totaling $11,900 in connection with these shares.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes to those statements included in this quarterly report and with our 2004 audited financial statements and notes thereto included in our Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 28, 2005.

Overview

We are a specialty provider of multi-jurisdictional workers’ compensation insurance. We are domiciled in Illinois, commercially domiciled in California and headquartered in Seattle, Washington. We are licensed in 43 states and the District of Columbia to write workers’ compensation insurance. Traditional providers of workers’ compensation insurance provide coverage to employers under one or more state workers’ compensation laws, which prescribe benefits that employers are obligated to provide to their employees who are injured arising out of or in the course of employment. We focus on employers with complex workers’ compensation exposures and provide coverage under multiple state and federal acts, applicable common law or negotiated agreements. We also provide traditional state act coverage in markets we believe are underserved. Our workers’ compensation policies are issued to employers who also pay the premiums. The policies provide payments to covered, injured employees of the policyholder for, among other things, temporary or permanent disability benefits, death benefits and medical and hospital expenses. The benefits payable and the duration of such benefits are set by statute and vary by jurisdiction and with the nature and severity of the injury or disease and the wages, occupation and age of the employee.

SeaBright Insurance Holdings, Inc. (“SeaBright” or the “Company”) was formed in 2003 by members of our current management and entities affiliated with Summit Partners, a leading private equity and venture capital firm, for the purpose of completing a management-led buyout that closed on September 30, 2003 (the “Acquisition”). In the Acquisition, we acquired from Lumbermens Mutual Casualty Company (“LMC”) and certain of its affiliates the renewal rights and substantially all of the operating assets and employees of Eagle Pacific Insurance Company and Pacific Eagle Insurance Company (collectively, “Eagle” or the “Eagle Entities”). Eagle Pacific began writing specialty workers’ compensation insurance policies in the mid-1980’s. The Acquisition gave us renewal rights to an existing portfolio of business, representing a valuable asset given the renewal nature of our business, and a fully operational infrastructure that would have taken many years to develop. These renewal rights gave us access to Eagle’s customer lists and the right to seek to renew Eagle’s continuing in-force insurance contracts.

In the Acquisition, we also acquired 100% of the issued and outstanding capital stock of Kemper Employers Insurance Company (“KEIC”) and PointSure Insurance Services, Inc. (“PointSure”), a wholesale insurance broker and third party claims administrator. We acquired KEIC, a shell company with no in-force policies or employees, solely for the purpose of acquiring its workers’ compensation licenses in 43 states and the District of Columbia and for its certification with the United States Department of Labor. Subsequent to the Acquisition, KEIC was renamed “SeaBright Insurance Company.” SeaBright Insurance Company received an “A–” (Excellent) rating from A.M. Best following the completion of the Acquisition.

At closing of the Acquisition, $4.0 million of the purchase price was placed into escrow for a period of two years. These funds were available to us as security for various obligations of LMC pursuant to various agreements entered into in connection with the Acquisition. In October 2005, the escrow agent returned approximately $3.2 million of the escrow funds to Kemper Employers Group, Inc. (“KEG”). The balance of approximately $775,000 will be retained in escrow until LMC’s outstanding obligations have been satisfied. Any amount remaining after settlement of these obligations will be returned to KEG.

To minimize our exposure to any past business underwritten by KEIC, we entered into an adverse development cover agreement in connection with the Acquisition. Under the terms of this agreement, we and LMC are required to indemnify each other with respect to developments in KEIC’s insurance liabilities as they existed at the date of the Acquisition. Accordingly, if KEIC’s insurance liabilities increase, LMC must indemnify us in the amount of the increase. To support LMC’s obligations under the adverse development cover, LMC funded a trust account at the time of the Acquisition in the amount of $1.6 million as collateral for LMC’s potential future obligations to us under the adverse development cover. The minimum amount that must be maintained in the trust account is equal to the greater of (a) $1.6 million or (b) 102% of the then existing quarterly estimate of LMC’s total obligations under the adverse development cover. The amount on deposit in the trust account was increased to $4.8 million on December 23, 2004 and totaled approximately $4.9 million at September 30, 2005. If LMC is placed into receivership and the amount held in the collateralized reinsurance trust is inadequate to satisfy the obligations of LMC to us under the adverse development cover, it is unlikely that we would recover any future amounts owing by LMC to us.

Principal Revenue and Expense Items

We derive our revenue primarily from premiums earned, net investment income and realized gains and losses on investments, and service fee income.

Premiums Earned

Gross premiums written include all premiums billed and unbilled by an insurance company during a specified policy period. Premiums are earned over the terms of the related policies. At the end of each accounting period, the portions of premiums that are not yet earned are included in unearned premiums and are realized as revenue in subsequent periods over the remaining terms of the policies. Our policies typically have a term of 12 months. Thus, for example, for a policy that is written on July 1, 2005, one-half of the premiums would be earned in 2005 and the other half would be earned in 2006.

Premiums earned are the earned portion of our net premiums written. Net premiums written is the difference between gross premiums written and premiums ceded or paid to reinsurers (ceded premiums written). Our gross premiums written is the sum of both direct premiums and assumed premiums before the effect of ceded reinsurance. Assumed premiums are premiums that we have received from an authorized state-mandated pool.

We earn our direct premiums written from our maritime, alternative dispute resolution ("ADR") and state act customers. We also earn a small portion of our direct premiums written from employers who participate in the Washington USL&H Assigned Risk Plan. We immediately cede 100% of those premiums, net of our expenses, and 100% of the losses in connection with that business back to the Plan. Premiums from the Washington USL&H Assigned Risk Plan are included in both direct premiums written and ceded premiums written.

Net Investment Income and Realized Gains and Losses on Investments

We invest our statutory surplus and the funds supporting our insurance liabilities (including unearned premiums and unpaid loss and loss adjustment expense) in cash, cash equivalents and fixed income securities. Our investment income includes interest earned on our invested assets. Realized gains and losses on invested assets are reported separately from net investment income. We earn realized gains when invested assets are sold for an amount greater than their amortized cost in the case of fixed maturity securities and recognize realized losses when investment securities are written down as a result of an other-than-temporary impairment or sold for an amount less than their carrying cost.

Claims Service Income

Substantially all of our claims service income is from contracts we have with LMC to provide claims handling services for the policies written by the Eagle Entities prior to the Acquisition. The claims service income we receive for providing these services approximates our costs and will substantially decrease over the next several years as transactions related to the Eagle Entities diminish.

Other Service Income

Following the Acquisition, we entered into servicing arrangements with LMC to provide policy administration and accounting services for the policies written by the Eagle Entities prior to the Acquisition. The fee income we receive for providing these services approximates our costs and will substantially decrease over the next several years as transactions related to the Eagle Entities diminish.

Our expenses consist primarily of:

Loss and Loss Adjustment Expenses

Loss and loss adjustment expenses represent our largest expense item and include (1) claim payments made, (2) estimates for future claim payments and changes in those estimates for current and prior periods and (3) costs associated with investigating, defending and adjusting claims.

Underwriting, Acquisition and Insurance Expenses

We refer to the expenses that we incur to underwrite risks as underwriting, acquisition and insurance expenses. Underwriting expenses consist of commission expenses, premium taxes and fees and other underwriting expenses incurred in writing and maintaining our business.

Commission Expenses. We pay commission expense to our brokers for the premiums that they produce for us.

Premium Taxes and Fees. We pay state and local taxes based on premiums, as well as licenses, fees, assessments and contributions to workers' compensation security funds.

Other Underwriting Expenses. Other underwriting expenses consist of general administrative expenses such as salaries, rent, office supplies, depreciation and all other operating expenses not otherwise classified separately, and boards, bureaus and assessments of statistical agencies for policy service and administration items such as rating manuals, rating plans and experience data.

Interest Expense

Included in other expense is interest expense we incur on $12.0 million in surplus notes that our insurance subsidiary issued in May 2004. Interest is based on the three-month LIBOR rate, plus 400 basis points, and is paid quarterly in arrears.

Results of Operations

Three month and nine month periods ended September 30, 2005 and 2004

Gross Premiums Written. Gross premiums written for the three months ended September 30, 2005 totaled $39.5 million, an increase of $17.0 million, or 75.6%, from $22.5 million in the same period of 2004. For the nine months ended September 30, 2005, gross premiums written totaled $140.5 million, an increase of $54.4 million, or 63.2%, from $86.1 million in the same period in 2004. We began writing new insurance contracts on October 1, 2003 and began renewing some of the existing contracts of our predecessor expiring after that date. The three months ended September 30, 2004 was only our fourth quarter of operations as SeaBright Insurance Company. A significant portion of the 2005 increase in gross premiums written is attributable to our expansion in California state act contractor business, which accounted for approximately 59.7% and 59.6% of premiums written in the three month and nine month periods ended September 30, 2005, respectively, compared to approximately 60.5% and 48.8% in the three month and nine month periods ended September 30, 2004, respectively.

On May 31, 2005, the California Insurance Commissioner issued a decision adopting an advisory pure premium rate reduction of 18% for California workers' compensation policies incepting on or after July 1, 2005. The decision was issued in response to reductions in 2004 workers' compensation claim costs in California, as well as anticipated future claim cost reductions, as a result of reform legislation enacted primarily in 2003 and 2004. The California Insurance Commissioner's decision is advisory only and insurance companies may choose whether or not to adopt the new rates. On June 6, 2005, after completing a study of our California loss data, we filed with the California Department of Insurance our rates for new and renewal workers' compensation insurance policies written in California on or after July 1, 2005. The filing was approved on June 28, 2005. The new rates reflect an average reduction of 14.2% from prior rates and are in response to emerging favorable trends in loss costs resulting from reform legislation. We expect this reduction in premium revenue to be offset by a reduction in claim costs. Therefore, we do not expect this rate reduction to have a significant negative impact on our financial position or results of operations. If the anticipated claim cost reductions are not realized, we may file new rates to increase our pure premium rates accordingly.

On September 15, 2005, the Workers' Compensation Insurance Rating Bureau (the "WCIRB"), an industry-backed private organization that provides statistical analysis, submitted an amended filing with the California Insurance Commissioner recommending a 15.9% decrease in advisory pure premium rates on new and renewal policies effective January 1, 2006. As described above, such rates, if adopted by the California Insurance Commissioner, are advisory only and insurance companies may choose whether or not to adopt the new rates. The rate decrease was proposed following the WCIRB's review of accident year experience valued as of June 30, 2005 and the cost impact of the January 1, 2005 permanent disability rating schedule. A public hearing took place on September 16, 2005 and the Commissioner has not yet issued a recommendation. Rate reductions have also been proposed in other states in which we operate. At this time, we are unable to predict the impact that the proposed rate reductions, if approved and adopted by us, might have on our future financial position and results of operations.

Net Premiums Written. Net premiums written totaled $33.4 million for the three months ended September 30, 2005 compared to $19.9 million in the same period in 2004, representing an increase of $13.5 million, or 67.8%. For the nine months ended September 30, 2005, net premiums written totaled $122.6 million, an increase of $46.1 million, or 60.3%, from $76.5 million in the same period in 2004. Net premiums written are affected by premiums ceded under reinsurance agreements with external reinsurers. Ceded written premiums for the nine months ended September 30, 2005 totaled $17.9 million (12.7% of gross premiums written) compared to $9.6 million (11.1% of gross premiums written) in the same period of 2004. Certain of our reinsurance contracts provide for the ceding of premiums on a direct premiums written basis, while others provide for the ceding on a direct premiums earned basis. As further described below under "Liquidity and Capital Resources," on October 1, 2005, we entered into new reinsurance agreements that provide for reinsurance coverage up to $50.0 million per loss occurrence, subject to certain limitations, as opposed to the $100.0 million limit of coverage provided under our October 1, 2004 to October 1, 2005 treaty year reinsurance program.

Net Premiums Earned. Net premiums earned were $40.7 million for the three months ended September 30, 2005 compared to $24.0 million for the same period in 2004, representing an increase of $16.7 million, or 69.6%. For the nine months ended September 30, 2005, net premiums earned totaled $109.5 million, an increase of $61.3 million, or 127.2%, from $48.2 million in the same period of 2004. As previously discussed, this increase is due to the increase in net premiums written and to the fact that we had been in business for only one year at September 30, 2004. We record the entire annual policy premium as unearned premium when written and earn the premium over the life of the policy, which is generally twelve months. Because we acquired renewal rights and not policies in the Acquisition, our actual results for the three month and nine month periods ended September 30, 2004 do not reflect premiums earned on any policies written prior to September 30, 2003, the date of the Acquisition.

Net Investment Income. Net investment income was $2.1 million for the three months ended September 30, 2005 compared to $693,000 for the same period in 2004, representing an increase of $1.4 million, or 203.0%. For the nine months ended September 30, 2005, net investment income totaled $5.2 million, an increase of $3.6 million, or 225.0%, from $1.6 million in the same period of 2004. These increases are due primarily to an increase of approximately $102.1 million, or 126.1%, in average invested funds for the nine months ended September 30, 2005 over the same period in 2004. In May 2004, SeaBright Insurance Company issued, in a private placement, $12.0 million in subordinated floating rate surplus notes due in 2034. In June 2004, we sold 51,615.25 shares of Series A convertible preferred stock to our then-existing preferred stockholders and certain members of management for total gross proceeds of $5.2 million. In January 2005, we completed the initial public offering of our common stock, resulting in net proceeds of approximately $80.8 million. Our annualized yield on average invested assets for the nine months ended September 30, 2005 was approximately 3.8% compared to approximately 2.7% for the same period in 2004.

Service Income. Service income totaled $564,000 for the three months ended September 30, 2005 compared to $860,000 for the same period in 2004, representing a decrease of $296,000, or 34.4%. For the nine months ended September 30, 2005, service income totaled $1.9 million, a decrease of $1.1 million, or 36.7%, from $3.0 million in the same period of 2004. Our service income results from service arrangements we have with LMC for claims processing services, policy administration and administrative services that we perform in connection with the Eagle Entities' insurance policies. Average monthly service income is declining as the volume of work decreases as a result of the run off of our predecessor's business.

Other Income. Other income totaled $874,000 for the three months ended September 30, 2005 compared to $492,000 for the same period in 2004, representing an increase of $382,000, or 77.6%. For the nine months ended September 30, 2005, other income totaled $2.9 million, an increase of $1.1 million, or 61.1%, from $1.8 million in the same period of 2004. Other income results primarily from the operations of PointSure, our wholesale insurance broker and third party claims administrator subsidiary. The increases in other income for the three month and nine month periods ended September 30, 2005 resulted primarily from an increase in PointSure's agency and direct billed commission income, which totaled $2.7 million for the nine months ended September 30, 2005 compared to $1.1 million in the same period of 2004, representing an increase of $1.6 million, or 145.5%. Most of this income is passed through as commission expense to brokers and producers.

Loss and Loss Adjustment Expenses. Loss and loss adjustment expenses totaled $27.1 million for the three months ended September 30, 2005 compared to $16.9 million for the same period in 2004, representing an increase of $10.2 million, or 60.4%. For the nine months ended September 30, 2005, loss and loss adjustment expenses totaled $74.4 million, an increase of $39.6 million, or 113.8%, from $34.8 million in the same period of 2004. The higher loss and loss adjustment expenses for the quarter and nine months ended September 30, 2005 are attributable to the increase in premiums earned for the periods. Our net loss ratios for the three month and nine month periods ended September 30, 2005 were 65.3% and 66.2%, respectively, compared to 67.1% and 67.5%, respectively, for the same periods in 2004. As a result of favorable development of accident year 2004 losses, we reduced our insurance liabilities for that accident year by approximately $2.1 million in the third quarter of 2005. Offsetting this favorable development was a related reduction of $1.3 million in earned premium from retrospective policies and an increase of $281,000 in liabilities for unallocated loss adjustment expenses.

As a result of the impact of regulatory reforms enacted in California primarily in 2003 and 2004, we are using a selected current accident year loss ratio, excluding unallocated loss adjustment expenses, of 60.0% compared to a current accident year loss ratio of 62.0% used in 2004. Unallocated loss adjustment expenses are currently reserved at a rate of eight percent of direct loss liabilities. The increase in loss and loss adjustment expenses was also influenced by insurance liabilities related to business assumed from NCCI residual market pools in eight states in which we do business. The net loss ratio on this business for the nine months ended September 30, 2005 was approximately 73.6%.

At September 30, 2005, we had recorded a receivable from LMC, and an associated reduction in loss and loss adjustment expenses, of approximately $2.9 million for adverse loss development since the date of the Acquisition, according to the terms of the adverse development cover. If LMC fails to pay its obligation under the adverse development cover, we do not expect such failure to have a material adverse impact on our financial position or results of operations since this amount is fully secured by the collateralized reinsurance trust, the balance of which was approximately $4.9 million at September 30, 2005.

Underwriting Expenses. Underwriting expenses totaled $8.1 million for the three months ended September 30, 2005 compared to $4.3 million for the same period in 2004, representing an increase of $3.8 million, or 88.4%. For the nine months ended September 30, 2005, underwriting expenses totaled $23.1 million, an increase of $12.6 million, or 120.0%, from $10.5 million in the same period of 2004. Our net underwriting expense ratios for the three month and nine month periods ended September 30, 2005 were 19.7% and 20.9%, compared to 17.3% and 20.3% for the same periods in 2004. The primary reasons for the increases in our net underwriting expense ratio were a reduction in other service income (an offset to underwriting expenses) of approximately $586,000 for the nine months ended September 30, 2005 (accounting for an increase of approximately 0.5% in our net underwriting expense ratio) and an increase in our average net commissions for the same period of approximately 1.6 percentage points, offset by reductions in taxes, licenses and fees and other underwriting expense as a percentage of net premiums earned. The 17.3% underwriting expense ratio in the three months ended September 30, 2004 reflected a one-time adjustment of our expense accrual and is not representative of our run rate.

Other Expenses. Other expenses totaled $1.4 million for the three months ended September 30, 2005 compared to $1.2 million for the same period in 2004, representing an increase of $0.2 million, or 16.7%. For the nine months ended September 30, 2005, other expenses totaled $4.6 million, an increase of $1.0 million, or 27.8%, from $3.6 million in the same period of 2004. These increases resulted primarily from an increase in PointSure's operating expenses and interest expense related to $12.0 million in surplus notes issued by our insurance subsidiary in May 2004. As explained above under "Other Income," the majority of the increase is due to an increase in PointSure's commission expense, which totaled $2.7 million for the nine months ended September 30, 2005 compared to $989,000 in the same period of 2004, representing an increase of $1.7 million, or 171.9%. Most of this expense is a pass-through of agency and direct billed commission income received from insurance companies.

Federal Income Tax Expense. The effective tax rate for the nine months ended September 30, 2005 was 31.6%, compared to 30.1% for the same period in 2004. The effective tax rate for the third quarter of 2005 was 34.3%. The higher quarterly rate reflects adjustments to increase our estimated annual effective tax rate as a result of lower-than-anticipated tax exempt interest income and a true-up of our 2004 taxes in connection with the filing of our 2004 Federal income tax return. At September 30, 2005, approximately 53.3% of our investment portfolio was invested in tax-exempt securities.

Net Income. Net income was $5.1 million for the three months ended September 30, 2005, compared to $2.7 million for the same period in 2004, representing an increase of $2.4 million. Net income for the nine months ended September 30, 2005 totaled $12.0 million, an increase of $8.0 million from $4.0 million in the same period of 2004. The increase in net income resulted primarily from increases in premiums earned and investment income for the period, offset by decreases in service income and increases in loss and loss adjustment expenses, underwriting acquisition and insurance expenses, and other expenses, including interest expense related to the surplus notes.

Liquidity and Capital Resources

Our principal ongoing sources of funds are underwriting operations, investment income and proceeds from sales and maturities of investments. Our primary uses of funds are to pay claims and operating expenses and to purchase investments.

Our investment portfolio is structured so that investments mature periodically over time in reasonable relation to current expectations of future claim payments. Since we have a limited claims history, we have derived our expected future claim payments from industry and predecessor trends and included a provision for uncertainties. Our investment portfolio as of September 30, 2005 has an effective duration of 5.5 years with individual maturities extending out to 27 years. Currently, we make claim payments from positive cash flow from operations and invest excess cash in securities with appropriate maturity dates to balance against anticipated future claim payments. As these securities mature, we intend to invest any excess funds in investments with appropriate durations to match against expected future claim payments.

At September 30, 2005, our investment portfolio is made up almost entirely of investment grade fixed income securities with market values subject to fluctuations in interest rates. While we have structured our investment portfolio to provide an appropriate matching of maturities with anticipated claim payments, if we decide or are required in the future to sell securities in a rising interest rate environment, we would expect to incur losses from such sales.

Our ability to adequately provide funds to pay claims comes from our disciplined underwriting and pricing standards and the purchase of reinsurance to protect us against severe claims and catastrophic events. For the period from October 1, 2004 through October 1, 2005, our reinsurance program provided us with 100% reinsurance protection for each loss occurrence in excess of $500,000, up to $100.0 million. On October 1, 2005, we entered into new reinsurance contracts that are effective through October 1, 2006. The new program provides reinsurance coverage up to $50.0 million per loss occurrence, subject to certain limitations. Under the new program, we retain the first $500,000 of losses per loss occurrence. The next $500,000 of losses per occurrence (excess of the first $500,000 of losses per occurrence that we retain) are 50% reinsured, subject to an annual aggregate deductible of $1.5 million. The next $4.0 million of losses per occurrence (excess of the first $1.0 million of losses per occurrence) are reinsured, subject to an annual aggregate deductible of $2.0 million. Policies covering losses per occurrence in excess of $5.0 million up to $50.0 million contain no annual aggregate deductibles. We believe that we are sufficiently capitalized to retain the losses described above.

Our insurance subsidiary is required by law to maintain a certain minimum level of surplus on a statutory basis. Surplus is calculated by subtracting total liabilities from total admitted assets. The National Association of Insurance Commissioners has a risk-based capital standard designed to identify property and casualty insurers that may be inadequately capitalized based on inherent risks of each insurer’s assets and liabilities and its mix of net premiums written. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. As of December 31, 2004, the last date that we were required to update the annual risk-based capital calculation, the statutory surplus of our insurance subsidiary was in excess of the prescribed risk-based capital requirements that correspond to any level of regulatory action.

SeaBright operates as a holding company and has minimal revenue and expenses. Currently, there are no plans to have our insurance subsidiary or PointSure pay a dividend to SeaBright.

Our consolidated net cash provided by operating activities for the nine month period ended September 30, 2005 was $57.6 million, compared to our cash flow from operations of $28.0 million for the same period in 2004. The increase resulted from a substantial increase in net income and increases in unpaid loss and loss adjustment expense, amortization of deferred policy acquisition costs and other assets and liabilities, offset by increases in policy acquisition costs deferred, unearned premiums net of deferred premiums and premiums receivable, accrued investment income, deferred federal income tax benefit and balances related to reinsurance recoverables, all as a result of the growth of our business.

We used net cash of $130.6 million for investing activities for the nine month period ended September 30, 2005, compared to $39.9 million for the same period in 2004. The difference between periods is primarily attributable to the fact that we invested net proceeds totaling approximately $80.8 million resulting from the sale of 8,625,000 shares of common stock in our initial public offering described below. Additionally, a portion of the increase in net written premium discussed earlier was also invested to provide for the future payment of claims.

For the nine months ended September 30, 2005, financing activities provided cash of $80.8 million, primarily from the sale of 8,625,000 shares of common stock in our initial public offering described below. For the nine months ended September 30, 2004, $12.0 million of cash was provided from the issuance of surplus notes and $5.2 million was provided from the issuance of shares of preferred stock. Debit issuance costs associated with the surplus notes totaled approximately $591,000.

On January 26, 2005, we closed the initial public offering of 8,625,000 shares of our common stock, including the underwriters' over-allotment option to purchase 1,125,000 shares of our common stock, at a price of $10.50 per share for net proceeds of approximately $80.8 million, after deducting underwriters' fees, commissions and offering costs totaling approximately $9.8 million. On January 26, 2005, we contributed approximately $74.8 million of the net proceeds to SeaBright Insurance Company. We are using the remaining net proceeds for general corporate purposes, including supporting the growth of PointSure. In connection with the initial public offering, all 508,365.25 outstanding shares of our Series A convertible preferred stock were converted into 7,777,808 shares of common stock.

Contractual Obligations and Commitments

The following table identifies our contractual obligations due by period as of September 30, 2005:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
			(in thousands)		
Long term debt obligations:					
Surplus notes	$ 12,000	$ –	$ –	$ –	$ 12,000
Loss and loss adjustment expenses	121,126	17,321	58,383	17,442	27,980
Operating and lease obligations	3,458	854	2,381	223	–
Total	$ 136,584	$ 18,175	$ 60,764	$17,665	$ 39,980

The loss and loss adjustment expense payments due by period in the table above are based upon the loss and loss adjustment expense estimates as of September 30, 2005 and actuarial estimates of expected payout patterns and are not contractual liabilities as to time certain. Our contractual liability is to provide benefits under the policies. As a result, our calculation of loss and loss adjustment expense payments due by period is subject to the same uncertainties associated with determining the level of unpaid loss and loss adjustment expenses generally and to the additional uncertainties arising from the difficulty of predicting when claims (including claims that have not yet been reported to us) will be paid. Actual payments of loss and loss adjustment expenses by period will vary, perhaps materially, from the above table to the extent that current estimates of loss and loss adjustment expenses vary from actual ultimate claims amounts and as a result of variations between expected and actual payout patterns.

Off-Balance Sheet Arrangements

As of September 30, 2005, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies, Estimates and Judgments

It is important to understand our accounting policies in order to understand our financial statements. We consider some of these policies to be critical to the presentation of our financial results, since they require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the financial reporting date and throughout the period being reported upon. Some of the estimates result from judgments that can be subjective and complex, and consequently, actual results reflected in future periods might differ from these estimates.

The most critical accounting policies involve the reporting of unpaid loss and loss adjustment expenses, including losses that have occurred but were not reported to us by the financial reporting date; the amount and recoverability of reinsurance recoverable balances; accounting for our adverse development cover; deferred policy acquisition costs; deferred taxes; goodwill and other intangible assets; retrospective premiums; earned but unbilled premiums; and the impairment of investment securities. The following should be read in conjunction with the notes to our financial statements.

Unpaid Loss and Loss Adjustment Expenses

Unpaid loss and loss adjustment expenses represent our estimate of the expected cost of the ultimate settlement and administration of losses, based on known facts and circumstances. Included in unpaid loss and loss adjustment expenses are amounts for case-based insurance liabilities, including estimates of future developments on these claims; claims incurred but not yet reported to us; second injury fund assessments; allocated claim adjustment expenses; and unallocated claim adjustment expenses. We use actuarial methodologies to assist us in establishing these estimates, including judgments relative to estimates of future claims severity and frequency, length of time to achieve ultimate resolution, judicial theories of liability and other third-party factors that are often beyond our control. Due to the inherent uncertainty associated with the cost of unsettled and unreported claims, the ultimate liability may differ materially from the original estimates. These estimates are regularly reviewed and updated and any resulting adjustments are included in the current period's operating results. Because of the relative immaturity of our unpaid loss and loss adjustment expense data, actuarial techniques are applied that use the historical experience of our predecessor as well as industry information in the analysis of our unpaid loss and loss adjustment expenses.

Reinsurance Recoverables

Reinsurance recoverables on paid and unpaid losses represent the portion of the loss and loss adjustment expenses that is assumed by reinsurers. These recoverables are reported on our balance sheet separately as assets, as reinsurance does not relieve us of our legal liability to policyholders and ceding companies. We are required to pay losses even if a reinsurer fails to meet its obligations under the applicable reinsurance agreement. Reinsurance recoverables are determined based in part on the terms and conditions of reinsurance contracts, which could be subject to interpretations that differ from ours based on judicial theories of liability. In addition, we bear credit risk with respect to the reinsurers, which can be significant considering that some of the unpaid loss and loss adjustment expenses remain outstanding for an extended period of time.

Adverse Development Cover

The unpaid loss and loss adjustment expense subject to the adverse development cover with LMC is calculated on a quarterly basis using generally accepted actuarial methodologies. Amounts recoverable in excess of acquired insurance liabilities at September 30, 2003 are recorded gross in unpaid loss and loss adjustment expense in accordance with SFAS No. 141, "Business Combinations," with a corresponding amount receivable from the seller. Amounts are shown net in the statement of operations.

Deferred Policy Acquisition Costs

We defer commissions, premium taxes and certain other costs that vary with and are primarily related to the acquisition of insurance contracts. These costs are capitalized and amortized to expense in proportion to the recognition of premiums earned. The method followed in computing deferred policy acquisition costs limits the amount of these deferred costs to their estimated realizable value, which gives effect to the premium to be earned, related investment income, anticipated losses and settlement expenses and certain other costs that we expect to incur as the premium is earned. Judgments as to ultimate recoverability of these deferred costs are highly dependent upon estimated future loss costs associated with the premiums written.

Deferred Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. If necessary, we would establish a valuation allowance to reduce the deferred tax assets to the amounts more likely than not to be realized.

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and other intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are instead tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets."

Retrospective Premiums

Retrospective premiums for primary and reinsured risks are included in income as earned on a pro rata basis over the effective period of the respective policies. Earned premiums on retrospectively rated policies are based on the Company's estimate of loss experience as of the measurement date. Unearned premiums are deferred and include that portion of premiums written that is applicable to the unexpired period of the policies in force and estimated adjustments of premiums on policies that have retrospective rating endorsements.

Earned But Unbilled Premiums

We estimate the amount of premiums that have been earned but are unbilled at the end of the period by analyzing historical earned premium adjustments made and applying an adjustment percentage against premiums earned for the period.

Impairment of Investment Securities

Impairment of investment securities results in a charge to operations when the market value of a security declines to below our cost and is deemed to be other-than-temporary. We regularly review our fixed maturity portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. A number of criteria are considered during this process, including, but not limited to, the following: the current fair value as compared to amortized cost or cost, as appropriate, of the security; the length of time the security's fair value has been below amortized cost; our intent and ability to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; specific credit issues related to the issuer; and current economic conditions. In general, we focus on those securities whose fair values were less than 80% of their amortized cost or cost, as appropriate, for six or more consecutive months. Other-than-temporary impairment losses result in a permanent reduction of the carrying amount of the underlying investment. Significant changes in the factors considered when evaluating investments for impairment losses could result in a significant change in impairment losses reported in the financial statements.

Recent Accounting Pronouncements

SFAS No. 123 (revised 2004), "Share-based Payment," was issued in December 2004. Statement No. 123(R) is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." Statement No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro forma disclosure is no longer an alternative.

SFAS No. 123(R) must be adopted no later than January 1, 2006, and we expect to adopt the Statement on or prior to that date. As permitted by SFAS No. 123, we currently account for share-based payments to employees using the intrinsic value method as detailed in Opinion No. 25 and, as such, generally recognize no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R)'s fair value method will have an impact on our results of operations, although it will have no impact on our overall financial position. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted SFAS No. 123(R) in prior periods, the impact of the standard would have approximated the impact of SFAS No. 123 as described in Note 2.h. of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this quarterly report.

Factors That May Affect Our Business, Future Operating Results and Financial Condition

You should carefully consider the risks described below, together with all of the other information included in this quarterly report. The risks and uncertainties described below are not the only ones facing our company. If any of the following risks actually occurs, our business, financial condition or operating results could be harmed. Any of the risks described below could result in a significant or material adverse effect on our financial condition or results of operations, and a corresponding decline in the market price of our common stock. You could lose all or part of your investment. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in those forward-looking statements. Please refer to the discussion under the heading "Note on Forward-Looking Statements" in this Item 2.

The following risk factor has been updated to reflect developments that occurred during the quarter ended September 30, 2005.

Risks Related to Our Business

The insurance business is subject to extensive regulation and legislative changes, which impact the manner in which we operate our business.

Our insurance business is subject to extensive regulation by the applicable state agencies in the jurisdictions in which we operate, perhaps most significantly by the Illinois Department of Financial and Professional Regulation, Division of Insurance (the "Illinois Division of Insurance") and the California Department of Insurance. These state agencies have broad regulatory powers designed to protect policyholders, not stockholders or other investors. These powers include, among other things, the ability to:

- place limitations on our ability to transact business with our affiliates;
- regulate mergers, acquisitions and divestitures involving our insurance company subsidiary;
- require SeaBright Insurance Company and PointSure to comply with various licensing requirements and approvals that affect our ability to do business;
- approve or reject our policy coverage and endorsements;
- place limitations on our investments and dividends;
- set standards of solvency to be met and maintained;
- regulate rates pertaining to our business;
- require assessments for the provision of funds necessary for the settlement of covered claims under certain policies provided by impaired, insolvent or failed insurance companies;
- require us to comply with medical privacy laws; and
- prescribe the form and content of, and examine, our statutory financial statements.

We received a letter on August 25, 2005 from the California Department of Industrial Relations, Division of Workers' Compensation indicating that it would audit our claims reported in 2002, 2003, and 2004. It is our understanding that the Division is generally reviewing the claims handling practices of workers' compensation companies for that period, evidenced by the Division's clarification in September that it also sought claim logs for the Eagle Entities. We have provided all requested information. On October 18, 2005 we received a preliminary notice from the California Department of Insurance, Market Conduct Division informing us that we were due for a market conduct examination by the Field Rating & Underwriting Bureau. We are in the process of gathering and providing information in response to this initial notification. The Market Conduct Division said in its letter that it expects to schedule the examination within the next twelve months.

Our ability to transact business with our affiliates and to enter into mergers, acquisitions and divestitures involving our insurance company subsidiary is limited by the requirements of the insurance holding company laws of Illinois and California. To comply with these laws, we are required to file notices with the Illinois Division of

Insurance and the California Department of Insurance to seek their respective approvals at least 30 days before engaging in any intercompany transactions, such as sales, purchases, exchanges of assets, loans, extensions of credit, cost sharing arrangements and extraordinary dividends or other distributions to shareholders. Under these holding company laws, any change of control transaction also requires prior notification and approval. Because these governmental agencies may not take action or give approval within the 30 day period, these notification and approval requirements may subject us to business delays and additional business expense. If we fail to give these notifications, we may be subject to significant fines and penalties and damaged working relations with these governmental agencies.

In addition, workers' compensation insurance is statutorily provided for in all of the states in which we do business. State laws and regulations provide for the form and content of policy coverage and the rights and benefits that are available to injured workers, their representatives and medical providers. For example, in California, on January 1, 2003, workers' compensation legislation became effective that provides for increases in the benefits payable to injured workers. Also, in California, workers' compensation legislation intended to reduce certain costs was enacted in September 2003 and April 2004. Among other things, this legislation established an independent medical review process for resolving medical disputes, tightened standards for determining impairment ratings by applying specific medical treatment guidelines, capped temporary total disability payments to 104 weeks from first payment and enables injured workers to access immediate medical care up to $10,000 but requires them to get medical care through a network of doctors chosen by the employer. The implementation of these reforms affects the manner in which we coordinate medical care costs with employers and the manner in which we oversee treatment plans. However, in the ordinary course, that implementation is subject to opposition in the California legislature and in the courts. Regulatory rules applicable to the legislation also continue to be developed and we cannot predict the ultimate impact of the reforms.

Our business is also affected by federal laws, including the USL&H Act, which is administered by the Department of Labor, and the Merchant Marine Act of 1920, or Jones Act. The USL&H Act contains various provisions affecting our business, including the nature of the liability of employers of longshoremen, the rate of compensation to an injured longshoreman, the selection of physicians, compensation for disability and death and the filing of claims. Currently, builders of recreational boats over 65 feet in length are subject to the USL&H Act. A proposed amendment to the USL&H Act would eliminate builders of recreational boats from the reach of the USL&H Act. If this proposed amendment is adopted, we expect that we would lose a total of approximately $3.0 million in annual direct written premium from policies currently providing USL&H Act coverage. The proposed amendment would not have a material impact on our policies providing coverage under the Jones Act, which gives certain employees at sea the right to sue their employers if such employees are injured.

In addition, we are impacted by the Terrorism Risk Insurance Act of 2002 and by the Gramm Leach Bliley Act of 2002 related to disclosure of personal information. The Terrorism Risk Act is scheduled to expire on December 31, 2005 and may not be renewed, or if it is renewed, it may provide different and possibly reduced protection against the financial impacts of acts of terrorism. Moreover, changes in federal tax laws could also impact our business.

This extensive regulation of our business may affect the cost or demand for our products and may limit our ability to obtain rate increases or to take other actions that we might desire to increase our profitability. In addition, we may be unable to maintain all required approvals or comply fully with the wide variety of applicable laws and regulations, which are continually undergoing revision, or the relevant authority's interpretation of such laws and regulations.

Note on Forward-Looking Statements

Some of the statements in this Item 2 and elsewhere in this quarterly report may include forward-looking statements that reflect our current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us specifically and the insurance sector in general. Statements that include the words "expect," "intend," "plan," "believe," "project," "estimate," "may," "should," "anticipate," "will" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include but are not limited to the following:

- ineffectiveness or obsolescence of our business strategy due to changes in current or future market conditions;
- increased competition on the basis of pricing, capacity, coverage terms or other factors;
- greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;
- the effects of acts of terrorism or war;
- developments in financial and capital markets that adversely affect the performance of our investments;
- changes in regulations or laws applicable to us, our subsidiaries, brokers or customers;
- our dependency on a concentrated geographic market;
- changes in the availability, cost or quality of reinsurance and failure of our reinsurers to pay claims timely or at all;
- decreased demand for our insurance products;
- loss of the services of any of our executive officers or other key personnel;
- the effects of mergers, acquisitions and divestitures that we may undertake;
- changes in rating agency policies or practices;
- changes in legal theories of liability under our insurance policies;
- changes in accounting policies or practices; and
- changes in general economic conditions, including inflation and other factors.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this quarterly report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we project. Any forward-looking statements you read in this quarterly report reflect our views as of the date of this quarterly report with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. Before making an investment decision, you should carefully consider all of the factors identified in this quarterly report that could cause actual results to differ.

Additional information concerning these and other factors is contained in our SEC filings, including, but not limited to, our 2004 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk affecting us are credit risk and interest rate risk.

Credit Risk

Credit risk is the potential economic loss principally arising from adverse changes in the financial condition of a specific debt issuer. We address this risk by investing primarily in fixed-income securities which are rated “A” or higher by Standard & Poor’s. We also independently, and through our outside investment managers, monitor the financial condition of all of the issuers of fixed-income securities in the portfolio. To limit our exposure to risk, we employ stringent diversification rules that limit the credit exposure to any single issuer or business sector.

Interest Rate Risk

We had fixed-income investments with a fair value of $236.2 million at September 30, 2005 that are subject to interest rate risk. We manage the exposure to interest rate risk through a disciplined asset/liability matching and capital management process. In the management of this risk, the characteristics of duration, credit and variability of cash flows are critical elements. These risks are assessed regularly and balanced within the context of the liability and capital position.

The table below summarizes our interest rate risk. It illustrates the sensitivity of the fair value of fixed-income investments to selected hypothetical changes in interest rates as of September 30, 2005. The selected scenarios are not predictions of future events, but rather illustrate the effect that such events may have on the fair value of our fixed-income portfolio and shareholders' equity.

Hypothetical Change in Interest Rates	Estimated Change in Fair Value	Fair Value	Hypothetical Percentage Increase (Decrease) in Shareholders' Equity
	($ in thousands)		
200 basis point increase	$ (26,805)	$ 209,389	(11.3)%
100 basis point increase	(13,195)	222,999	(5.6)%
No change	–	236,194	–
100 basis point decrease	13,195	249,389	5.6%
200 basis point decrease	26,805	262,999	11.3%

Item 4. Controls and Procedures

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we have carried out an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms specified by the Securities and Exchange Commission. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the period covered in this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 19, 2005, the SEC declared effective our Registration Statement on Form S-1, as amended (Registration No. 333-119111), as filed with the SEC in connection with the initial public offering of 8,625,000 shares of our common stock. Proceeds to SeaBright, after accounting for approximately $6.3 million in underwriting discounts and commissions and approximately $3.5 million in other expenses of the offering, were approximately $80.8 million. The offering closed on January 26, 2005.

On January 26, 2005, we contributed approximately $74.8 million of the net proceeds to SeaBright Insurance Company. We are using the remaining net proceeds for general corporate purposes, including supporting the growth of PointSure. Except for the capital contribution to SeaBright Insurance Company, as of September 30, 2005, we had not used any of the remaining net proceeds from the offering. Our use of the proceeds from the offering does not represent a material change in the use of proceeds described in the prospectus included as part of the Registration Statement.

We did not purchase any of our equity securities during the nine months ended September 30, 2005.

Item 6. Exhibits

The list of exhibits in the Exhibit Index to this quarterly report is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEABRIGHT INSURANCE HOLDINGS, INC.

Date: November 9, 2005

By: /s/ Joseph S. De Vita
Joseph S. De Vita
Senior Vice President, Chief Financial Officer and
Assistant Secretary (Principal Financial Officer)

EXHIBIT INDEX

The list of exhibits in the Exhibit Index to this quarterly report on Form 10-Q is incorporated herein by reference. Exhibits 31.1 and 31.2 are being filed as part of this quarterly report on Form 10-Q. Exhibits 32.1 and 32.2 are being furnished with this quarterly report on Form 10-Q.

Exhibit Number	Description
31.1	Rule 13a-14(a) Certification (Chief Executive Officer)
31.2	Rule 13a-14(a) Certification (Chief Financial Officer)
32.1	Section 1350 Certification (Chief Executive Officer)
32.2	Section 1350 Certification (Chief Financial Officer

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, John G. Pasqualetto, President and Chief Executive Officer of SeaBright Insurance Holdings, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaBright Insurance Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Reserved]

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

/s/ John G. Pasqualetto
John G. Pasqualetto
Chairman, President and Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Joseph S. De Vita, Chief Financial Officer of SeaBright Insurance Holdings, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaBright Insurance Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Reserved]

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2005

/s/ Joseph S. De Vita
Joseph S. De Vita
Senior Vice President, Chief Financial Officer
and Assistant Secretary

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SeaBright Insurance Holdings, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2005, as filed with the Securities and Exchange Commission (the “Report”), I, John G. Pasqualetto, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2005

/s/ John G. Pasqualetto
John G. Pasqualetto
Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to SeaBright Insurance Holdings, Inc. and will be retained by SeaBright Insurance Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SeaBright Insurance Holdings, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2005, as filed with the Securities and Exchange Commission (the “Report”), I, Joseph S. De Vita, Senior Vice President, Chief Financial Officer and Assistant Secretary of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2005

/s/ Joseph S. De Vita
Joseph S. De Vita
Senior Vice President, Chief Financial Officer
and Assistant Secretary

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to SeaBright Insurance Holdings, Inc. and will be retained by SeaBright Insurance Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.