REPORT OF EXAMINATION

OF THE

CALIFORNIA CAPITAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

Filed on February 22, 2021

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Oakland, California
January 25, 2021

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

CALIFORNIA CAPITAL INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's statutory home office is located at 2300 Garden Road, Monterey, California 93940.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2015. This examination covered the period of January 1, 2016 through December 31, 2019.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. The examination also included identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment was identified during the course of the examination, the impact of such adjustment would be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination whereby Michigan is the lead state for the Auto-Owners Group (AO Group). The California Department of Insurance is the facilitating state for the Capital Insurance Group subgroup of this coordinated examination. The subgroup examination was performed concurrently with the examination of AO Group. The companies in the subgroup consisted of the Company, Eagle West Insurance Company, Monterey Insurance Company, and Nevada Capital Insurance Company. The Nevada Department of Business and Industry, Division of Insurance participated on this subgroup examination.

COMPANY HISTORY

Acquisition

Effective May 22, 2019, CIG Holding Company, Inc. (CIG Holding) and all of its insurance subsidiaries were acquired by Auto-Owners Insurance Company (Auto-Owners). After the acquisition, the Company and its subsidiaries, Eagle West Insurance Company (EWIC), Monterey Insurance Company (MIC), and Nevada Capital Insurance Company (NCIC) became wholly-owned indirect subsidiaries of Auto-Owners. Pursuant to California Insurance Code Section 1215.2, the California Department of Insurance consented to the acquisition on May 6, 2019.

Capitalization

The Company is authorized to issue 1,000,000 shares of common stock with a par value of $14 per share. As of December 31, 2019, there were 190,000 shares issued and outstanding.

In 2018 and 2019, the Company received capital contributions in the amount of $72,750,000 and $88,997,385, respectively, from its parent, CIG Holding. The contributions were recorded as gross paid-in and contributed surplus on the balance sheet.

In 2019, the Company made capital contributions to its subsidiaries in the amounts of $14,000,000 each to EWIC and MIC and $3,000,000 to NCIC.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which Auto-Owners Insurance Company (Auto-Owners) is the ultimate controlling entity. The following chart depicts the inter-relationship of the insurers within the holding company system as of December 31, 2019 (all ownership is 100% unless otherwise indicated):

- Auto-Owners Insurance Company (Michigan)
  - Auto-Owners Life Insurance Company (Michigan)
  - Home-Owners Insurance Company (Michigan)
  - Southern-Owners Insurance Company (Michigan)
  - Property-Owners Insurance Company (Indiana)
  - Owners Insurance Company (Ohio)
  - Auto-Owners Specialty Insurance Company (Delaware)
  - Atlantic Casualty Insurance Company (North Carolina)
  - CIG Holding Company, Inc. (Delaware)
    - **California Capital Insurance Company (California)**
      - Eagle West Insurance Company (California)
      - Monterey Insurance Company (California)
      - Nevada Capital Insurance Company (Nevada)
    - Concord General Mutual Insurance Company (New Hampshire)[a]
      - Green Mountain Insurance Company (Vermont)
      - Vermont Accident Insurance Company, Inc. (Vermont)

State Mutual Insurance Company (Maine)
Sunapee Mutual Fire Insurance Company (New Hampshire)
Bow Mutual Fire Insurance Company (New Hampshire)
Weare Mutual Fire Insurance Company (New Hampshire)

[a]*Concord General Mutual Insurance Company and its subsidiaries are affiliated with Auto-Owners Insurance Company through an affiliate board of directors only.*

A six-member board of directors, elected manually, oversees the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2019:

Directors

Name and Location	Principal Business Affiliation
Lindsay A. Chatterton[a] Monterey, California	President and Chief Executive Officer California Capital Insurance Company
Andrew J. Doll Pacific Grove, California	Treasurer and Chief Financial Officer California Capital Insurance Company
Carolyn D. Muller[b] DeWitt, Michigan	Executive Vice President Auto-Owners Insurance Company
Jeffrey S. Tagsold DeWitt, Michigan	Chief Executive Officer Auto-Owners Insurance Company
Daniel J. Thelen[c] DeWitt, Michigan	President Auto-Owners Insurance Company
William F. Woodbury DeWitt, Michigan	General Counsel Auto-Owners Insurance Company

The following changes in directors occurred subsequent to the examination date:

(a) Effective December 31, 2020, Lindsay A. Chatterton retired, and Brandi E. Holly was elected to the board of directors.
(b) Effective January 1, 2020, Carolyn B. Muller retired and William D. Pike was appointed to fill the vacancy.
(c) Daniel J. Thelen will retire from the board of directors effective February 1, 2021.

Principal Officers

Name	Title
Lindsay A. Chatterton[a]	President and Chief Executive Officer
William F. Woodbury	Secretary
Andrew J. Doll[b]	Treasurer and Vice President
Robert R. Zic[c]	Controller

The following changes in management occurred subsequent to the examination date:

(a) Effective December 31, 2020, Lindsay A. Chatterton retired from the Company.
(b) On January 1, 2020, Andrew J. Doll was appointed as Senior Vice President and Chief Operating Officer. Effective January 1, 2021, Andrew J. Doll replaced Lindsay A. Chatterton as President and Chief Executive Officer. The Senior Vice President and Chief Operating Officer position has not been filled.
(c) Effective January 1, 2020, Robert R. Zic was appointed as Chief Financial Officer and Treasurer.

Management Agreements

Management Agreement: The Company entered into separate management agreements with each of its subsidiaries: Eagle West Insurance Company (EWIC), Monterey Insurance Company (MIC), and Nevada Capital Insurance Company (NCIC) on January °1, °2002. These agreements were amended to include a settlement provision effective January °1, °2010 and was approved by the California Department of Insurance (CDI) on December 3, 2009 pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). Under the terms of the agreements, the Company provides sales, reinsurance, underwriting, premium billing and collection, data processing, claims and policy payments, investment, personnel, and other general administrative services based on actual cost of these services.

Limited Administrative Services Agreement: The Company and NCIC entered into a Limited Administrative Services Agreement (Agreement) effective August 1, 2011, covering the non-admitted business produced by NCIC in California. Under the terms of this Agreement, the Company provides sales, administrative, underwriting, premium billing and collection, calculations and payment of producers' commission, claims, actuarial, financial reporting, data processing, statistical, accounting, and personnel services. This Agreement was approved by the CDI on September 27, 2011 pursuant to CIC Section 1215.5(b)(4).

Auto-Owners Insurance Group Amended and Restated Agreement for Allocation of Consolidated Federal Income Tax Liability: Effective tax year 2019, the Company was added as a party to the Amended and Restated Agreement for Allocation of Consolidated Federal Income Tax Liability (Agreement) with Auto-Owners Insurance Company (Auto-Owners). The previous tax sharing agreement among the Company, EWIC, MIC, and NCIC was terminated. Under the terms of the Agreement, Auto-Owners files a consolidated federal income tax return on behalf of each affiliate. The tax liability of each participant is calculated on a separate income tax return basis. The Agreement was filed with the CDI for approval pursuant to CIC Section 1215.5(b)(4). The CDI issued a non-disapproval on May 24, 2019.

Agreement for Administrative Services: Effective May 22, 2019, the Company, EWIC, MIC, NCIC, and Auto-Owners entered into an Agreement for Administrative Services (Agreement). Pursuant to CIC Section 1215.5(b)(4), the CDI issued a non-disapproval letter on May 24, 2019. According to the Agreement, Auto-Owners makes administrative and other management services available to each affiliate sufficient to carry on the normal business functions. All funds and invested assets of each affiliate are its exclusive property, are held for the benefit of the affiliate, and are subject to the control of the affiliate. Auto-Owners is reimbursed for any expenses identified as directly incurred for its services provided on behalf of the affiliate. The services shall consist of general operating services, which are charged to each affiliate based on its pro-rata share of various cost center expenses, and in accordance with Statement of Statutory Accounting Principles No. 25. The pro-rata share is generally determined based on the total premium writings of each affiliate, and its relationship to the total premium writings of all affiliates of the Auto-Owners Group of companies. General operating expenses shall be limited to actual cost without a profit factor build into cost.

Effective May 22, 2020, Article II, Cost of Administrative Services Methodology, of the Agreement was amended to allocate the general expenses by resource allocation spent by Auto-Owners, contract value, or time spent by Auto-Owners' employees who provide the services. The amended Agreement was approved by the CDI on May °21, °2020.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was licensed to transact property and casualty insurance business in Arizona, California, Idaho, Montana, Nevada, and Texas. The Company was also an accredited reinsurer in Oregon. The Company withdrew its license from Texas in September 2020.

During 2019, the Company reported total direct premiums written of $308.2 million, all of which were written in California. The Company's primary lines of business were commercial multiple peril (40.4%), homeowners multiple peril (17.3%), private passenger auto liability (12.7%), auto physical damage (9.7%), fire (5.2%), other liability occurrence°(3.6%) and farmowners multiple peril (3.0%). The remaining 8.1% is comprised of allied lines, inland marine, earthquake, other liability claims-made, commercial auto liability, boiler and machinery, and burglary and theft.

The Company operates on a joint basis with its subsidiaries, Eagle West Insurance Company (EWIC), Monterey Insurance Company (MIC), and Nevada Capital Insurance Company (NCIC), pursuant to an intercompany reinsurance pooling agreement with each company using a different marketing approach. The Company and EWIC write all standard lines of business on a preferred basis, while MIC primarily writes direct commercial multiple peril business at deviated rates. NCIC writes policies on an admitted basis in Nevada and on a surplus lines basis in Arizona, California, Oregon, and Washington.

Business is marketed directly and distributed through 455 independent agents. The Company has branch offices located in Bakersfield, Fresno, Roseville, and Westlake Village, California, Reno, Nevada, and Spokane, Washington.

REINSURANCE

Quota Share Pooling Agreement

Effective January 1, 2002, the Company, Eagle West Insurance Company (EWIC), Monterey Insurance Company (MIC), and Nevada Capital Insurance Company (NCIC) (collectively referred to as Capital Insurance Group, or CIG) entered into a Quota Share Pooling Agreement (Agreement). The Agreement authorizes the Company to collect and receive all premiums, to adjust and pay all losses and to reinsure or cancel all contracts and policies for the pool. Effective January 1, 2006, the pooling percentages were revised under Amendment 2 and approved by the California Department of Insurance (CDI) on September 17, 2007 pursuant to California Insurance Code (CIC) Section 1215.5(b)(3). The Company is the pool leader and EWIC, MIC, and NCIC cede 100% of all premiums, losses, loss adjustment expenses, and most underwriting expenses to the Company, which then retrocedes a pro-rated amount to each company based on the following pooling percentages:

Company	Participation
California Capital Insurance Company	61%
Eagle West Insurance Company	16%
Monterey Insurance Company	11%
Nevada Capital Insurance Company	12%
Total	100%

Assumed

The Company and State National Insurance Company, Inc. (SNIC) entered into a quota share reinsurance agreement, effective July 1, 2004. As of December 31, 2019, CCIC reported $17.8 million of assumed premium under SNIC. Under the terms of the agreement, CCIC assumes 100% of SNIC’s gross liability under all policies classified as commercial multiple peril and miscellaneous coverages written in California and produced by SureProducts Insurance Agency, a California general agent. Maximum policy limits for the assumed policies are as follows:

Line of Business	Policy Limits
Property	$25 million per risk (new business)
General Liability	$2 million per occurrence, $4 million aggregate and $2 million aggregate for products/completed operations
Employee Benefits Liability	$2 million per occurrence with no aggregate
Equipment Breakdown	$50,000 per occurrence with no aggregate
Umbrella	$5 million

Ceded

The following is a summary of principal reinsurance agreements in effect as of December°31,°2019:

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limit
Property Per Risk Excess of Loss Reinsurance	Property (per risk)	Authorized: Allied World Insurance Company (5%) Aspen Insurance UK Limited (5%) Axis Reinsurance Company (10%) Hannover Ruck SE (10%) Odyssey Reinsurance Company (7.5%) SCOR Reinsurance Company (14.5%) Transatlantic Reinsurance Company (2.5%) Lloyd's of London – Various (23%) Unauthorized Fidelis Insurance Bermuda Limited (10%) General Reinsurance Company (2.5%) The New India Assurance Company Ltd. (5%) Certified: Arch Reinsurance Ltd. (5%)	$15 million ultimate net loss, one risk, each loss occurrence	$35 million excess of $15 million ultimate net loss each loss occurrence, up to $70 million in aggregate
Excess Per Occurrence Catastrophe Reinsurance First Excess Layer	Property	Authorized: Auto-Owners Insurance Company (49.0%) Various reinsurers (8.5%) Unauthorized: General Insurance Corporation of India (5%) Hannover Re (Bermuda) Ltd. (11%) Various reinsurers (16.5%) Certified: Arch Reinsurance Ltd. (10%)	$10 million ultimate net loss per occurrence	$10 million excess of $10 million ultimate net loss per occurrence, with $20 million term limit

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limit
Second Excess Layer	Property	Authorized: Auto-Owners Insurance Company (13.25%) Odyssey Reinsurance Company (7.5%) Lloyd's of London – Various (16%) Various reinsurers (9.5%) Unauthorized: General Insurance Corporation of India (5%) Hannover Re (Bermuda) Ltd. (15%) Various reinsurers (18.75%) Certified: Arch Reinsurance Ltd. (15%)	$20 million ultimate net loss per occurrence	$40 million excess of $20 million ultimate net loss per occurrence with $80 million term limit
Third Excess Layer	Property	Authorized: Auto-Owners Insurance Company (10%) Lloyd's of London – Various (23%) Various reinsurers (20.9%) Unauthorized: General Insurance Corporation of India (5%) Hannover Re (Bermuda) Ltd. (10%) Various reinsurers (19%) Certified: Arch Reinsurance Ltd. (12.1%)	$60 million ultimate net loss per occurrence	$60 million excess of $60 million ultimate net loss per occurrence with $120 million term limit
Fourth Excess Layer	Property	Authorized: Auto-Owners Insurance Company (10%) Odyssey Reinsurance Company (7.5%) Lloyd's of London – Various (22%) Various reinsurers (13.4%) Unauthorized: General Insurance Corporation of India (5%) Hannover Re (Bermuda) Ltd. (10%) Various reinsurers (20.5%) Certified: Arch Reinsurance Ltd. (11.6%)	$120 million ultimate net loss per occurrence	$70 million excess of $120 million ultimate net loss per occurrence with $140 million term limit
Fifth Excess Layer	Property	Authorized: Auto-Owners Insurance Company (10%) Munich Reinsurance America, Inc. (10%) Odyssey Reinsurance Company (7.5%) Lloyd's of London – Various (20.65%) Various reinsurers (10.85%) Unauthorized: General Insurance Corporation of India (5%) Hannover Re (Bermuda) Ltd. (8.5%) Various reinsurers (15.5%) Certified: Arch Reinsurance Ltd. (12%)	$190 million ultimate net loss per occurrence	$110 million excess of $190 million ultimate net loss per occurrence with $220 million term limit

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limit
Casualty Clash Excess of Loss Reinsurance	Casualty	All Authorized: Hannover Ruck SE (10%) Renaissance Reinsurance U.S. Inc. (15%) Lloyd's of London – Various (75%)	$15 million ultimate net loss per event	$10 million excess of $15 million ultimate net loss per event
Cyber Liability and Breach Response Casualty Quota Share Reinsurance	Casualty	Unauthorized: Beazley syndicate 623 (18%) Beazley syndicate 2623 (82%)	None	None
Employment Practices Liability Reinsurance	Liability	Authorized: The Hartford Steam Boiler Inspection and Insurance Company (100%)	None	Not exceed $250,000 each wrongful employment act, subject to annual aggregate limit in the Policy not to exceed $250,000
100% Quota Share Reinsurance	Equipment Breakdown Coverage	Authorized: Factory Mutual Insurance Company (100%)	None	Homeowners: $50,000 per occurrence on any one risk Commercial and Farmowners Multi-Peril: $50 million on any one risk Service Line: $10,000
Property Facultative Reinsurance	Property	Authorized: Arch Re Facultative, a division of Arch Reinsurance Company/Arch Reinsurance Company	$50 million Net and Treaty	Up to $100 million per location
Commercial Earthquake Quota Share Reinsurance	Property	Authorized: Palomar Specialty Insurance Company (100%)	None	None
Multiple Line Excess of Loss Reinsurance First Layer	Personal, Farm, and Commercial Umbrella Liability	All Authorized: Aspen Insurance UK Limited (10%) AXIS Reinsurance Company (5%) Hannover Ruck SE (25%) Partner Reinsurance Company of the U.S. (7.5%) Renaissance Reinsurance U.S. Inc. (10%) SCOR Reinsurance Company (32.5%) Transatlantic Reinsurance Company (10%)	$2 million ultimate net loss, each risk, each occurrence	Coverage A (property): up to $5 million excess of $2 million ultimate net loss, maximum $10 million per occurrence Coverage B (liability): up to $5 million excess of $2 million ultimate net loss per occurrence Coverage C (property and liability): up to $2 million ultimate net loss per occurrence

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limit
Second Layer	Personal, Farm, and Commercial Umbrella Liability	All Authorized: Arch Reinsurance Company (8%) Aspen Insurance UK Limited (5%) AXIS Reinsurance Company (5%) Hannover Ruck SE (25%) Odyssey Reinsurance Company (5%) Partner Reinsurance Company of the U.S.(7.5%) SCOR Reinsurance Company (32.5%) Transatlantic Reinsurance Company (12%)	$7 million ultimate net loss, each risk, each occurrence	Coverage A (property): up to $8 million excess of $7 million ultimate net loss per occurrence Coverage B (liability): up to $8 million excess of $7 million ultimate net loss per occurrence Up to $8 million excess for ultimate net loss arising from NBCR Terrorism

On July 1, 2019, Auto-Owners Insurance Company (Auto-Owners), CIG's ultimate parent, became a participating reinsurer on the CIG's Excess Per Occurrence Catastrophe Reinsurance treaty. When the treaty was renewed effective September 1, 2019, Auto-Owners' participation in each layer increased due to some reinsurers electing to not renew or to reduce their participation on the Excess Per Occurrence Catastrophe Reinsurance treaty. Auto-Owners' participation in the above reinsurance treaty was approved by the CDI on December 12, 2019 and on December°26,°2019 pursuant to CIC Section 1215.5(b)(3).

Effective September 1, 2019, CIG entered into a Reinsurance Agreement (Agreement) with Auto-Owners whereby CIG will participate in the Auto-Owners Group property catastrophe reinsurance program. The Auto-Owners Group property catastrophe reinsurance program consisted of a Four-Layer Property Catastrophe Excess of Loss reinsurance treaty covering losses of $1.4 billion in excess of Auto-Owners $200 million retention. Pursuant to CIC Section 1215.5(b)(3), the Agreement was authorized by the CDI on April°10,°2020.

Effective January 1, 2020, Auto-Owners started to provide property and liability per risk loss occurrence coverage to CIG, which was added to the Agreement for losses exceeding:

a) $2 million per risk in any one property loss occurrence

b) $2 million per risk in any one liability loss occurrence

This amendment further provides that within any calendar year, CIG retained losses exceeding the limit specified shall be limited to a maximum of five occurrences each under a and b. After the number of maximum occurrences has been reached, all future losses exceeding the maximums shall be 100% ceded to Auto-Owners. The CDI authorized the amendment pursuant to CIC Section 1215.8(b)(3) on April 10, 2020. As a result, the Casualty Clash Excess of Loss Reinsurance Contract, Property Per Risk Excess of Loss Reinsurance Contract, Property Facultative Reinsurance Contract, and Multiple Line Excess of Loss Reinsurance Contract ceded reinsurance that CIG had with external reinsurers were terminated on January 1, 2020.

Effective June 1, 2020, CIG's Excess Per Occurrence Catastrophe Reinsurance treaty was fully replaced by Auto-Owners Group property catastrophe reinsurance program which now consisted of a Five-Layer Property Catastrophe Excess of Loss Reinsurance treaty covering losses of $1.6 billion in excess of Auto-Owners $200 million retention. Under the terms of the Agreement, CIG retains $10 million per property catastrophe loss occurrence with a maximum of two loss occurrences retained within any calendar year. All future losses exceeding the maximums shall be 100% ceded to Auto-Owners. The Agreement was amended to reflect these changes and approved by the CDI pursuant to CIC Section 1215.5(b)(3) on July 30, 2020. As a result, the Excess Per Occurrence Catastrophe Reinsurance treaty was terminated on May 31, 2020.

Effective January 1, 2021, the Agreement was amended to increase the number of maximum occurrences of per risk property and liability losses within any calendar year from five to six. Pursuant to CIC Section 1215.5(b)(3), the CDI issued a non-disapproval letter to the amendment on November°12,°2020.

FINANCIAL STATEMENTS

The following statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments to the amounts in the financial statements should be considered an integral part of the financial statements. No adjustments were made to the statutory financial statements reported by the Company.

Statement of Financial Condition as of December 31, 2019

Underwriting and Investment Exhibit for the Year Ended December 31, 2019

Reconciliation of Surplus as Regards Policyholders from December 31, 2015 through December 31, 2019

Statement of Financial Condition
as of December 31, 2019

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 463,639,869	$	$ 463,639,869	
Preferred stocks	2,166,049		2,166,049	
Common stocks	86,043,219		86,043,219	
Properties occupied by the company	13,273,741		13,273,741	
Cash and cash equivalents	44,138,473		44,138,473	
Investment income due and accrued	3,071,919		3,071,919	
Uncollected premiums and agents' balances in the course of collection	5,724,889	168,330	5,556,558	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	32,518,139		32,518,139	
Amount recoverable from reinsurers	16,288,071		16,288,071	
Current federal and foreign income tax recoverable and interest thereon	4,151,976		4,151,976	
Net deferred tax asset	31,390,260	17,725,704	13,664,556	
Electronic data processing equipment and software	14,740,060	14,483,743	256,317	
Furniture and equipment, including health care delivery assets	913,570	913,570	0	
Receivable from parent, subsidiaries and affiliates	166,055		166,055	
Aggregate write-ins for other than invested assets	4,250,558	2,915,179	1,335,379	
Total assets	$ 722,476,849	$ 36,206,525	$ 686,270,323	

Liabilities, Surplus, and Other Funds			Notes
Losses		$ 176,384,835	(1)
Reinsurance payable on paid losses and loss adjustment expenses		0	
Loss adjustment expenses		54,561,767	(1)
Commissions payable, contingent commissions and other similar charges		4,528,342	
Other expenses		3,577,006	
Taxes, licenses and fees		1,024,572	
Net deferred tax liability		852,000	
Unearned premiums		117,577,423	
Advance premiums		998,682	
Ceded reinsurance premiums payable		1,629,518	
Funds held by company under reinsurance treaties		4,908,001	
Amounts withheld or retained by company for account of others		908,610	
Provision for reinsurance		1,082,737	
Drafts outstanding		229,006	
Payable to parent, subsidiaries and affiliates		16,202,947	
Aggregate write-ins for liabilities		9,897,055	
Total liabilities		394,362,500	
Aggregate write-ins for special surplus funds	$ (996,000)		
Common capital stock	2,660,000		
Gross paid-in and contributed surplus	184,634,420		
Unassigned funds (surplus)	105,609,405		
Surplus as regards policyholders		291,907,825	
Total liabilities, surplus, and other funds		$ 686,270,325	

Underwriting and Investment Exhibit
for the Year Ended Dcember 31, 2019

State of Income

Underwriting Income		
Premiums earned		$ 223,460,542
Deductions:		
Losses incurred	$ 158,938,284	
Loss expenses incurred	25,851,059	
Other underwriting expenses incurred	83,460,375	
Total underwriting deductions		268,249,718
Net underwriting loss		(34,789,176)
Investment Income		
Net investment income earned	$ 12,747,029	
Net realized capital gains	2,610,555	
Net investment gain		15,357,584
Other income		
Net loss from agents' or premium balances charged off	(147,014)	
Finance and service charges not included in premiums	1,303,338	
Aggregate write-ins for miscellaneous income	(5,803,416)	
Total other income		(4,647,093)
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		(24,078,685)
Federal and foreign income taxes incurred		(4,252,782)
Net loss		$ (19,825,903)

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2018		$ 209,143,659
Net loss	$ (19,825,903)	
Change in unrealized capital loss	(8,698,727)	
Change in net deferred income tax	(3,365,424)	
Change in nonadmitted assets	26,739,572	
Change in provision for reinsurance	(1,082,737)	
Surplus adjustment: Paid-in	88,997,385	
Change in surplus as regards policyholders for the year		82,764,166
Surplus as regards policyholders, December 31, 2019		$ 291,907,825

Reconciliation of Surplus as Regards Policyholders from December 31, 2015 through December 31, 2019

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2015			$ 314,070,499
Net loss	$	$ 135,310,775	
Change in unrealized capital gains		82,403,844	
Change in net deferred income tax	13,458,462		
Change in nonadmitted assets	20,447,613		
Change in provision for reinsurance		101,515	
Surplus adjustment: Paid-in	161,747,385		
Total gains and losses	$ 195,653,460	$ 217,816,134	
Net decrease in surplus as regards policyholders			(22,162,674)
Surplus as regards policyholders, December 31, 2019			$ 291,907,825 (1)

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

A Senior Casualty Actuary from the California Department of Insurance reviewed the Actuarial Report as of December 31, 2019 prepared by the Company’s independent actuary and concurred with the actuary’s conclusion that the Company’s loss and loss adjustment expense reserves as of December 31, 2019 were reasonable and have been accepted for purposes of this examination.

SUBSEQUENT EVENTS

During 2020, a series of deadly and destructive wildfires occurred in California, Oregon, and Washington. Capital Insurance Group (CIG) reported gross incurred loss from those wildfires of approximately $21.0°million and net loss of $18.5 million as of December°31,°2020.

The coronavirus disease 2019 (COVID-19) global pandemic has triggered unprecedented government mandates and health and safety measures, which have significantly impacted the global economy and financial markets. However, CIG reported minimal business and financial impact as a result of COVID-19 as of December 31, 2020. As of the date of this report, significant uncertainty remains regarding the effect that the pandemic will have on the insurance industry and the global economy at large. °

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Comments on Financial Statement Items – Electonic Data Processing Equipment and Software (Page 16): It was recommended that the Company amend its fixed asset capitalization policy for electronic computer and data processing assets to comply with CIC Section 1194.95. The Company has complied with the recommendation.

ACKNOWLEDGMENT

Acknowledgement is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

___/S/_________________________

Mei Gu, CFE
Examiner-In-Charge
Senior Insurance Examiner, Specialist
Department of Insurance
State of California

___/S/_________________________

Li Lim, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California