REPORT OF EXAMINATION

OF THE

SEAVIEW INSURANCE COMPANY

AS OF

DECEMBER 31, 2020

Insurance Commissioner

FILED on June 23, 2022

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Los Angeles, California
May 19, 2022

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

SEAVIEW INSURANCE COMPANY

(hereinafter also referred to as the Company). Its home office and primary location of its books and records is located at 1000 Aviara Parkway, Suite 300, Carlsbad, California 92011.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was made as of December 31, 2015. This examination covers the period from January 1, 2016 through December 31, 2020.

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 includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated, both currently and prospectively.

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

This examination report includes 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 with Pennsylvania as the lead state of the Aegis group, and was conducted in conjunction with the examinations of the Company's affiliates in the Aegis Group, which consists of the following Pennsylvania domestic companies: Aegis Security Insurance Company and American Sentinel Insurance Company.

COMPANY HISTORY

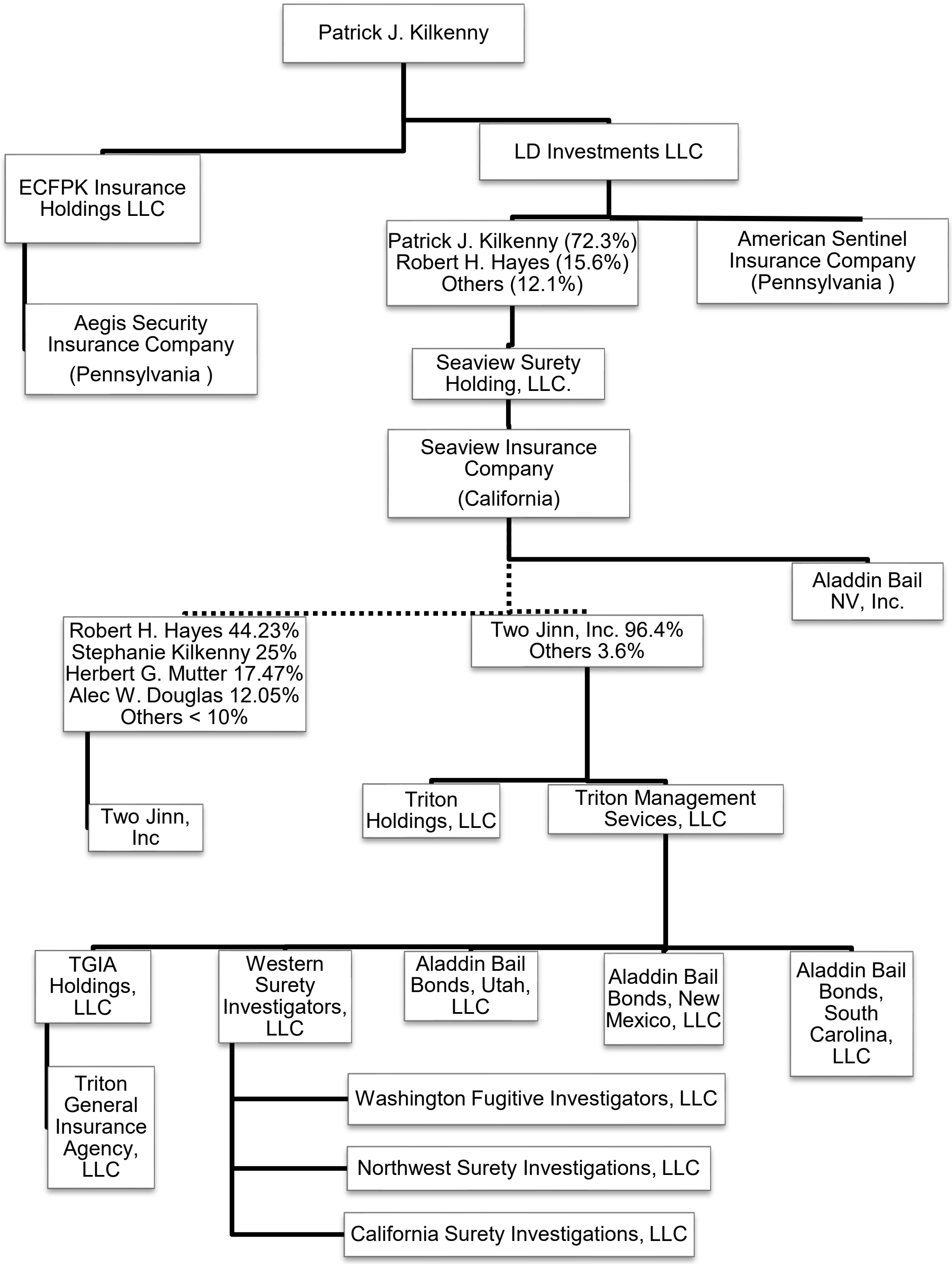
The Company was incorporated under the laws of the state of California on June 18, 1993, and a wholly-owned direct subsidiary of Seaview Surety Holdings, LLC (Seaview LLC). Prior to December 26, 2019, the ultimate controlling person of Seaview LLC was Endeavour Capital VI, LLC (Endeavour), a Delaware limited liability company. On December 26, 2019, LD Investments, LLC, a California limited liability company that is 100% owned by Patrick J. Kilkenny (Mr. Kilkenny), acquired 63.5% of Seaview LLC. As a result, when combined with Mr. Kilkenny's previous ownership of 8.8% of Seaview LLC, Mr. Kilkenny now indirectly owns 72.3% of Seaview LLC, and became the ultimate controlling person of the Company.

Dividends

The Company paid ordinary cash dividends to the stockholders in the amount of $2.850 million, $2.525 million, $2.032 million, and $2.475 million for the years 2016, 2017, 2018, and 2019, respectively.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which Patrick J. Kilkenny is the ultimate controlling person. The following organizational chart depicts the Company's relationship within the holding company system at December 31, 2020. All ownership is 100% unless indicated.



Patrick J. Kilkenny
ECFPK Insurance Holdings LLC
LD Investments LLC
Patrick J. Kilkenny (72.3%)
Robert H. Hayes (15.6%)
Others (12.1%)
American Sentinel Insurance Company (Pennsylvania)
Aegis Security Insurance Company (Pennsylvania)
Seaview Surety Holding, LLC.
Seaview Insurance Company (California)
Aladdin Bail NV, Inc.
Robert H. Hayes 44.23%
Stephanie Kilkenny 25%
Herbert G. Mutter 17.47%
Alec W. Douglas 12.05%
Others < 10%
Two Jinn, Inc. 96.4%
Others 3.6%
Two Jinn, Inc
Triton Holdings, LLC
Triton Management Sevices, LLC
TGIA Holdings, LLC
Western Surety Investigators, LLC
Aladdin Bail Bonds, Utah, LLC
Aladdin Bail Bonds, New Mexico, LLC
Aladdin Bail Bonds, South Carolina, LLC
Triton General Insurance Agency, LLC
Washington Fugitive Investigators, LLC
Northwest Surety Investigations, LLC
California Surety Investigations, LLC

The six members of the board of directors are elected annually and oversee the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2020:

Directors

Name and Location	Principal Business Affiliation
John B. Collins, Jr. Whitefish, Montana	Board of Director Aegis Security Insurance Company
Robert H. Hayes White Bluff, Tennessee	Chief Executive Officer Triton Management Services, LLC
Patrick J. Kilkenny Rancho Santa Fe, California	Ultimate Controlling Person
Francis E. Lauricella, Jr. San Francisco, California	Board of Director Aegis Security Insurance Company
Joshua A. Magden Smithville, Texas	President and Chief Executive Officer Seaview Insurance Company
William J. Wollyung, III Wilton Manors, Florida	President and Chief Executive Officer Aegis Security Insurance Company

Principal Officers

Name	Title
Joshua A. Magden	President and Chief Executive Officer
Brett G. Crise	Chief Financial Officer
Rebecca J. Liddick	Secretary

Management Agreements

Administrative Services Agreement: Effective October 15, 2012, the Company and its affiliate, Triton Management Services, LLC. (Triton) entered into an Administrative Services Agreement. Under the terms of the agreement, Triton provides the Company with a facilities sublease and financial statement preparation, budget and accounting, payroll, computer programming, and other management services. Reimbursement for services provided is on an actual cost basis. The agreement was approved by the California Department of Insurance (CDI) on October 15, 2012. On November 2, 2015, the Company amended the agreement to access or use Triton's Bond Management Application Software and Triton would be authorized to provide claims handling services to the Company for the non-affiliated bail agencies that may not have the capability to administer claims. The amendment was approved by the CDI on October 29, 2015. During the examination period, the Company paid Triton $9,405, $18,190, $15,315, $14,886, and $15,240 for the years 2016, 2017, 2018, 2019, and 2020, respectively.

Program Manager Agreement: Effective October 15, 2012, the Company and its affiliate, Two Jinn, Inc. (TJ) entered into a Program Manager Agreement. Under the terms of the agreement, the Company appointed TJ as its exclusive general agent in California, Idaho, Ohio, and Washington to post state court bail bonds. Subject to the oversight and control of the Company, TJ's licensed bail bond agents undertake bail on behalf of the Company, with duties including, but not limited to, advertising and soliciting applications for bail bonds; receiving, evaluating, rejecting and accepting requests for bail services; and calculating and collecting premiums for bail bonds. TJ pays all expenses incurred in connection with the production, marketing, billing, accounting, claims handling, and servicing of bail bonds written under the agreement. TJ retains a large percentage of premiums collected, while paying the Company a three percent (3%) of the premiums plus applicable state premium taxes for bonds issued. The agreement was approved by the CDI on October 15, 2012. During the examination period, TJ generated direct premiums of $8,166,575, $6,836,924, $6,724,489, $6,684,072, and $6,560,634 in the years 2016, 2017, 2018, 2019, and 2020.

Program Manager Agreement: Effective March 5, 2014, the Company and its wholly-owned subsidiary, Aladdin Bail NV, Inc. (Aladdin NV) entered into a Program Manager Agreement. Under the terms of the agreement, the Company appointed Aladdin NV as its bail agent in the state of Nevada, and Aladdin NV agreed to perform duties, such as, advertising and soliciting applications for bail bonds; receiving, evaluating, rejecting and accepting requests for bail services; and calculating and collecting premiums for bail bonds. Aladdin NV pays all expenses incurred in connection with the production, marketing, billing, accounting, claims handling, and servicing of bail bonds written under the agreement. Aladdin NV retains a large percentage of premiums collected, while paying the Company a three percent (3%) of the premiums plus applicable state premium taxes for bonds issued. The agreement was approved by the CDI on March 5, 2014. During the examination period, Aladdin NV generated direct premiums of $185,314, $137,827, $151,912, $152,860, and $175,384 in the years 2016, 2017, 2018, 2019, and 2020.

Program Manager Agreement: Effective November 2, 2015, the Company and its affiliate, Aladdin Bail Bonds Utah, LLC. (Aladdin UT) entered into a Program Manager Agreement. Under the terms of the agreement, the Company appointed Aladdin UT as its bail agent in the state of Utah, and Aladdin UT agrees to perform duties, such as, advertising and soliciting applications for bail bonds; receiving, evaluating, rejecting and accepting requests for bail services; and calculating and collecting premiums for bail bonds. Aladdin UT pays all expenses incurred in connection with the production, marketing, billing, accounting, claims handling, and servicing of bail bonds written under the agreement. Aladdin UT retains a large percentage of premiums collected, while paying the Company a three percent (3%) of the premiums plus applicable state premium taxes for bonds issued. The agreement was approved by the CDI on October 29, 2015. During the examination period, Aladdin UT generated direct premiums of $182,339, $149,832, $133,525, $138,018, and $89,509 in the years 2016, 2017, 2018, 2019, and 2020.

Program Manager Agreement: Effective November 22, 2016, the Company and its affiliate, Aladdin Bail Bonds New Mexico, LLC (Aladdin NM) entered into a Program Manager Agreement. Under the terms of the agreement, the Company appointed Aladdin

NM as its bail agent in the state of New Mexico, and Aladdin NM agreed to perform duties, such as, advertising and soliciting applications for bail bonds; receiving, evaluating, rejecting and accepting requests for bail services; and calculating and collecting premiums for bail bonds. Aladdin NM pays all expenses incurred in connection with the production, marketing, billing, accounting, claims handling, and servicing of bail bonds written under the agreement. Aladdin NM retains a large percentage of premiums collected, while paying the Company a three percentage (3%) of the premiums plus applicable state premium taxes for bonds issued. The agreement was approved by the CDI on November 22, 2016. During the examination period, Aladdin NM did not generate any direct premiums in the years 2016, 2017, 2018, 2019, and 2020.

Program Manager Agreement: Effective April 5, 2017, the Company and its affiliate, Aladdin Bail Bonds South Carolina, LLC (Aladdin SC) entered into a Program Manager Agreement. Under the terms of the agreement, the Company appointed Aladdin SC as it’s the program manager of the Company's court bail program in South Carolina. Aladdin SC’s authority is to solicit applications for bonds, to receive, evaluate, reject and accept requests for Bonds; and to post Bonds in accordance with the policies described in this agreement. Aladdin SC shall accept and pay all expenses incurred in connection with the production, marketing, billing, accounting, claims handling and servicing of Bonds written under this Agreement. Aladdin SC retains a large percentage of premiums collected, while paying the Company a three percent (3%) of the premiums plus applicable state premium taxes for bonds issued. The agreement was approved by the CDI on March 15, 2017. During the examination period, Aladdin SC generated direct premiums of $22,792, $88,940, $77,222, and $64,248 in the years 2017, 2018, 2019, and 2020.

Program Administrator Agreement: Subsequent to the examination date and effective September 30, 2021, the Company and its affiliate Triton General Insurance Agency, LLC (Triton General) entered into a Program Administrator Agreement. Under the term of the agreement, Triton General acts as the Company’s agent to solicit, review, reject, accept, underwrite, and issue private passenger automobile physical damage, and private passenger automobile liability policies in California. Additionally, the agreement authorizes Triton General to bill and collect premiums for automobile insurance policies.

Pursuant to the terms of the agreement, the services shall be made available to the Company on a cost allocation/reimbursement basis. There will be no profit factor, debt service, political or entertainment expenses added to any cost or expense payable by or reimbursable to the Company. The agreement was approved by the CDI on July 12, 2021.

Special Investigation Units Service Agreement: Effective October 1, 2013, the Company entered into the Special Investigation Units' Service Agreement with its affiliate, Triton. Under the terms of this agreement, the Company appointed Triton as its provider of special investigation unit services, and Triton performs all duties and obligations relating to antifraud activities. This agreement was approved by the CDI on September 24, 2013. Reimbursement for services provided is on an actual cost basis. During the examination period, the Company did not pay any fees to Triton.

Non-Affiliated Agreements

Investment Manager Agreement: Effective August 21, 2014, the Company entered into an investment manager agreement with Sage Advisory Services, Ltd. Co., (Sage), a Texas limited liability company. Under the terms of the agreement, the Company appoints Sage to act as an investment manager and adviser concerning account assets of the Company. Sage will manage the Company's account assets consistent with the Company's investment guidelines. Fees are based on the aggregate Company assets under Sage's management. During the examination period, the Company paid Sage in the amount of $59,212, $55,863, $53,267, $54,336, and $56,553 for the years 2016, 2017, 2018, 2019, and 2020, respectively.

Program Manager Agreement: Effective June 1, 2018, the Company and Susan Monsalvo Smith (Susan Smith), a non-affiliated, licensed bail agent in Texas, entered into a Program Manager Agreement. Under the terms of the agreement, the Company appointed Susan Smith as a program manager of the Company's court bail bond program in Texas. Susan Smith's authority is to solicit applications for bonds, to receive, evaluate, reject and accept requests for bonds; and to post bonds in accordance with the policies described in this agreement. Susan Smith shall accept and pay all expenses incurred in connection with the production, marketing, billing, accounting, claims handling, and servicing of bonds written under this agreement. Susan Smith retains a large percentage of premiums collected, while paying the Company a three percent (3%) of the premiums plus applicable state premium taxes for bonds issued. During the examination period, Susan Smith generated direct premiums of $3,145, $27,444, and $61,898 in the years 2018, 2019, and 2020.

Program Administrator Agreement: Effective January 1, 2020, the Company and Aegis General Insurance Agency, Inc. (AGIA) entered into a Program Administrator Agreement. Under the term of the agreement, the Company appoints AGIA as its legal representative and lawful attorney to act on the Company's behalf in procuring, underwriting, binding and, servicing Difference in Condition (DIC) policies. AGIA retains 97% of all policy fees applicable to each policy under this agreement. In addition to the policy fees, the Company pays AGIA profit commission for each accident year. If the loss ratio is less than 57%, then the profit commission rate shall be 50% of the difference in percentage points below 57% and the actual loss ratio. In 2020, AGIA generated direct premiums of $9,427,298. The Company did not pay any profit commission in 2020.

Claims Administration Services Agreement: Effective January 1, 2020, the Company and K2 Claims Services LLC (K2CS), entered into a Claims Administration Services Agreement. Under the term of the agreement, K2CS provides claims administration and compliance services, such as investigate, evaluate, and handle each claim reported within the established authority for DIC claims. The Company agrees to pay K2CS the various service fees and rates as specified in the agreement. Under the term of the agreement, the Company paid K2CS in the amount of $287,343 in 2020.

Claims Administration Services Agreement: Effective November 12, 2020, the Company and Allied American Adjusting Company of California, LLC, DBA Allied American USA (Allied) entered into a Claims Administration Services Agreement. Under the term of the agreement, Allied shall provide claims administration and compliance services, such as investigate, evaluate, and handle each claim within the established authority for claims as set forth in the Agreement. Moreover, Allied will assume handling of the Company's existing pending claim files, if any, and manage those pending claim files to ultimate disposition. The Company agrees to pay Allied the various service fees and rates as specified in the agreement. During the examination period, the Company paid no fees to Allied under this agreement.

TERRITORY AND PLAN OF OPERATION

The Company is licensed and is currently conducting business in California, Idaho, Nevada, Ohio, South Carolina, Texas, Utah, and Washington. As of December 31, 2020, the Company was also licensed but inactive in nine other states: Arizona, Florida, Indiana, Minnesota, New Mexico, North Carolina, Oklahoma, Tennessee, and Virginia.

The Company primarily writes Difference in Conditions (DIC) policies that are designed to work alongside with California FAIR Plan Association policies and Court Bail Bonds. In 2020, the Company generated direct written premiums of $16.054 million, which consisted of DIC (58.72%), Surety Bonds (41.15%), Private Passenger Automobile Liability (0.092%), and Auto Physical Damage (0.038%). The vast majority of the direct premiums were written in California ($15.278 million or 95.52%), followed by Washington ($0.251 million or 1.57%), and Nevada ($0.175 million or 1.09%). Two Jinn, Inc., an affiliated program manager produces the majority of the Surety Bonds for the Company exclusively through employed licensed bail agents. Starting October 1, 2019, the Company reinsured DIC policies written by Aegis Security Insurance Company, an affiliate. In late March 2020, the Company began to write the DIC program on a direct basis via an independent third-party general agent, Aegis General Insurance Agency, Inc. Private Passenger Automobile program is managed and distributed exclusively through its affiliated agency, Triton General Insurance Agency, LLC.

The Company commenced writing Commercial Automobile policies in January 2021.

REINSURANCE

Intercompany Reinsurance Agreement

On October 1, 2019, the Company entered into a Quota Share Reinsurance Agreement with Aegis Security Insurance Company (ASIC), whereby the Company assumes 100% of Difference in Conditions (DIC) policies written by ASIC. The agreement with ASIC became run-off since the Company began writing the DIC policies on a direct basis in the first quarter of 2020.

Assumed

The Company has no assumed business other than aforementioned intercompany reinsurance agreement with its affiliate.

Ceded

Effective January 1, 2020, the Company entered into a 100% Quota Share Reinsurance Treaty with Factory Mutual Insurance Company (FMIC), an authorized reinsurer. Under the term of the treaty, 100% of endorsements of the homeowner policies are ceded to FMIC. The cession under this treaty shall not exceed a limit of liability of $100,000 on any one risk per policy.

FINANCIAL STATEMENTS

The following financial 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, 2020. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. There were no adjustments made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2020

Underwriting and Investment Exhibit for the Year Ended December 31, 2020

Reconciliation of Surplus as Regards Policyholders from December 31, 2015 through December 31, 2020

Statement of Financial Condition
as of December 31, 2020

Assets	Ledger and Nonledger Assets	Net Admitted Assets	Note
Bonds	$ 9,251,139	$ 9,251,139	
Preferred Stocks	75,069	75,069	
Cash and short-term investments	8,408,996	8,408,996	
Investment income due and accrued	75,423	75,423	
Uncollected premiums and agents' balances in the course of collection	2,699,419	2,699,419	
Funds held by or deposited with reinsured companies	3,800,000	3,800,000	
Current federal and foreign income tax recoverable and interest thereon	546,416	546,416	
Net deferred tax asset	402,754	402,754	
Aggregate write-ins for other than invested assets	11,343,272	11,343,272	
Total assets	$ 36,602,488	$ 36,602,488	
Liabilities, Surplus, and Other Funds			
Losses		$ 1,185,909	(1)
Reinsurance payable on paid losses and loss adjusted expenses		72,226	
Loss adjustment expenses		124,966	(1)
Commissions payable, contingent commissions and other similar charges		2,000,976	
Other expenses (excluding taxes, licenses and fees)		189,917	
Taxes, licenses and fees (excluding federal and foreign income taxes)		39,110	
Unearned premiums		9,267,565	
Ceded reinsurance premiums payable (net of ceding commissions)		93,657	
Amounts withheld or retained by company for account of others		11,343,272	
Payable for parent, subsidiaries and affiliates		70,815	
Total liabilities		24,388,413	
Common capital stock	$ 2,601,000		
Gross paid-in and contributed surplus	2,866,872		
Unassigned funds (surplus)	6,746,203		
Surplus as regards policyholders		12,214,075	
Total liabilities, surplus, and other funds		$ 36,602,489	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2020

Statement of Income

Underwriting Income			Note
Premium earned		$ 16,436,520	
Deductions:			
Losses incurred	$ 2,251,477		
Loss adjustment expenses incurred	528,089		
Other underwriting expenses incurred	13,367,510		
Total underwriting deductions		16,147,076	
Net underwriting gain		289,444	
Investment Income			
Net investment income earned	$ 170,181		
Net realized capital gains	11,789		
Net investment gain		181,970	
Other Income			
Finance and service charges not included in premiums	$ 116,798,361		
Aggregate write-ins for miscellaneous income	(116,797,799)		(2)
Total other income		562	
Net income after dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes		471,976	
Federal and foreign income taxes incurred		416,353	
Net income		$ 55,623	

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2019		$ 11,897,561
Net income	$ 55,623	
Change in net unrealized capital gains	2,561	
Change in net deferred income tax	258,330	
Change in surplus as regards policyholders for the year		316,514
Surplus as regards policyholders, December 31, 2020		$ 12,214,075

Reconciliation of Surplus as Regards Policyholders
from December 31, 2015 through December 31, 2020

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2015			$ 13,650,792
Net income	$ 8,133,561	$	
Change in net unrealized capital gains		31,055	
Change in net deferred income tax	342,777		
Dividends to stockholders		9,882,000	
Total gains and losses	$ 8,476,338	$ 9,913,055	
Net decrease in surplus as regards policyholders			(1,436,717)
Surplus as regards policyholders, December 31, 2020			$ 12,214,075

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

Risk and Regulatory Consulting, LLC (RRC) was engaged by the Pennsylvania Insurance Department to perform an actuarial review in conjunction with the risk-focused financial examination of Aegis Group, which included all insurance entities under the group as of December 31, 2020. Based on the analysis performed by RRC, and an additional review performed by a Senior Casualty Actuary from the California Department of Insurance, the Company's December 31, 2020 reserves were determined to be reasonably stated and have been accepted for the purpose of this examination.

(2) Aggregate Write-Ins for Miscellaneous Income

The majority of the captioned account in the amount of $116,798,361 was attributed to the premiums retained by Bail Agents pursuant to the various program manager agreements discussed in the Management Agreements section of this examination report.

SUBSEQUENT EVENTS

Risk-Based Capital Ratio

The Company's Risk-Based Capital (RBC) ratio has fallen to 195.8% as of December 31, 2021, which is below the minimum statutory requirements of 300% and has triggered the Company Action Level Event, pursuant to the California Insurance Code Section (CICS) 739.3(a). The key contributing factor to the change in RBC during 2021 was the result of rapid premium growth in Difference in Condition and Commercial Auto lines of business. On April 15, 2022, the Company submitted an RBC Plan pursuant to the CICS 739.3(d) and it is currently being reviewed by the California Department of Insurance.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

None.

ACKNOWLEDGMENT

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

Respectfully submitted,

Tzuwen Meyer Digitally signed by Tzuwen Meyer
Date: 2022.06.23 07:30:05 -07'00'

Tzuwen Meyer, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

Dillon, Sayaka Digitally signed by Dillon, Sayaka
Date: 2022.06.23 07:20:27 -07'00'

Sayaka Dillon, CFE, CISA
Supervising Insurance Examiner
Department of Insurance
State of California