

REPORT OF EXAMINATION
OF THE
SEAVIEW INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

Filed on June 14, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION.....	1
COMPANY HISTORY:.....	2
Capitalization	2
MANAGEMENT AND CONTROL:	2
Management Agreements.....	4
Non-Affiliated Agreement.....	7
TERRITORY AND PLAN OF OPERATION	7
REINSURANCE	8
FINANCIAL STATEMENTS:	9
Statement of Financial Condition as of December 31, 2015.....	10
Underwriting and Investment Exhibit for the Year Ended December 31, 2015.....	11
Reconciliation of Surplus as Regards Policyholders from December 31, 2012 through December 31, 2015	12
COMMENTS ON FINANCIAL STATEMENT ITEMS:	13
Aggregate Write-ins for Other Than Invested Assets.....	13
Amounts Withheld or Retained by Company for Account of Others	13
Losses and Loss Adjustment Expenses	13
SUBSEQUENT EVENTS	13
SUMMARY OF COMMENTS AND RECOMMENDATIONS	14
ACKNOWLEDGMENT	15

Los Angeles, California
April 28, 2017

Honorable Dave Jones
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) at its home office and the primary location of its books and records, 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 as of December 31, 2012. This examination covers the period from January 1, 2013 through December 31, 2015.

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

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by

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

This examination report includes 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.

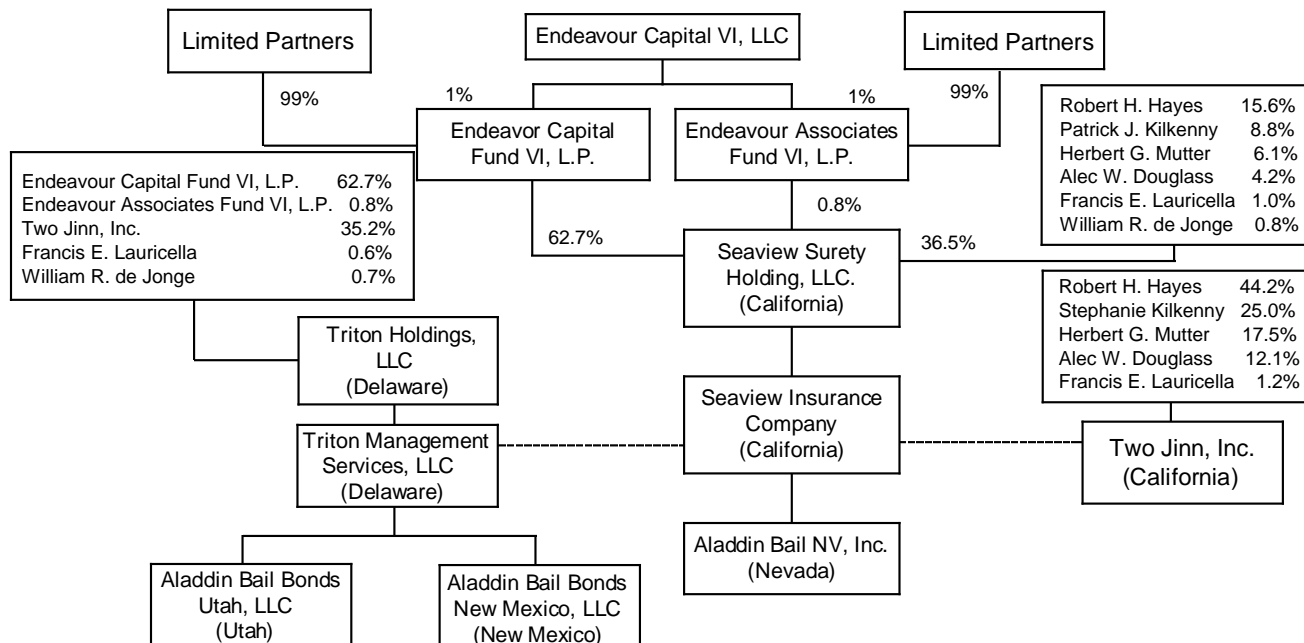
COMPANY HISTORY

Capitalization

As of December 31, 2015, the Company has 867 shares of its \$3,000 par value common stock authorized, issued, and outstanding.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of Seaview Surety Holdings, LLC (SSH). In turn, SSH's majority owner is Endeavour Capital Fund VI, LP, (ECF), a privately owned Investment Firm. ECF is privately owned by limited partners, plus the holding company's ultimate parent, Endeavor Capital Fund VI, LLC. The following abridged organizational chart depicts the Company's relationship within the holding company system. (Ownership is 100% unless otherwise noted.)



The five members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2015:

Directors

Name and Location

Robert H. Hayes
La Jolla, California

Leland M. Jones
Pasadena, California

Patrick J. Kilkenny
Del Mar, California

Principal Business Affiliation

Chief Executive Officer
Two Jinn, Inc.

Managing Director
Endeavour Capital Fund, VI, LLC

President and Chief Executive Officer
Seaview Insurance Company

Francis E. Lauricella, Jr.
San Francisco, California

Chief Financial Officer, Secretary, and
Treasurer
Seaview Insurance Company

Herbert G. Mutter
San Diego, California

Chief Business and Financial Officer
Two Jinn, Inc.

Principal Officers

Name

Title

Patrick J. Kilkenny
Francis E. Lauricella, Jr.

President and Chief Executive Officer
Chief Financial Officer, Secretary, and
Treasurer

Allison M. Sterett

Controller & Assistant Secretary

Management Agreements

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 exclusively appointed TJ as general agent in California 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 (94.65%), while paying the Company a percentage of the premiums (3%) plus applicable premium taxes (2.35%) for bonds issued. The California Department of Insurance (CDI) approved this agreement on October 1, 2012. During the examination period, the Company paid no fees to TJ under this agreement for the years 2013, 2014, and 2015. The apportionment of premium between TJ and the Company under the agreement during the examination period is as follows:

Year	TJ's Premiums	Company's Premiums
2013	\$ 141,683,312	\$ 7,969,078
2014	163,441,563	9,196,422
2015	168,705,435	9,495,252

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 (93.5%), while paying the Company a percentage of the premiums (3%) plus applicable premium taxes (3.5%) for bonds issued. The CDI approved this agreement on March 5, 2014. During the examination period, the Company paid no fees to Aladdin NV under this agreement for the years 2014 and 2015. The apportionment of premium under the agreement between Aladdin NV and the Company during the examination period is as follows:

Year	Aladdin NV's Premiums	Company's Premiums
2014	\$ 616,972	\$ 42,891
2015	2,817,529	195,871

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 (94.65%), while paying the Company a percentage of the premiums (3%) plus applicable premium taxes (2.35%) for bonds issued. The CDI approved this agreement on October 29, 2015. During the examination period, the Company paid no fees to Aladdin UT under this agreement for the 2015 year. The apportionment of premium under the agreement between Aladdin NV and the Company during the examination period is as follows:

Year	Aladdin UT's Premiums	Company's Premiums
2015	\$ 460,952	\$ 26,055

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 CDI approved this agreement on October 15, 2012. During the examination period, the Company paid the following fees to Triton under this agreement: \$8,393, \$8,363, and \$9,006 for the years 2013, 2014, and 2015, respectively.

On November 2, 2015, the Company amended its Administrative Services Agreement with Triton, so that the Company would be granted a limited license 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.

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 fees paid to Triton by the Company under this agreement were immaterial for the years 2013, 2014, and 2015.

Non-Affiliated Agreement

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 the following fees for the 2014 and 2015 years, \$7,071 and \$52,002, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2015, the Company was licensed to write various lines of property and casualty business in the following states:

California	Nevada	Utah
Florida	Oklahoma	Virginia
Idaho	Texas	

Although licensed to write various property and casualty coverages, the Company exclusively writes surety business – bail bonds, and has written this business since

2012. The California business is produced through its affiliate, Two Jinn, Inc. (doing business as: Aladdin Bail Bonds), which is headquartered in Carlsbad, California, and produces business exclusively through its employee bail agents with 49 offices located throughout California.

During the examination period, the Company commenced writing surety business in other states. In May 2014, it began offering surety business in Nevada through its wholly-owned bail agency, Aladdin Bail NV, Inc. In May 2015, the Company was issued a Certificate of Authority by the Utah Department of Insurance authorizing it to write surety business in Utah through its affiliate, Aladdin Bail Bonds Utah, LLC, a bail agency incorporated in the state of Utah. Although the Company has strategically commenced an expansion program into these other states, it still predominantly writes most of its business in California. In 2015, the Company wrote \$9.72 million in direct premiums, with 98% of these premiums written in California.

REINSURANCE

The Company had no reinsurance during the examination period.

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, 2015. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. There were no examination adjustments made to surplus as a result of the examination.

Statement of Financial Condition as of December 31, 2015

Underwriting and Investment Exhibit for the Year Ended December 31, 2015

Reconciliation of Surplus as Regards Policyholders from December 31, 2012
through December 31, 2015

Statement of Financial Condition
as of December 31, 2015

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 9,298,978	\$ 9,298,978	
Common stocks	37,437	37,437	
Cash and short-term investments	4,965,513	4,965,513	
Investment income due and accrued	75,030	75,030	
Premiums and agents' balances in course of collection	778,660	778,660	
Net deferred tax asset	59,977	59,977	
Receivables from parent, subsidiaries and affiliates	43,000	43,000	
Aggregate write-ins for other than invested assets	<u>9,052,824</u>	<u>9,052,824</u>	(1)
Total assets	<u>\$ 24,311,419</u>	<u>\$ 24,311,419</u>	
Liabilities, Surplus and Other Funds			
Losses and loss adjustment expenses		\$ 579,421	(2)
Other expenses		90,593	
Taxes, licenses and fees		173,531	
Federal Income taxes		(8,587)	
Unearned premiums		772,844	
Amounts withheld or retained by company for account of others		<u>9,052,824</u>	(1)
Total liabilities		10,660,626	
Common capital stock	\$ 2,601,000		
Gross paid-in and contributed surplus	2,866,872		
Unassigned funds (surplus)	<u>8,182,921</u>		
Surplus as regards policyholders		<u>13,650,793</u>	
Total liabilities, surplus and other funds		<u>\$ 24,311,419</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2015

Statement of Income

Underwriting Income

Premiums earned	\$ 9,620,304
Deductions:	
Losses and loss expenses incurred	\$ 47,123
Other underwriting expenses incurred	<u>5,309,205</u>
Total underwriting deductions	<u>5,356,328</u>
Net underwriting gain	4,263,976

Investment Income

Net investment income earned	\$ 97,773
Net realized capital loss	<u>(4,842)</u>
Net investment gain	92,931

Other Income

Finance and service charges not included in premiums	\$ 171,983,915
Aggregate write-ins for miscellaneous income	
Premiums retained by Bail Agents	<u>(171,983,915)</u>
Total other income	<u>0</u>
Net income after capital gains tax and before federal and foreign income taxes	4,356,907
Federal and foreign income taxes incurred	<u>1,488,539</u>
Net income	<u>\$ 2,868,368</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2014	\$ 10,759,280
Net income	\$ 2,868,368
Change in net unrealized capital gain	15,953
Change in net deferred income tax	<u>7,192</u>
Change in surplus as regards policyholders for the year	<u>2,891,513</u>
Surplus as regards policyholders, December 31, 2015	<u>\$ 13,650,793</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2012 through December 31, 2015

Surplus as regards policyholders, December 31, 2012		\$ 6,004,301
	<u>Gain in Surplus</u>	
Net income	\$ 7,592,384	
Net unrealized capital gains	36,436	
Change in net deferred income tax	<u>17,672</u>	
Total gains	<u>\$ 7,646,492</u>	
Net increase in surplus as regards policyholders		<u>7,646,492</u>
Surplus as regards policyholders, December 31, 2015		<u>\$ 13,650,793</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Write-ins for Other Than Invested Assets

(1) Amounts Withheld or Retained by Company for Account of Others

As discussed within the management agreement section of this report, the Company, and its affiliates, Two Jinn, Inc., (TJ), Aladdin Bail NV, Inc., (Aladdin NV) and Aladdin Bail Bonds Utah, LLC (Aladdin Utah) are parties to Program Management Agreements, and under the terms of the agreements, TJ, Aladdin NV, and Aladdin Utah deposit into a Contingent Reserve Account (CRA), funds held in trust by the Company for the benefit of the Company as security for TJ's, Aladdin NV's, and Aladdin Utah's obligations to the Company. The CRA is controlled by the Company, and since the funds are held in trust, the Company reports its CRA balance as a matching asset and liability within its financials.

(2) Losses and Loss Adjustment Expenses

Based on the analysis by a Senior Casualty Actuary for the California Department of Insurance, the Company's loss and loss adjustment expense reserves as of December 31, 2015 were found to be reasonably stated and have been accepted for the purposes of this examination.

SUBSEQUENT EVENTS

The Company paid ordinary cash dividends of \$2.85 million and \$2.525 million to its parent, Seaview Surety Holding, LLC on March 29, 2016 and March 30, 2017, respectively.

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,

/S/_____

Edward W. Aros, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California

/S/_____

Vivien Fan, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California