REPORT OF EXAMINATION
OF THE
SEAVIEW INSURANCE COMPANY
AS OF
DECEMBER 31, 2012

Filed August 29, 2013
# TABLE OF CONTENTS

| SCOPE OF EXAMINATION | 1 |
| COMPANY HISTORY | 2 |
| MANAGEMENT AND CONTROL: | 3 |
| Management Agreements | 5 |
| TERRITORY AND PLAN OF OPERATION | 6 |
| REINSURANCE | 6 |
| FINANCIAL STATEMENTS: | 7 |
| Statement of Financial Condition as of December 31, 2012 | 8 |
| Underwriting and Investment Exhibit for the Year Ended December 31, 2012 | 9 |
| Reconciliation of Surplus as Regards Policyholders from December 31, 2008 through December 31, 2012 | 10 |
| COMMENTS ON FINANCIAL STATEMENT ITEMS: | 11 |
| Aggregate Write-ins for Other Than Invested Assets | 11 |
| Losses and Loss Adjustment Expenses | 11 |
| SUMMARY OF COMMENTS AND RECOMMENDATIONS: | 11 |
| Current Report of Examination | 11 |
| Previous Report of Examination | 11 |
| ACKNOWLEDGMENT | 12 |
Los Angeles, California
July 12, 2013

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 located at 1000 Aviara
Parkway, Suite 300, Carlsbad, California 92011.

SCOPE OF EXAMINATION

We have performed our single-state examination of the Company. The previous
examination of the Company was made as of December 31, 2008. This examination
covers the period from January 1, 2009 through December 31, 2012. The examination
was conducted in accordance with the National Association of Insurance
Commissioners' Financial Condition Examiners’ Handbook. The Handbook requires the
planning and performance of the examination to evaluate the Company's financial
condition, to identify prospective risks, and to obtain information about the Company,
including corporate governance, identification and assessment of inherent risks, and the
evaluation of the system controls and procedures used to mitigate those risks. The
examination also included an assessment of the principles used and the significant
estimates made by management, as well as an evaluation of the overall financial
statement presentation, and management’s compliance with Statutory Accounting
Principles and Annual Statement instructions. All accounts and activities of the
Company were considered in accordance with the risk-focused examination process.
In addition to those items specifically commented upon in this report, other phases of the Company’s operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; pensions, stock ownership and insurance plans; growth of company; loss experience; accounts and records; and statutory deposits.

**COMPANY HISTORY**

The Company was a wholly-owned subsidiary of Ulico Holding Company, Inc. (UHC) through December 31, 1996. UHC was a Delaware domiciled property and casualty holding company that owned, in addition to the Company, 100% of Ulico Casualty Company (UCC). UHC was, in turn, owned by ULLICO Inc. (ULLICO), a Maryland domiciled insurance company organized in 1987.

In 1997, UHC was dissolved and the ownership of the Company was transferred to ULLICO. On December 31, 1997, the Company was contributed to UCC. On June 30, 2000, the Company was sold back to ULLICO.

On January 31, 2011, the Company and former parent, ULLICO, executed a stock purchase agreement with Seaview Surety Holding, LLC (Surety) for the sale of the Company which was affected June 30, 2011. The Form A application for this acquisition was approved by the California Department of Insurance (CDI) on May 17, 2011 in accordance with California Insurance Code Section 1215.2.

Effective August 11, 2011, the CDI approved an amendment to the Company’s Articles of Incorporation to change its name from ULICO Standard of America Casualty Company to Seaview Insurance Company.

On August 15, 2012, the CDI approved the acquisition and control of Surety, the Company’s direct parent, by Endeavour Capital Fund VI, LP; Endeavour Associates Fund VI, LP; and Mr. Robert H. Hayes, an individual. In addition to the acquisition and
control filing, on October 15, 2012, the Company made two Form D filings which are discussed in the Management Agreements section. Both agreements were approved by the CDI.

Prior to the purchase of the Company by its current parent, Surety, the CDI approved extraordinary cash dividends of $4 million and $474,000 which were paid to the Company’s former parent, ULLICO in 2009 and 2011, respectively.

On June 30, 2010, the Company received a cash contribution of $2 million from its former parent, ULLICO, in order to meet the minimum capital and surplus requirements.

The Company received an additional cash contribution of $5,000 on June 30, 2011, $50,000 on August 25, 2011, and $20,000 on December 5, 2011, from its parent, Surety, as documented under the caption Surplus Adjustments: Paid-in, in the Reconciliation of Surplus as Regards Policyholders from December 31, 2008 through December 31, 2012 section of this report.

On June 29, 2011, the CDI approved the repurchase of 133 shares of its own $3,000 par value common stock for the amount of $399,000 by the Company. The Company has 867 shares of $3,000 par value common stock authorized, issued and outstanding in the amount of $2,601,000 as of December 31, 2012. The Company has no preferred stock authorized, issued or outstanding.

**MANAGEMENT AND CONTROL**

The Company is a wholly-owned subsidiary of Seaview Surety Holdings, LLC a California holding company. The following abridged organizational chart, which is limited to the Company’s parent along with certain other affiliated companies, depicts the Company’s relationship within the holding company system:
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, 2012:
Directors

Name and Residence                      Principal Business Affiliation

Robert H. Hayes                         Chief Executive Officer
La Jolla, California                    Two Jinn, Inc.

Leland M. Jones                         Managing Director
Pasadena, California                    Endeavour Capital Fund, VI, LLC

Patrick J. Kilkenny                     President and Chief Executive Officer
Del Mar, California                     Seaview Insurance Company

Francis E. Lauricella, Jr.              Chief Financial Officer, Secretary, and
San Francisco, California                Treasurer
                                          Seaview Insurance Company

Herbert G. Mutter                       Chief Business and Financial Officer
San Diego, California                   Two Jinn, Inc.

Principal Officers

Name                                      Title

Patrick J. Kilkenny                      President and Chief Executive Officer
Francis E. Lauricella, Jr.               Chief Financial Officer, Secretary, and
                                          Treasurer

Management Agreements

Program Management Agreement: Effective October 15, 2012, the California Department of Insurance (CDI) approved a new service agreement between the Company and its affiliate, Two Jinn, Inc. (TJ). Under the terms of the agreement, TJ agrees to perform such services as deemed reasonably necessary by the Company in the conduct of its operations. Services will include, but are not limited to, to advertise and solicit applications for bail bonds; receive, evaluate, reject and accept requests for bail services; and calculate and collect premiums for bail bonds. Reimbursement for services provided is on an actual cost basis. During 2012, the expenses paid by the Company to TJ totaled $8,341.
A review of this agreement disclosed that the Manager, TJ, shall deposit funds into a Contingent Reserve Account held in trust by the Company for the benefit of (FBO) the Company. However, it was determined that the funds are being held in an account with the name of “Seaview Insurance Company FBO Two Jinn, Inc.” which is inconsistent with the agreement. It was recommended that Company delete “FBO Two Jinn, Inc.” to bring the account into compliance with the agreement. On June 27, 2013, the Company complied with the recommendation.

Administrative Services Agreement: Effective October 15, 2012, the CDI approved a new service agreement between the Company and its affiliate, Triton Management Services, LLC (Triton). Under the terms of the agreement, Triton provides the Company with financial statement preparation, budget and accounting, payroll, computer programming and other management services. Reimbursement for services provided is on an actual cost basis. During 2012, the Company paid Triton $2,925 for the services provided.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2012, the Company is licensed to write various property and casualty coverages solely in California. The Company writes surety exclusively. The Company’s affiliate, Two Jinn, Inc. is headquartered in Carlsbad and produces business exclusively through its employee bail agents through 47 offices in California. In 2012, the Company wrote $3.9 million of direct premiums.

REINSURANCE

The Company had no reinsurance during the examination period.
FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

- Statement of Financial Condition as of December 31, 2012
- Underwriting and Investment Exhibit for the Year Ended December 31, 2012
- Reconciliation of Surplus as Regards Policyholders from December 31, 2008 through December 31, 2012
**Statement of Financial Condition**  
**as of December 31, 2012**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Ledger and Nonledger Assets</th>
<th>Assets Not Admitted</th>
<th>Net Admitted Assets</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$ 111,576</td>
<td>$ 111,576</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>$ 7,339,556</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>1,507</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums and agents’ balances in course of collection</td>
<td>709,533</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>42,305</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate write-ins for other than invested assets</td>
<td>4,116,277</td>
<td></td>
<td>4,116,277</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 12,320,754</strong></td>
<td>$</td>
<td>$ 12,320,754</td>
<td></td>
</tr>
</tbody>
</table>

**Liabilities, Surplus and Other Funds**

<table>
<thead>
<tr>
<th>Liabilities, Surplus and Other Funds</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses and loss adjustment expenses</td>
<td>$ 44,960 (2)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>37,316</td>
</tr>
<tr>
<td>Taxes, licenses and fees</td>
<td>1,762,141</td>
</tr>
<tr>
<td>Current federal and foreign income taxes</td>
<td>(257,910)</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>613,669</td>
</tr>
<tr>
<td>Amounts withheld or retained by company for account of others</td>
<td>4,116,277</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>6,316,453</td>
</tr>
<tr>
<td>Common capital stock</td>
<td>$ 2,601,000</td>
</tr>
<tr>
<td>Gross paid-in and contributed surplus</td>
<td>2,866,872</td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>536,429</td>
</tr>
<tr>
<td><strong>Surplus as regards policyholders</strong></td>
<td><strong>6,004,301</strong></td>
</tr>
<tr>
<td><strong>Total liabilities, surplus and other funds</strong></td>
<td><strong>$ 12,320,754</strong></td>
</tr>
</tbody>
</table>
Underwriting and Investment Exhibit
for the Year Ended December 31, 2012

Statement of Income

Underwriting Income

Premiums earned $3,379,148

Deductions:

- Losses and loss expenses incurred $44,960
- Other underwriting expenses incurred 2,372,541
  Total underwriting deductions 2,417,501

Net underwriting gain 961,647

Investment Income

Net investment income earned $(2,753)

Net investment loss (2,753)

Other Income

Finance and service charges not included in premiums $70,991,918
Aggregate write-ins for miscellaneous income (70,991,918)
Total other income 0

Net income before federal income taxes 958,894
Federal income taxes incurred 313,090
Net income $645,804

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2011 $5,316,192

Net income $645,804
Change in net deferred income tax 42,305
Change in surplus as regards policyholders for the year 688,109

Surplus as regards policyholders, December 31, 2012 $6,004,301
Reconciliation of Surplus as Regards Policyholders  
from December 31, 2008 through December 31, 2012

Surplus as regards policyholders,  
December 31, 2008 per Examination $ 7,246,522

<table>
<thead>
<tr>
<th>Gain in Surplus</th>
<th>Loss in Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$ 1,800,462</td>
</tr>
<tr>
<td>Change in net deferred income tax</td>
<td>$ 825,133</td>
</tr>
<tr>
<td>Change in net admitted assets</td>
<td>$ 580,440</td>
</tr>
<tr>
<td>Capital Changes transferred to surplus</td>
<td>$ 399,000</td>
</tr>
<tr>
<td>Surplus adjustments: Paid-in</td>
<td>$ 2,075,000</td>
</tr>
<tr>
<td>Dividends to stockholders</td>
<td>$ 4,473,990</td>
</tr>
<tr>
<td>Total gains and losses</td>
<td>$ 4,455,902</td>
</tr>
</tbody>
</table>

Net decrease in surplus as regards policyholders (1,242,221)

Surplus as regards policyholders,  
December 31, 2012, per Examination $ 6,004,301
COMMENTS ON FINANCIAL STATEMENT ITEMS

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

The Program Management Agreement states that the Manager, Two Jinn, Inc., (TJ) shall 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 obligations to the Company. The CRA is controlled by the Company. All funds in the CRA shall be held in trust by the Company, for the benefit of the Company to pay losses under this agreement.

(2) Losses and Loss Adjustment Expenses

The December 31, 2012 loss and loss adjustment expense reserves were evaluated by a Casualty Actuary from the California Department of Insurance. Based on the analysis performed, the Company’s reserves for losses and loss adjustment expenses were deemed reasonable.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Management and Control – Consolidated Tax Allocation Agreement (Page 5): It was recommended the Company (Ulico Standard of America Casualty Company) submit the amended agreement to the California Department of Insurance for approval pursuant to California Insurance Code Section 1215.5(b)(4). The Company has since been sold to Seaview Surety Holdings, LLC.
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/_

Thomas Podsiadlo, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California