

REPORT OF EXAMINATION  
OF THE  
CALIFORNIA CAPITAL INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2024

*Commissioners Signature*

A handwritten signature in blue ink, appearing to read "D. DeLa", is positioned to the right of the "Commissioners Signature" text.

Filed on May 21, 2026

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Sacramento, California  
April 30, 2026

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 915 Highland Point Dr, Suite 100, Roseville, California 95678.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2019. This examination covered the period from January 1, 2020 through December 31, 2024.

This 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 includes 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 Department of Insurance and Financial Services 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, a subgroup of this coordinated examination, which 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

### 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, 2024, there were 190,000 shares issued and outstanding.

## MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which Auto-Owners Insurance Company is the ultimate controlling entity. The following abridged organizational chart depicts the inter-relationship of the companies as of December 31, 2024 (all ownership is 100%):

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)  
 Atlantic Casualty Insurance Company (North Carolina)  
 Auto-Owners Specialty Insurance Company (Delaware)  
 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)<sup>(\*)</sup>  
 Green Mountain Insurance Company, Inc. (Vermont)  
 Vermont Accident Insurance Company, Inc. (Vermont)  
 State Mutual Insurance Company (Maine)  
 Sunapee Mutual Fire Insurance Company (New Hampshire)

*(\*) Concord General Mutual Insurance Company and its subsidiaries are affiliated with Auto-Owners Insurance Company through an affiliate board of directors only.*

The five members of the board of directors, who are elected annually, oversee the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2024:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Andrew J. Doll Reno, Nevada	President and Chief Executive Officer Capital Insurance Group
Brandi E. Holly Lansing, Michigan	Senior Vice President Affiliate Integrations and Branch Underwriting Auto-Owners Insurance Company
Andrea L. Lindemeyer DeWitt, Michigan	Executive Vice President Underwriting, HR, Affiliate Integration Auto-Owners Insurance Company
Jamie P. Whisnant East Lansing, Michigan	Executive Chief Executive Officer Auto-Owners Insurance Company

### Directors (continued)

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
William F. Woodbury DeWitt, Michigan	Executive Legal General Counsel Auto-Owners Insurance Company

### Principal Officers

<u>Name</u>	<u>Title</u>
Andrew Doll	President and Chief Executive Officer
Robert Zic	Chief Financial Officer and Treasurer
William Woodbury	Secretary

### Management Agreements

Management Agreement: Effective January 1, 2002, the Company entered into a Management Agreement (Agreement) with its subsidiaries, Eagle West Insurance Company (EWIC), Monterey Insurance Company (MIC), and Nevada Capital Insurance Company (NCIC). The Agreement was 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 Agreement, the Company provides sales, reinsurance, underwriting, premium billing and collection, data processing, claims and policy payments, personnel, and other general administrative services to EWIC, MIC, and NCIC. The underwriting results are allocated per the pooling percentages, to the Company 61%, EWIC 16%, MIC 11%, and NCIC 12%.

Administrative Services Agreement: Effective May 22, 2019, the Company, EWIC, MIC, NCIC, and Auto-Owners Insurance Company (Auto-Owners) entered into an Administrative Services Agreement (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 within the Auto-Owners Group. General operating expenses shall be limited to actual cost without a profit factor built into cost.

Effective May 22, 2020, Article II, Cost of Administrative Services Methodology, of the Agreement was amended to allocate the general expenses by actual resource allocation utilized 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. The total amount incurred by the Company under the agreement were: \$352,564 for 2020, \$653,481 for 2021, \$862,869 for 2022, \$1,385,115 for 2023, and \$1,262,572 for 2024.

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. 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 1215.5(b)(4). The CDI issued a non-disapproval on May 24, 2019. The total amount of the federal income tax incurred by the Company under the agreement were: \$6,006,976 for 2020, \$4,469,420 for 2021, \$8,288,050 for 2022, \$8,077,161 for 2023, and \$2,180,069 for 2024.

## CORPORATE RECORDS

### Report of Examination

California Insurance Code (CIC) Section 735 states that the Company must inform the board members of the receipt of the Report of Examination, both in the form first formally prepared by the examiners and in the form as finally settled and officially filed by the Insurance Commissioner and enter that fact in the board minutes. A review of the board meeting minutes did not reflect any communication on the receipt, both in first formally prepared and the final filed 2019 exam report of the Company. It is recommended that the Company implement procedures to ensure compliance with CIC Section 735.

### Board Approval of Investments

CIC Section 1200 states that an excess funds investment shall not be made unless authorized or approved by the directors of the investor or by a committee thereof charged with the duty of supervising or making such investment. Such authorization or approval shall be entered upon the records or minutes of the investor and, if made upon authority of such a committee, a report shall be submitted to the directors at their next meeting. In addition, CIC Section 1201 states that the entry of approval shall show:

- a. The fact of making such investment
- b. The amount thereof
- c. The name of each director voting to approve the investment
- d. The amount, character and value of the security purchased or taken as collateral
- e. If the investment is a loan, the name of the borrower, the rate of interest thereon and the due date thereof.

During the review of the minutes, it was observed that the board's action regarding the authorization and approval of investments did not comply with the requirements of CIC Sections 1200 and 1201. The investment authorization or approval were not entered upon the records or minutes in accordance with CIC Section 1200 and did not reflect the information as required by CIC Section 1201. It is recommended that the Company implement procedures to ensure compliance with CIC Sections 1200 and 1201.

## TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, the Company was licensed to transact property and casualty insurance business in Arizona, California, Idaho, Montana, and Nevada. The Company was also an accredited reinsurer in Oregon.

During 2024, the Company reported total direct premiums written of \$432.9 million, all of which were written in California. The Company's primary lines of business were commercial multiple peril (44.3%), homeowners multiple peril (15.6%), fire (9.8%), other private passenger automobile liability (9.7%), and private passenger automobile physical damage (5.7%). The remaining 14.9% is comprised of allied lines, farmowners multiple peril, inland marine, earthquake, other liability occurrence, other liability claims-made, other commercial automobile liability, commercial automobile physical damage, burglary and theft, and boiler and machinery.

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, Idaho, New Mexico, Oregon, Utah, and Washington.

Business is marketed directly and distributed through 421 independent agents. The Company has branch offices located in Bakersfield, Monterey, and Roseville, 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 July 18, 2022, CIG filed Amendment 7 with the California Department of Insurance (CDI) with an effective date of January 1, 2022, to restate the pooling percentages to those in effect under Amendment 2, in which all net written premiums, losses, loss adjustment expenses, and most underwriting expenses of the companies are pooled and shared proportionately. Investment expenses and expenses pertaining to corporate matters are excluded from the agreement. On August 28, 2022, the CDI approved Amendment 7 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:

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

### Assumed

Effective July 1, 2004, the Company and State National Insurance Company, Inc. (SNIC) entered into a quota share reinsurance agreement. As of December 31, 2024, the Company reported \$83,698 of assumed premium under SNIC. Under the terms of the

agreement, the Company 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:

<u>Line of Business</u>	<u>Policy Limits</u>
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

Reinsurance Agreement: Effective September 1, 2019, CIG and Auto-Owners Insurance Company (Auto-Owners) entered into a Reinsurance Agreement (Agreement) whereby Auto-Owners provides Property and Liability Per Risk Per Loss Occurrence Coverage, and Property Catastrophic Excess of Loss Per Occurrence Coverage. The Agreement is updated annually to incorporate any modification to the term and changes to the retention and rate.

On November 3, 2023, the CDI approved Amendment 2 to the Agreement pursuant to CIC Section 1215.5(b)(4) with revisions to CIG’s retention and coverage effective January 1, 2024, as follows:

- a. \$2 million per risk in any one property loss occurrence, limited to five maximums retained losses by CIG within the calendar year
- b. \$2 million per risk in any one liability loss occurrence, limited to five maximums retained losses by CIG within the calendar year
- c. \$13 million per property catastrophe loss occurrence with a \$400 million aggregate with one reinstatement, limited to two maximums retained losses by CIG within the calendar year

After the number of maximums have been reached, all future losses exceeding the maximums are ceded one hundred percent to Auto-Owners.

Property Catastrophe Excess of Loss: Effective June 1, 2024, the collective referred to as the Auto-Owners Insurance Group entered an agreement with Subscribing Reinsurers to cover Property Catastrophe Excess of Loss. The agreement details three additional layers of coverage as follows:

	<u>First Excess</u>	<u>Second Excess</u>	<u>Third Excess</u>
Company Retention	\$700,000,000	\$1,200,000,000	\$1,900,000,000
Reinsurer's Per Occurrence Limit	\$500,000,000	\$700,000,000	\$250,000,000
Reinsurer's Contract Year Limit	\$1,000,000,000	\$1,400,000,000	\$500,000,000

On October 14, 2024, CIG filed Amendment 3 with an effective date of January 1, 2025, to increase the retention per risk property and liability loss occurrence to \$3 million, and the retention per property catastrophe loss occurrence to \$15 million with no changes to the maximum retained losses within the calendar year. This amendment was approved by the CDI on December 4, 2024, pursuant to CIC Section 1215.5(b)(4).

On October 9, 2025, CIG filed Amendment 4 with an effective date of January 1, 2026, to maintain the retention per risk property and liability loss occurrence at \$3 million and increase the retention per property catastrophe loss occurrence to \$17.5 million with no changes to the maximums retained losses within the calendar year.

CIG is covered under Auto-Owner's Group Catastrophe Property Catastrophe Excess of Loss reinsurance program, which provides up to \$1.9 billion coverage in excess of \$400 million to all its members.

## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance for the period ending December 31, 2024. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. No adjustments were made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2024

Underwriting and Investment Exhibit for the Year Ended December 31, 2024

Reconciliation of Surplus as Regards Policyholders from December 31, 2019 through December 31, 2024

Statement of Financial Condition  
as of December 31, 2024

<u>Assets</u>	<u>Ledger and Nonledger</u>	<u>Assets Not</u>	<u>Net Admitted</u>	<u>Notes</u>
	<u>Assets</u>	<u>Admitted</u>	<u>Assets</u>	
Bonds	\$ 624,491,796	\$	\$ 624,491,796	
Preferred stocks	1,806,000		1,806,000	
Common stocks	195,614,140		195,614,140	
Cash and cash equivalents	81,251,847		81,251,847	
Other invested assets	3,175,294		3,175,294	
Receivable for securities	95,329		95,329	
Investment income due and accrued	4,805,175		4,805,175	
Uncollected premiums and agents' balances in course of collection	13,455,694	263,088	13,192,606	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	52,476,867		52,476,867	
Amount recoverable from reinsurers	11,221,203		11,221,203	
Net deferred tax asset	25,053,224	8,456,974	16,596,249	
Electronic data processing equipment and software	4,276,729	3,453,815	822,915	
Furniture and equipment	36,016	36,016	0	
Aggregate write-ins for other than invested assets	17,883,647	3,770,992	14,112,655	
	<u>\$ 1,035,642,961</u>	<u>\$ 15,980,885</u>	<u>\$ 1,019,662,076</u>	

Liabilities, Surplus and Other Funds

			<u>Notes</u>
Losses		\$ 274,974,156	(1)
Reinsurance payable and loss adjustment expenses		4,376,269	
Loss adjustment expenses		66,737,202	(1)
Commissions payable, contingent commissions and other similar charges		6,318,584	
Other expenses		5,370,322	
Taxes, licenses and fees		2,831,987	
Current federal and foreign income taxes		3,067,682	
Unearned premiums		193,493,345	
Advance premiums		1,530,702	
Ceded reinsurance premiums payable		2,476,483	
Amounts withheld or retained by company for account of others		677,711	
Payable to parent, subsidiaries and affiliates		8,658,309	
Aggregate write-ins for liabilities		1,575,609	
		<u>572,088,361</u>	
Total liabilities			
Aggregate write-ins for special surplus funds	\$ (2,856,227)		
Common capital stock	2,660,000		
Gross paid-in and contributed surplus	184,634,420		
Unassigned funds (surplus)	263,135,522		
		<u>\$ 447,573,715</u>	
Surplus as regards policyholders			
Total liabilities, surplus and other funds		<u>\$ 1,019,662,076</u>	

Underwriting and Investment Exhibit  
for the Year Ended December 31, 2024

Statement of Income

Underwriting Income

Premiums earned		\$ 350,165,445
Deductions:		
Losses incurred	\$ 200,284,733	
Loss adjustment expenses incurred	40,461,392	
Other underwriting expenses incurred	<u>111,920,364</u>	
Total underwriting deductions		<u>352,666,489</u>
Net underwriting loss		(2,501,044)
<u>Investment Income</u>		
Net investment income earned	\$ 25,278,914	
Net realized capital losses	<u>(639,844)</u>	
Net investment gain		24,639,070
<u>Other income</u>		
Net loss from agent's or premium balances charged off	\$ (248,164)	
Finance and service charges not included in premiums	762,819	
Aggregate write-ins for miscellaneous income	<u>(629,999)</u>	
Total other income		<u>(115,344)</u>
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		22,022,682
Federal and foreign income taxes incurred		<u>2,180,069</u>
Net income		<u>\$ 19,842,613</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2023		\$ 411,086,103
Net income	\$ 19,842,613	
Change in net unrealized capital gains	14,384,154	
Change in net deferred income tax	(1,702,011)	
Change in nonadmitted assets	1,048,196	
Change in provision for reinsurance	<u>2,914,660</u>	
Change in surplus as regards policyholders for the year		<u>36,487,612</u>
Surplus as regards policyholders, December 31, 2024		<u>\$ 447,573,715</u>

Reconciliation of Surplus as Regards to Policyholders  
from December 31, 2019 through December 31, 2024

Surplus as regards policyholders, December 31, 2019			\$ 291,907,825
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 74,718,159	\$	
Change in unrealized capital gains	62,963,809		
Change in net deferred income tax		3,324,456	
Change in nonadmitted assets	20,225,640		
Change in provision for reinsurance	<u>1,082,738</u>		
Total gains and losses	<u>\$ 158,990,346</u>	<u>\$ 3,324,456</u>	
Net increase in surplus as regards policyholders			<u>155,665,890</u>
Surplus as regards policyholders, December 31, 2024			<u>\$ 447,573,715</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Losses and Loss Adjustment Expenses

A Senior Casualty Actuary from the California Department of Insurance reviewed the actuarial work prepared by the lead state's consulting actuary, Taylor & Mulder, and concurred that the Company's loss and loss adjustment expense reserves as of December 31, 2024 were reasonable and have been accepted for the purpose of this examination.

### SUBSEQUENT EVENTS

In January 2025, a series of destructive Southern California wildfires swept through the Los Angeles metropolitan area. Most of the damage was centered in two locations: the Palisades Fire in Pacific Palisades and the Eaton Fire in Altadena. More than 37,000 acres of land was burned in these collective fires with the dollar impact of the property damage estimated to be in the billions.

The Southern California wildfires resulted in \$7 million in direct losses to the insurers within the Capital Insurance Group (CIG). Additionally, the three California companies are participants of the California Fair Plan Association, in which CIG was assessed approximately \$15 million of the losses from these wildfires. These losses did not have a significant impact on CIG and the group's surplus remained strong as of December 31, 2025.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Corporate Records – Report of Examination (Page 6): It is recommended that the Company implement procedures to ensure compliance with California Insurance Code (CIC) Section 735.

Corporate Records – Board Approval of Investments (Page 6): It is recommended that the Company implement procedures to ensure compliance with CIC Sections 1200 and 1201.

### 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,

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Emilie Brady, CFE  
Examiner-In-Charge  
Noble Consulting Services

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