

REPORT OF EXAMINATION  
OF THE  
RED VIKING INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2008

Filed December 22, 2009

## TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION .....	1
SUBSEQUENT EVENTS .....	2
COMPANY HISTORY .....	2
MANAGEMENT AND CONTROL: .....	2
Management Agreements .....	4
TERRITORY AND PLAN OF OPERATION .....	5
REINSURANCE: .....	5
Assumed .....	5
Ceded .....	5
ACCOUNTS AND RECORDS .....	5
FINANCIAL STATEMENTS: .....	6
Statement of Financial Condition as of December 31, 2008 .....	7
Underwriting and Investment Exhibit for the Year Ended December 31, 2008 .....	8
Reconciliation of Surplus as Regards Policyholders from February 5, 2008 through December 31, 2008 .....	9
COMMENTS ON FINANCIAL STATEMENT ITEMS: .....	10
Bonds and Common Stocks .....	10
SUMMARY OF COMMENTS AND RECOMMENDATIONS: .....	10
Current Report of Examination .....	10
Previous Report of Examination .....	11
ACKNOWLEDGEMENT .....	12

Los Angeles, California  
November 20, 2009

Honorable Steve Poizner  
Insurance Commissioner  
California Department of Insurance  
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

**RED VIKING INSURANCE COMPANY**

(hereinafter also referred to as the Company) at the Company's statutory home office and administrative office located at 30401 Agoura Road, Suite 101, Agoura Hills, California 91301.

**SCOPE OF EXAMINATION**

The previous examination of the Company was made as of December 31, 2005. This examination covers the period from January 1, 2006 through December 31, 2008. On February 5, 2008, Odin Holding Corporation acquired 100% ownership of Washington Mutual Life Insurance Company of California (the prior name of the Company). The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities as of December 31, 2008, as deemed necessary under the circumstances.

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; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; loss experience; and sales and advertising.

## SUBSEQUENT EVENTS

On November 16, 2009, the Company filed an application to withdraw as an insurer from the State of California and cease to operate as an insurer. Odin Holding Corporation will assume all of the liabilities, losses and obligations of the Company. The application is currently being reviewed by the California Department of Insurance.

## COMPANY HISTORY

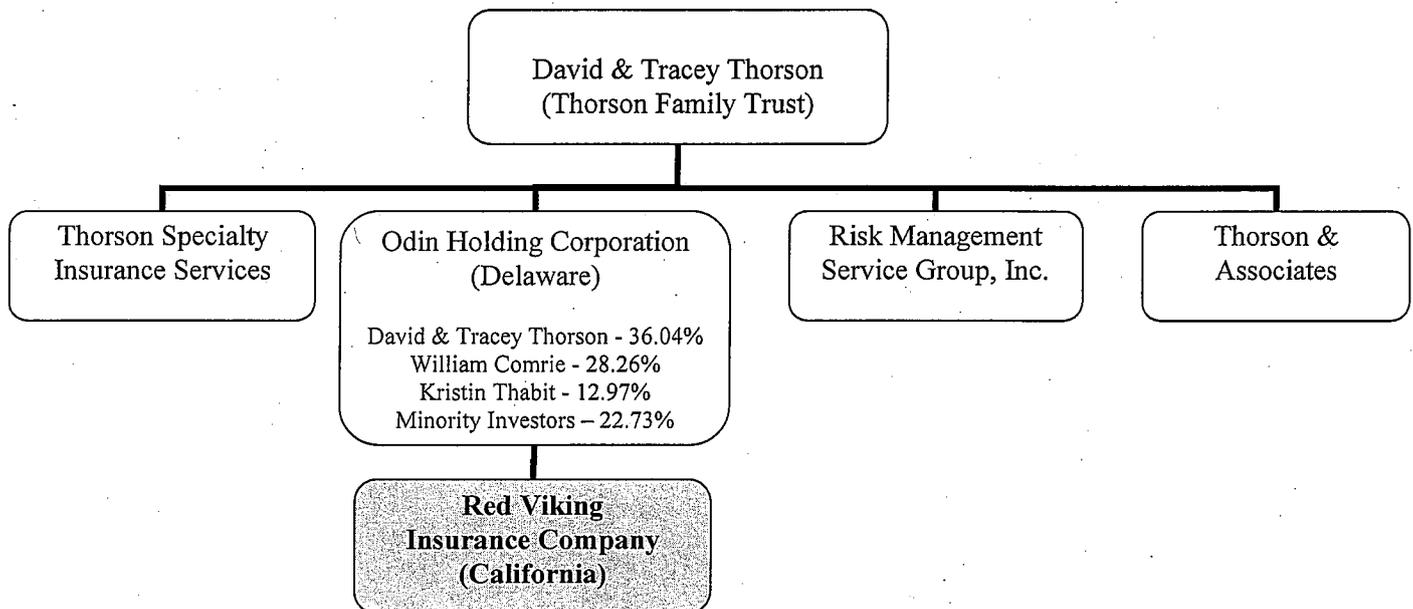
The Company was formerly known as Washington Mutual Life Insurance Company of California (WMLIC), and was incorporated on April 27, 2000. WMLC never issued any policies. Effective January 24, 2008, WMLIC changed its name to Red Viking Insurance Company and the State of California issued a new Certificate of Authority changing the licensing from a life and health insurer to a property and casualty insurer. Odin Holding Corporation (Odin) acquired 100% ownership of WMLIC from Marion Holdings, Inc., and the acquisition process was finalized on February 5, 2008. The Company maintained the same National Association of Insurance Commissioners' company code of 11594.

The Company is authorized to issue 1,000,000 shares of common stock, with a par value of \$100 per share. The Company has issued 26,000 shares, all of which are owned by Odin. The original contribution was \$10,240,000 (\$2,600,000 of common stock and \$7,640,000 in additional paid-in capital). Subsequent to the original capital contribution, the Company received an additional capital contribution of \$225,000 in 2008 from Odin.

## MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system and is a wholly-owned subsidiary of Odin Holding Corporation (Odin). As of December 31, 2008, the primary investors of Odin are David C. Thorson and Tracey L. Thorson (36.04%), William H. Comrie (28.26%), and

Kristin G. Thabit (12.97%). The remaining interest (22.73%) is held by minority investors. The following organizational chart depicts the Company's relationship within the holding company system. Each company is owned 100% except as otherwise indicated:



Management of the Company is vested in a three-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2008 follows:

#### Directors

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William H. Comrie Newport Beach, California	Chairman and Chief Executive Officer The Brick Warehouse Corporation
R. Ray Pate, Jr. Birmingham, Alabama	Executive Vice President BMS Intermediaries, Inc.
David C. Thorson Thousand Oaks, California	President and Chief Executive Officer Red Viking Insurance Company

## Principal Officers

<u>Name</u>	<u>Title</u>
David C. Thorson	President and Chief Executive Officer
Tracey L. Thorson	Treasurer and Chief Financial Officer
Kristin G. Thabit	Secretary

## Management Agreements

Service Agreement: Effective December 1, 2006, the Company, Odin Holding Corporation (Odin), its parent, and Thorson Specialty Insurance Services, Inc. (TSI), an affiliate, entered into a Service Agreement in anticipation of the acquisition of Washington Mutual Life Insurance Company of California from Marion Holdings, Inc. Under the terms of the agreement, TSI provides the Company with administrative services for a monthly fee of \$3,700. This agreement was not filed with the California Department of Insurance (CDI) for approval. During 2008, the Company paid TSI \$14,800 for services provided. It is recommended that this agreement be submitted to the CDI for approval in accordance with the California Insurance Code (CIC) Section 1215.5 (b)(4).

Service Agreement: Effective January 1, 2008, the Company, Odin, and TSI entered into a Service Agreement. Under the terms of the agreement, TSI provides the Company with accounting services for a monthly fee of \$3,300. This agreement has not been filed with the CDI for approval. It is recommended that this agreement be submitted to the CDI for approval in accordance with CIC Section 1215.5 (b)(4).

Tax Allocation Agreement: Subsequent to the 2008 Annual Statement filing, the Company and Odin filed a 2008 consolidated federal income tax return. The Company's reported tax liability is calculated as if it had filed on a stand alone basis. The Company does not have a tax allocation agreement in place allowing for the filing of a consolidated tax return with Odin. It is recommended that the Company prepare a tax allocation agreement, record income tax transactions, and make the appropriate disclosures in the Annual Statement in accordance with Statements of Statutory

Accounting Principles No. 10, paragraphs 12 and 23. It is also recommended the Company submit a tax allocation agreement to the CDI for approval as required by CIC Section 1215.5(b)(4).

### TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company is authorized to write liability and miscellaneous coverage solely in the State of California. The Company planned to write mortgage misrepresentation insurance. However, due to the current housing market conditions, the Company has been unable to implement this business plan.

### REINSURANCE

#### Assumed

The Company has no assumed reinsurance.

#### Ceded

Effective January 1, 2008, the Company entered into a 50% quota share reinsurance agreement with Harco National Insurance Company covering mortgage misrepresentation insurance. However, the Company has not ceded any reinsurance since no policies have been written by the Company.

### ACCOUNTS AND RECORDS

A review of the 2008 Annual Statement, Schedule Y, Part 1 and Part 2 disclosed that the Company did not report relationships and transactions with all affiliates, as required by the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions. It is recommended

the Company comply with the NAIC Annual Statement Instructions and disclose all required relationships and transactions with affiliates.

A review of subsequent transactions indicated that the Company paid \$39,996 in March 2009 for services provided by Thorson Specialty Insurance Services, Inc. (TSI), an affiliate, in 2008 under a service agreement. The Company did not report a liability for the amount owed to TSI on the December 31, 2008 Annual Statement. Due to the immateriality of the amount, no examination adjustment was made. It is recommended the Company comply with the NAIC Annual Statement Instructions and Statements of Statutory Accounting Principles No. 5 and record accrued liabilities.

### FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2008

Underwriting and Investment Exhibit for the Year Ended December 31, 2008

Reconciliation of Surplus as Regards Policyholders  
from February 5, 2008 through December 31, 2008

Statement of Financial Condition  
as of December 31, 2008

<u>Assets</u>	<u>Ledger and Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 7,550,382		\$ 7,550,382	(1)
Stocks:				
Common stocks	2,345,995		2,345,995	(1)
Cash and short-term investments	53,337		53,337	
Investment income due and accrued	120,251		120,251	
Net deferred tax asset	89,433	89,433		
Aggregate write-ins for other than invested assets	<u>157,438</u>	<u>157,438</u>		
 Total assets	 <u>\$ 10,316,836</u>	 <u>\$ 246,871</u>	 <u>\$ 10,069,965</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Other expenses			\$ <u>18,500</u>	
Total liabilities			18,500	
Common capital stock		\$ 2,600,000		
Gross paid-in and contributed surplus		7,865,000		
Unassigned funds (surplus)		<u>(413,535)</u>		
Surplus as regards policyholders			<u>10,051,465</u>	
Total liabilities, surplus and other funds			<u>\$ 10,069,965</u>	

Underwriting and Investment Exhibit  
for the Year Ended December 31, 2008

Statement of Income

Underwriting Income

Premiums Earned		\$ 0
Deductions:		
Other underwriting expenses incurred	\$ 438,722	
Total underwriting deductions		<u>\$ 438,722</u>
Net underwriting loss		(438,722)

Investment Income

Net investment income earned	\$ 309,725	
Net realized capital losses	<u>(127,100)</u>	
Net investment gain		<u>182,625</u>
Net loss		<u>\$ (256,097)</u>

Capital and Surplus Account

Surplus as regards policyholders, February 5, 2008		\$ 10,240,000
Net loss	\$ (256,097)	
Change in net deferred income tax	89,433	
Change in non-admitted assets	(246,871)	
Surplus adjustments:		
Paid in	<u>225,000</u>	
Change in surplus as regards policyholders for the year		<u>(188,535)</u>
Surplus as regards policyholders, December 31, 2008		<u>\$ 10,051,465</u>

Reconciliation of Surplus as Regards Policyholders  
from February 5, 2008 through December 31, 2008

Surplus as regards policyholders, February 5, 2008, at acquisition, per Company			\$ 10,240,000
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net loss	\$	\$ 256,097	
Change in net deferred income tax	89,433		
Change in nonadmitted assets		246,871	
Surplus adjustment: Paid in	<u>225,000</u>		
Totals	<u>\$ 314,433</u>	<u>\$ 502,968</u>	
Net decrease in surplus as regards policyholders			<u>(188,535)</u>
Surplus as regards policyholders, December 31, 2008, per Examination			<u>\$ 10,051,465</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Bonds and Common Stocks

As of December 31, 2008, the Company's investment in bonds and common stocks of \$9.9 million (98% of total assets) were held by Mellon Trust of California, a qualified custodian. The bonds and common stocks balances were verified by direct confirmation from Mellon Trust of California, and were held free and clear of any encumbrances.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Management and Control – Service Agreement (Page 4): It is recommended that the Company comply with California Insurance Code (CIC) Section 1215.5 (b)(4) and submit the administrative service agreement with affiliates to the California Department of Insurance (CDI) for approval. It is also recommended that the Company comply with CIC Section 1215.5 (b)(4) and submit the accounting service agreement with affiliates to the CDI for approval.

Management and Control – Tax Allocation Agreement (Page 4): It is recommended that the Company prepare a tax allocation agreement, record income tax transactions, and make the appropriate disclosures in the Annual Statement in accordance with Statements of Statutory Accounting Principles No. 10, paragraphs 12 and 23. It is also recommended the Company submit a tax allocation agreement to the CDI for approval as required by CIC Section 1215.5(b)(4).

Accounts and Records (Page 5): It is recommended that the Company comply with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions and disclose all required relationships and transactions with affiliates. It is also recommended the Company comply

with the NAIC Annual Statement Instructions and Statements of Statutory Accounting Principles No. 5 and record accrued liabilities.

Previous Report of Examination

No previous examination.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Company's officers and affiliated employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

/S/

Sayaka T. Dillon, CFE  
Examiner-In-Charge  
Associate Insurance Examiner  
Department of Insurance  
State of California