

REPORT OF EXAMINATION  
OF THE  
WASHINGTON MUTUAL LIFE INSURANCE  
COMPANY OF CALIFORNIA,  
A STOCK INSURER  
  
AS OF  
DECEMBER 31, 2005

Filed May 15, 2007

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Los Angeles, California  
February 9, 2007

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

WASHINGTON MUTUAL LIFE INSURANCE COMPANY OF CALIFORNIA,  
A STOCK INSURER

(hereinafter also referred to as the Company). The Company's statutory home office and administrative office is located at 17861 Von Karman Avenue, Irvine, California 92614.

SCOPE OF EXAMINATION

This examination covers the period from November 26, 2002, the date of the Company's qualifying examination, through December 31, 2005. 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, 2005, 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: fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; mortality and loss experience; accounts and records; and sales and advertising.

## COMPANY HISTORY

The Company was incorporated under the laws of the State of California on April 27, 2000. The Company was issued a Certificate of Authority by the California Department of Insurance permitting it to transact life and disability business. The Company was formed to reinsure credit life and disability, mortgage life and disability and mortgage accidental death insurance coverages of Washington Mutual, Inc. (ultimate parent) and its subsidiaries within California.

On August 8, 2000, the Company filed with the Insurance Commissioner of the State of California its application for a permit authorizing it to sell and issue twenty-six thousand (26,000) shares of capital stock at a par value of one hundred dollars (\$100) per share to Marion Holdings, Inc. at a price of \$384.62 per share, for an aggregate cash consideration of \$10,000,120. The purpose of the sale and issuance was to capitalize the Company in order to receive a Certificate of Authority to transact life, disability, and liability insurance business in California. As of December 31, 2005, the Company's status remains inactive and it has no contracts or insurance policies in-force.

## MANAGEMENT AND CONTROL

As of December 31, 2005, the Company was a wholly-owned subsidiary of Marion Holdings, Inc., a California corporation. The ultimate controlling parent was Washington Mutual, Inc., a Washington corporation.

The following abridged organizational chart depicts the Company's relative position within the holding company system as of December 31, 2005:



In an internal reorganization finalized on January 1, 2007 and disclosed during the examination, Marion Holdings, Inc. was converted to WM Marion Holdings LLC and became a subsidiary of Seneca Holdings, Inc. Seneca Holdings, Inc. is a subsidiary of Washington Mutual Bank, which in turn is a subsidiary of New American Capital, Inc. (NACI). NACI is a wholly-owned subsidiary of Washington Mutual, Inc. The ultimate parent of the Company remains Washington Mutual, Inc. and all ownership remains 100% within the holding company structure.

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, 2005 follows:

## Directors

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Fay L. Chapman Seattle, Washington	Senior Executive Vice President and General Counsel Washington Mutual, Inc.
Carl A. Formato Irvine, California	Senior Vice President, Washington Mutual Life Insurance Company of California, a Stock Insurer
William A. Longbrake Seattle, Washington	Vice Chairman, Washington Mutual, Inc.

## Principal Officers

<u>Name</u>	<u>Title</u>
Anthony T. Meola *	President
Curtis L. Brouwer	Senior Vice President
Carl A. Formato	Senior Vice President
Gregory J. Nelson	First Vice President
Laurie K. Hanson	First Vice President
Leslie A. Harrison	First Vice President and Secretary
Gary T. Fagg	Actuary

\* Mr. Meola resigned as President on May 1, 2006 and was replaced by Mr. Michael R. Zarro who resigned November 28, 2006. The President of the Company as of November 28, 2006 is Mr. Jake D. Domer.

## Management Agreements

Administrative Services Agreement: Effective January 27, 2003, the Company entered into an administrative service agreement with its affiliate Washington Mutual Bank, FA (WMB). Under the terms of the agreement, WMB provides the Company with insurance administration and management support services. As compensation, the services are made available to the Company on a cost allocation/reimbursement basis. This agreement was approved by the California Department of Insurance (CDOI) on January 24, 2003. Since the Company has not produced any business

during the examination period, there were no fees charged under this agreement. WMB has agreed to waive all fees, costs, charges and compensation otherwise payable or reimbursable under the terms of this agreement.

Insurance Management Agreement: On January 27, 2003, the Company entered into an insurance management agreement with Marsh Management Services, Inc. (MMS). Under the terms of this agreement, MMS provides actuarial services, analysis of insurance and reinsurance programs, and acts as a referral agency to the Company. MMS also prepares all quarterly and annual financial statements. In 2003, 2004 and 2005, the Company paid MMS \$18,245, \$28,630 and \$28,430, respectively, for services rendered under this agreement.

Investment Management Agreement: Subsequent to the examination date, the Company entered into an investment management agreement with its affiliate, Washington Mutual Bank (WMB). Under the terms of this agreement, WMB has full discretion to purchase and sell securities pursuant to the investment guidelines and policies adopted by the Company. Services provided by WMB are on an actual cost allocation/reimbursement basis. The agreement was approved by the CDOI on July 19, 2006.

#### CORPORATE RECORDS

A review of the Company's board of director's minutes for the period covered by this examination indicated that the board was not informed of the prior examination report, as required by California Insurance Code Section (CIC) 735. It is recommended that the board of directors review and acknowledge the examination report during its next regular board meeting, in compliance with CIC Section 735.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact life and disability insurance only in California. The Company was formed to reinsure credit life and disability, mortgage life and disability and mortgage accidental death insurance coverage of Washington Mutual, Inc. (ultimate parent) and its subsidiaries within California. However, the Company has not reinsured any business, nor has it issued any policies. The Company's owners are currently in the process of trying to sell the Company.

## REINSURANCE

The Company has no reinsurance.

## FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2005

Summary of Operations and Capital and Surplus Account  
for the Year Ended December 31, 2005

Reconciliation of Capital and Surplus  
from November 26, 2002 through December 31, 2005

Statement of Financial Condition  
as of December 31, 2005

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Cash and short-term investments	\$ 9,734,347	\$	\$ 9,734,347	(1)
Net deferred tax asset	<u>101,293</u>	<u>101,293</u>	<u>                    </u>	
Total assets	<u>\$ 9,835,640</u>	<u>\$ 101,293</u>	<u>\$ 9,734,347</u>	
 <u>Liabilities, Surplus and Other funds</u>				
General expenses			\$ 15,831	
Taxes, licenses and fees due or accrued			<u>7,807</u>	
Total liabilities			23,638	
Common capital stock		\$ 2,600,000		
Gross paid-in and contributed surplus		7,400,120		
Unassigned surplus		<u>(289,411)</u>		
Capital and surplus			<u>9,710,709</u>	
Total liabilities, capital and surplus			<u>\$ 9,734,347</u>	

Summary of Operations and Capital and Surplus Account  
for the Year Ended December 31, 2005

Statement of Income

Premiums and annuity considerations for life and accident and health contracts		\$ 0
General insurance expenses	\$ 55,111	
Insurance taxes, licenses and fees, excluding federal income taxes	<u>18,083</u>	
Total		<u>\$ 73,124</u>
Net loss		<u>\$ (73,124)</u>

Capital and Surplus Account

Capital and surplus, December 31, 2004		\$ 9,842,287
Net loss	\$ (73,124)	
Change in net deferred income tax	42,839	
Change in nonadmitted assets and related items	<u>(101,293)</u>	
Net change in capital and surplus for the year		<u>(131,578)</u>
Capital and surplus, December 31, 2005		<u>\$ 9,710,709</u>

Reconciliation of Capital and Surplus  
from November 26, 2002 through December 31, 2005

Capital and surplus November 26, 2002, per Examination			\$10,000,120
	<u>Gain in</u> <u>Surplus</u>	<u>Loss in</u> <u>Surplus</u>	
Net loss	\$	\$ 262,061	
Change in net deferred income tax	73,943		
Change in nonadmitted assets and related items	<u>          </u>	<u>101,293</u>	
Total gains and losses in surplus	<u>\$ 73,943</u>	<u>\$ 363,354</u>	
Decrease in capital and surplus			<u>(289,411)</u>
Capital and surplus, December 31, 2005, per Examination			<u>\$ 9,710,709</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Cash and short-term investments

At December 31, 2005, \$9.7 million (98% of total assets) was on deposit with the State Street Bank and Trust Company of California. This asset consisted solely of cash and was held in a non-interest bearing account. The cash balance was verified by direct confirmation from the financial institution and was held free and clear of any encumbrances.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Corporate Records (Page 5): It is recommended that the Company implement procedures to ensure future compliance with California Insurance Code Section 735.

### Previous Report of Examination

No comments or recommendations.

ACKNOWLEDGEMENT

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

Respectfully submitted,

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Martha Young  
Examiner-In-Charge  
Associate Insurance Examiner  
Department of Insurance  
State of California