

**DISSOLUTION REPORT**  
**OF**  
**MARATHON FINANCIAL INSURANCE COMPANY, INC.,**  
**A RISK RETENTION GROUP**

**AS OF**

**AUGUST 31, 2019**

**NAIC CODE 11117**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON DISSOLUTION EXAMINATION, made as of August 31, 2019 of

**MARATHON FINANCIAL INSURANCE COMPANY, INC.,  
A RISK RETENTION GROUP**

is a true and correct copy of the document filed with this Department.

Attest By: Ruby Brown

Date: 17 day of October, 2019



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 22 day of October, 2019.

Trinidad Navarro  
Trinidad Navarro  
Insurance Commissioner

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON DISSOLUTION EXAMINATION  
OF  
MARATHON FINANCIAL INSURANCE COMPANY, INC., A RISK RETENTION GROUP  
AS OF  
AUGUST 31, 2019

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink that reads "Trinidad Navarro".

Trinidad Navarro  
Insurance Commissioner

Dated this 22 day of October, 2019

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## **SALUTATION**

September 23, 2019

Honorable Trinidad Navarro  
Delaware Insurance Commissioner  
Delaware Department of Insurance  
1351 W. North Street  
Suite 101  
Dover, DE 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority 19.922, dated June 17, 2019, a Dissolution Examination has been made of the affairs, financial condition and management of

**MARATHON FINANCIAL INSURANCE COMPANY, INC.,  
A RISK RETENTION GROUP**

hereinafter referred to as MFIC or Company and incorporated under the laws of the State of Delaware. The examination was conducted at the Company's administrative and home office located at 1476 North Green Mount Road, O'Fallon, IL 62269. The report of such review is respectfully submitted herewith.

### **SCOPE OF EXAMINATION**

This Dissolution Report is a limited-scope examination and is not intended to communicate all matters of importance for an understanding of the Company's financial condition.

The last examination was as of December 31, 2014. This dissolution examination is as of August 31, 2019.

As a result of a management decision, the Company is to be dissolved. Therefore, this examination was to ascertain the following:

- Verify the remaining investment/cash assets of the Company and determine any operating receivables that may exist.
- Ascertain and verify that there are no material liabilities other than residual general operating expenses.
- Review any other documents as needed.

### **HISTORY**

The Company was organized as a risk retention group under the laws of the State of South Carolina on January 30, 2001 and commenced business on November 1, 2001. On May 7, 2010, the Company redomesticated to the State of Delaware.

The Company is authorized to issue 1,000 shares of Class A common stock with a \$400 par value per share. As of August 31, 2019, the Company has 500 shares issued and outstanding and held by Marathon Administrative Company, Inc. (MAC). The Company's other two shareholders, United States Warranty Company (USWC) and Intercontinental Warranty Services, Inc. (IWSI) each owned one share of the Company's Class A common stock, but redeemed their shares prior to August 31, 2019 and are no longer shareholders as of August 31, 2019. USWI surrendered its one share of Company Class A common stock (Certificate #4) on December 1, 2017, pursuant to a Stock Repurchase Agreement for the consideration of \$500. Similarly, IWSI surrendered its one share of Company Class A common stock (Certificate #2) on December 1, 2018, pursuant to a Stock Repurchase Agreement for the consideration of \$500. Consequently, MAC is the only entity or person who owns or controls greater than 10% of the outstanding MFIC voting shares as of August 31, 2019.

The following persons were owners of MAC as of August 31, 2019: John Shelby Bryan (33.5%), James Perry Bryan (26.5%), John Bracken Bryan (25.0%) and Allen Kreke (15.0%).

The Company's book of business has been in run-off. In anticipation of dissolution, effective April 29, 2019, the Delaware Department of Insurance (Department) approved the Company to enter into an Assumption and Novation Agreement with American Resources Insurance Company, Inc. (ARICI) whereby all of the Company's policies and corresponding liabilities transfer to ARICI. The Company's Board of Directors (Board) and sole shareholder, MAC, approved the dissolution plan on May 30, 2019.

### **PROCEDURES PERFORMED**

Procedures performed for the period January 1, 2015 through August 31, 2019 and subsequently include:

- Review of the 2018 Annual Statement.
- A review of the general ledger for the period January 1, 2015 through August 31, 2019.
- A review of bank and custodian account statements as of December 31, 2018 and as of August 31, 2019.
- A review of Board and Stockholder meeting minutes of the Company from January 1, 2015 through August 31, 2019.
- A review of the related party agreements in effect as of August 31, 2019.
- A review of reinsurance agreement in effect for the year 2019.
- A review of the audited statutory financial statement for the year ended December 31, 2018 was not performed. The Company received an exemption on May 1, 2019, from the Department for the requirement of filing an audited statutory financial statement as of December 31, 2018.

- A review of the Actuarial Opinion for the year ended December 31, 2018 was not performed. The Company requested and received an exemption on March 4, 2019 from the Department for the requirement of filing an actuarial opinion as of December 31, 2018.
- Confirmation of invested assets as of July 31, 2019, specifically, bonds, cash, and cash equivalents.

## **SUMMARY CONCLUSIONS**

### Corporate Records

The examiner reviewed the Board and Stockholder meeting minutes of the Company, which contained the approval of the dissolution, which is contingent upon the approval by the Department.

### Related Parties

Upon approval of the dissolution by the Department, the Company intends to cancel the following related party agreements, which were still in effect as of the dissolution examination date:

#### *Tax Sharing Agreement*

Effective July 1, 2008, the Company entered into a Tax Sharing Agreement with MAC whereby participating companies allocate their consolidated federal income tax liability. The agreement stipulates that any overpayment made by the Company of its liability computed on a separate return basis must be settled within ninety days of the filing of the consolidated income tax return, or when a refund is due on the consolidated return, within ninety days of receipt of such refund.

#### *Administrative Service Agreement*

Effective January 1, 2014, the Company entered into a Fourth Amended and Restated Administrative Service Agreement with MAC whereby the Company agrees to



pay for administrative services. As the Company has no employees, MAC provides sales and marketing, screening and processing applications, underwriting, billing and collecting premiums, warranty and service contract accounting, administering complaints and disputes, claims adjudication, producer audit and support, and such other business operations. The annual fee for such services is \$150,000, but is waived until the Company's capital and surplus reaches \$3 million.

#### Custodial Agreement

Effective November 23, 2009, and amended effective March 6, 2014, the Company's investments are held by Morgan Stanley Smith Barney LLC (Morgan Stanley), under a written custodial agreement.

Effective February 14, 2014, the Company entered into a custodial agreement with Raymond James and Associated. This custodial account was closed at the end of April 2019.

#### Claims

The Company had no outstanding and open claims as of August 31, 2019.

#### Balance Sheet

The examiner reviewed the 2018 Annual Statement. A review was performed of the general ledger for the period January 1, 2015 through August 31, 2019. Additionally, a review of the bank and custodian statements was made as of December 31, 2018 and as of August 31, 2019.

The balance sheet below, which was compiled from the Company's August 31, 2019 general ledger reflects that the major assets are invested assets. The Company reported \$0 carried reserves for policies as of August 31, 2019.

**ASSETS, LIABILITIES, AND POLICYHOLDER SURPLUS**  
**As of August 31, 2019**

**Assets**

Bonds	\$	448,969
Cash, cash equivalents and short-term investments		76,831
Investment income due and accrued		339
Net deferred tax asset		12,068
Receivable from parent, subsidiaries and affiliates		270,661
Total	<u>\$</u>	<u>808,868</u>

**Liabilities**

Other expenses	\$	1,584
Total	<u>\$</u>	<u>1,584</u>

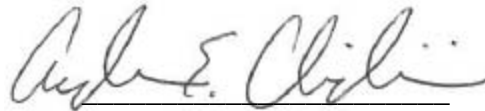
**Policyholder Surplus**

Common capital stock	\$	200,000
Gross paid in and contributed surplus		194,425
Unassigned funds (surplus)		412,859
Total	<u>\$</u>	<u>807,284</u>
Total Liabilities and Policyholder Surplus	<u>\$</u>	<u>808,868</u>

The Company has complied with the dissolution requirements for the Department.

The examination was conducted by the undersigned.

Respectfully Submitted,



Andrew E. Chiodini, CFE  
Examiner-In-Charge  
Department of Insurance  
State of Delaware