Report

of the

Examination of

The General Automobile Insurance Company, Inc.

Madison, Wisconsin

As of December 31, 2016

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
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April 30, 2018

Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

THE GENERAL AUTOMOBILE INSURANCE COMPANY, INC.

Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of The General Automobile Insurance Company, Inc. (GAIC or the company), was conducted in 2015 as of December 31, 2014, by the Ohio Department of Insurance. The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 and 2018 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliated companies domiciled in California, Georgia, Illinois, New York, and Texas, with Wisconsin acting in the capacity as the lead state for the coordinated examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) <u>Financial Condition Examiners Handbook</u>. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company’s loss and loss adjustment expense reserves. The actuary’s results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary’s conclusion.

II. HISTORY AND PLAN OF OPERATION

The General Automobile Insurance Company, Inc., was incorporated under the laws of Ohio on January 22, 2009. The company is wholly owned subsidiary of Permanent General Assurance Corporation of Ohio (PGACO), which is turn, is a wholly owned subsidiary of PGC Holdings Corp. (PGC Holdings). On the day of GAIC's incorporation, Capital Z Financial Services Fund II, L.P., and Capital Z Financial Services Private Fund II, L.P., Bermuda limited partnerships, and Capital Z Partners Ltd., a Bermuda corporation, held a 90.72% stake in PGC Holdings, making them the ultimate controlling parent.

On December 31, 2012, American Family Mutual Insurance Company (AFMIC), through its wholly owned subsidiary, AmFam, Inc., acquired 100% of the ownership in PGC Holdings for $242 million in cash. After the acquisition, the company's ultimate parent was AFMIC. The company redomiciled from Ohio to Wisconsin, effective August 31, 2017.

AFMIC and its subsidiaries are collectively known as the "American Family Group." GAIC shares common management with Permanent General Assurance Corporation (PGAC) and PGACO. Collectively, these three insurance companies are referred to as the "Permanent General Group."

<u>Formation of Mutual Holding Company</u>

On May 23, 2016, the board of directors of the company's ultimate parent, AFMIC, passed a resolution to reorganize AFMIC into a mutual holding structure, pursuant to s. 644.07 (2), Wis. Stat. As part of the proposed reorganization, AFMIC would form two new holding company entities: a mutual holding company, American Family Insurance Mutual Holding Company (AFIMHC), and a wholly owned subsidiary of AFIMHC, AmFam Holdings, Inc. (AmFam Holdings). AFMIC would then convert to a stock insurance company under the new name American Family Mutual Insurance Company, S.I. (AFMICSI). The proposed reorganization was subject to the approval of the Office of the Commissioner of Insurance (OCI) and policyholders as required by ss. 644.07 (7) and 644 (8), Wis. Stat.

On June 8, 2016, AFMIC submitted documents to OCI proposing the restructuring. OCI reviewed the proposed transaction and crafted a Stipulation and Order governing the proposed mutual holding company. The Stipulation and Order was accepted by AFMIC as part of OCI's approval of the transaction, which was granted on December 6, 2016. Policyholders voted to approve the transaction on December 7, 2016.

Effective January 1, 2017, AFMIC's corporate structure was reorganized. As part of the reorganization, AFMIC converted to a stock insurer, changed its name to AFMICSI, and issued three million shares of $1 par common stock to AmFam Holdings. AmFam Holdings issued 100% of its voting securities to AFIMHC, which became the ultimate controlling party of the American Family Group. Membership interest in AFMIC was replaced with membership interest in AFIMHC. Policyholders of American Family Insurance Company (AFIC) and American Standard Insurance Company of Ohio (ASICO) were also granted membership rights in AFIMHC. There are currently no plans for AFMICSI to sell stock publicly. However, if this were to happen at a future date, AmFam Holdings would be required to hold at least 51% of the stock of AFMICSI under s. 644.04 (3) (b), Wis. Stat.

The company is licensed in 16 states and is actively writing in six states. In 2016, the company wrote direct premium in the following states:

Texas	$27,603,013	33.0%
Virginia	23,737,883	28.4
Oregon	15,103,051	18.1
Ohio	11,558,929	13.8
South Carolina	3,803,513	4.6
Tennessee	1,737,573	2.1
Total	$83,543,962	100.0%

The Permanent General Group specializes in private passenger non-standard automobile insurance, primarily to consumers interested in acquiring an insurance policy to comply with state-level minimum insurance requirements. The company markets its products nationally through independent and captive agents, retail store fronts, call centers, and the internet. The majority of the company's new business comes from the internet.

The following table is a summary of the net insurance premiums written by the company in 2016. The growth of the company is discussed in the “Financial Data” section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Private passenger auto liability	$59,365,841	$69,418,264	$59,365,841	$69,418,264
Auto physical damage	24,178,121	27,753,460	24,178,121	27,753,460
Total All Lines	$83,543,962	$97,171,724	$83,543,962	$97,171,724

As of December 31, 2016, the company was party to an intercompany reinsurance pooling agreement with PGAC and PGACO, in which PGAC assumed business from PGACO and GAIC and then retroceded a portion of the pool to each company. Effective January 1, 2017, the agreement was terminated and replaced with a loss portfolio transfer and 100% quota share agreement. The company’s reinsurance program is described in the section of this reported titled “Reinsurance.”

III. MANAGEMENT AND CONTROL

Board of Directors

Currently, the board of directors consists of five members who are elected annually, each of whom is an officer of the company. As inside directors, they receive no additional compensation for serving on the board. Officers are elected at the annual board meetings and are to hold those positions for a term of one year and until their successors are elected and qualified.

As of the date of this report, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
John A. Hollar Mt. Juliet, TN	President and COO Permanent General Group	2019
Michael S. Livermore Old Hickory, TN	Sr. Vice President, Claims Permanent General Group	2019
Thomas J. Vyneman Brentwood, TN	Vice President, Product Management Permanent General Group	2019
Barry S. Dice Nashville, TN	Vice President, Customer Engagement & Digital Experience Permanent General Group	2019
Elizabeth A. Roberts La Vergne, TN	Vice President, Human Resources Permanent General Group	2019

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2017 Compensation*
John A. Hollar	President and Chief Operating Officer	$1,264,682
Michael D. Lorion**	Chief Financial Officer, Treasurer	0
Sherrill C. Kaiser	Secretary	166,237
Elizabeth A. Roberts	Vice President, Human Resources	549,459

* Listed compensation is total gross earnings for services rendered to the Permanent General Group and includes amounts allocated to Permanent General affiliates.

** Michael Lorion is an employee of Homesite Group Incorporated (HGI). He was appointed as PGAC's Chief Financial Officer and Treasurer in 2017. In 2017, there was no allocation between HGI and PGC Holdings for services provided by Mr. Lorion. PGC Holdings started allocating expenses for Mr. Lorion's services in 2018.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. As of December 31, 2016, the company had the following committees:

Compliance Committee
John A. Hollar, Chair
Michael S. Livermore
Elizabeth A. Roberts
Andrew P. Martin

Audit Committee
John A. Hollar, Chair
Elizabeth A. Roberts
Andrew P. Martin

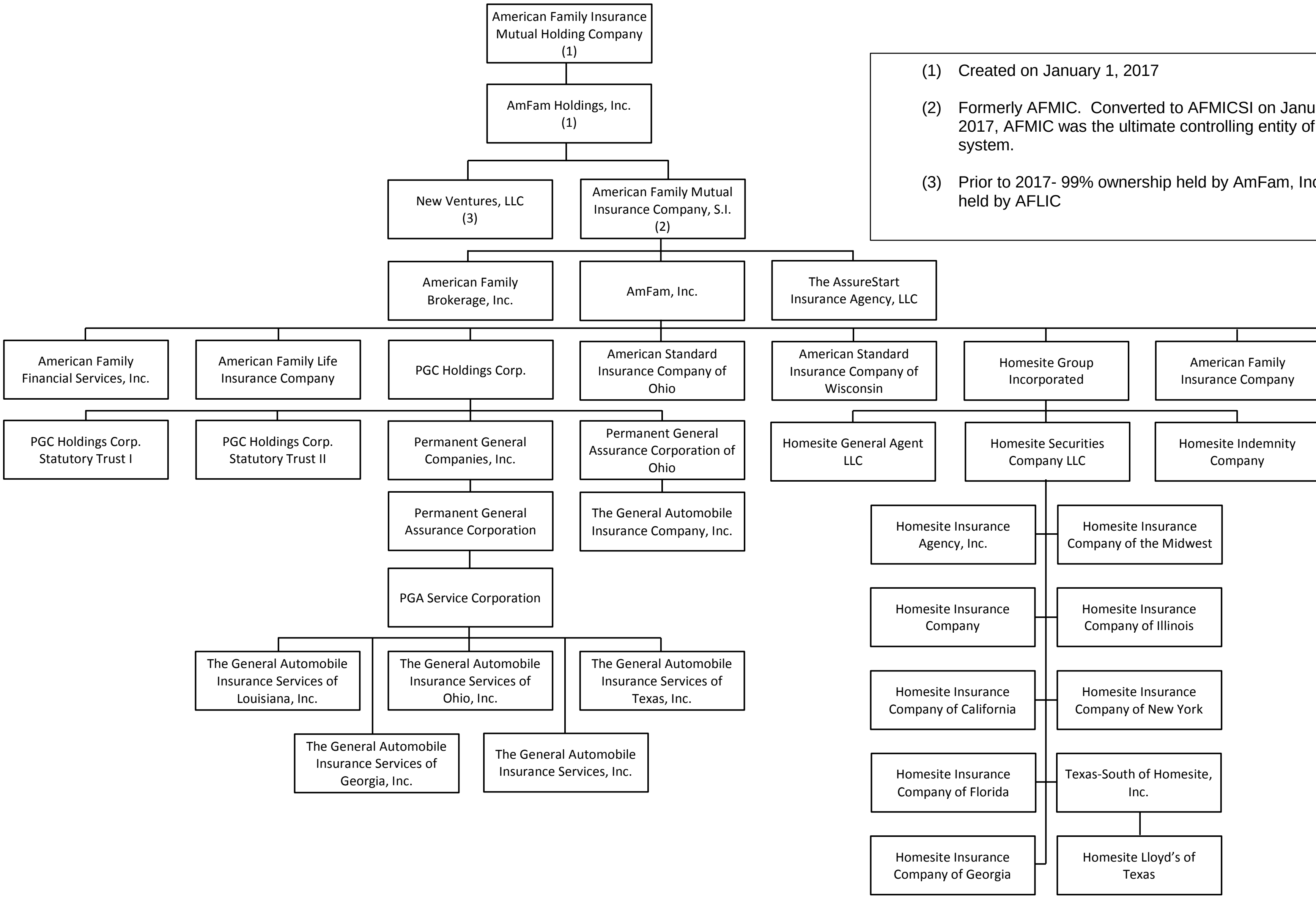
Investment Committee
John A. Hollar, Chair
Thomas J. Vyneman
Elizabeth A. Roberts

On October 31, 2017, PGAC's board of directors passed a resolution to disband the three committees. Company oversight is now performed by AFIMHC's board of directors.

IV. AFFILIATED COMPANIES

The General Automobile Insurance Company, Inc., is a member of a holding company system. The organizational chart on the next page depicts the relationships among the affiliates in the group subsequent to the corporate reorganization that occurred January 1, 2017. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of January 1, 2017



(1) Created on January 1, 2017

(2) Formerly AFMIC. Converted to AFMICSI on January1, 2017. Prior to 2017, AFMIC was the ultimate controlling entity of the holding company system.

(3) Prior to 2017- 99% ownership held by AmFam, Inc. and 1% ownership held by AFLIC

American Family Mutual Insurance Company

American Family Mutual Insurance Company was organized in 1927. Prior to the creation of AFIMHC, AFMIC was the ultimate parent of the American Family Enterprise. Effective January 1, 2017, in conjunction with the formation of a mutual holding company, AFMIC converted to stock insurer and changed its name to American Family Mutual Insurance Company, S.I.

The majority of AFMIC's direct writings consist of auto and homeowner's, but it also writes commercial lines. Direct business is produced through a captive agency force in 19 states. In 2016, AFMIC had various 100% quota share agreements in effect with certain property and casualty subsidiaries, which resulted in AFMIC assuming nearly all business from AFIC, ASICO, American Standard Insurance Company of Wisconsin (ASICW), Midvale Indemnity Company (Midvale), and the Homesite Group. (A description of the Homesite Group is on page 12). Effective January 1, 2017, AFMICSI entered into a loss portfolio transfer and 100% quota share agreement with PGAC, which resulted in AFMICSI assuming all of the business written by the Permanent General Group.

As of December 31, 2016, statutory-basis audited financial statements for AFMIC reported assets of $16.2 billion, liabilities of $9.3 billion, and policyholders' surplus of $6.9 billion. Operations for 2016 produced a net income of $212 million.

American Family Insurance Mutual Holding Company

American Family Insurance Mutual Holding Company was incorporated on January 1, 2017, under the provisions of ch. 644, Wis. Stat. AFIMHC is the ultimate controlling entity of AFMICSI. Membership of AFIMHC consists of policyholders of AFMICSI, AFIC, and ASICO.

AmFam Holdings, Inc.

AmFam Holdings, Inc., was incorporated on January 1, 2017, under the provisions of ch. 180, Wis. Stat. AmFam Holdings is an intermediate holding company wholly owned by AFIMHC. AmFam Holdings holds 100% of the membership interests of AFMICSI and New Ventures, LLC (New Ventures).

AmFam, Inc.

AmFam, Inc., was incorporated in 1981 to serve as a downstream holding company for the American Family Group. AmFam, Inc., is the direct parent of the following insurance companies: AFIC, ASICO, ASICW, Midvale, and American Family Life Insurance Company (AFLIC). AmFam, Inc., is also the direct parent of HGI and PGC Holdings. As of December 31, 2016, the audited GAAP consolidated financial statements for AmFam, Inc., reported assets of $10.2 billion, liabilities of $7.4 billion, and equity of $2.8 billion. Operations for 2016 produced a net income of $31.2 million.

Homesite Group Incorporated

Homesite Group Incorporated is a Delaware corporation that was acquired by AFMIC through AmFam, Inc., on December 31, 2013, for $666 million in cash, including direct costs of the acquisition. The acquisition was partially financed by a $500 million advance from the Federal Home Loan Bank of Chicago (FHLBC), of which AFMIC is a member. The advance was executed on November 20, 2013. AFMIC pays monthly interest to the FHLBC at a fixed annual interest rate of 5.12%. Principal is due in a balloon payment at the end of the advance's 30-year term.

The purpose of the HGI acquisition was to broaden AFMIC's distribution channels and to expand its geographic footprint. HGI is an intermediate holding company which directly owns Homesite Indemnity Company and Homesite Securities Company LLC – another intermediate holding company. Homesite Securities Company LLC is the direct owner of Homesite Insurance Company of the Midwest (HICMW), Homesite Insurance Company, Homesite Insurance Company of Illinois, Homesite Insurance Company of New York (HICONY), Homesite Insurance Company of California, Homesite Insurance Company of Florida, Homesite Insurance Company of Georgia, and Texas-South of Homesite, Inc., which serves as the Attorney-in-Fact for Homesite Lloyd's of Texas. These nine insurance companies are collectively known as the "Homesite Group." The Homesite Group specializes in direct-to-consumer homeowners, renters, and condominium insurance. Its products are marketed nationally through its website, call centers, and partnerships with large financial institutions.

The Homesite Group participates in a 100% quota share with AFMIC. Each of the individual Homesite companies cedes 100% to HICMW, excluding HICONY which cedes 80%, and HICMW retrocedes 100% of the direct and assumed business to AFMIC. In 2016, HICMW ceded premium of $1.05 billion to AFMIC.

PGC Holdings Corp.

PGC Holdings Corp. is a Delaware corporation that was acquired by AFMIC through AmFam, Inc., on December 31, 2012, for $241 million in cash. PGC Holdings is the direct parent of PGACO, which in turn, owns GAIC. PGC Holdings is also the direct parent of PGC, an intermediate holding company which owns PGAC.

The Permanent General Group specializes in private passenger non-standard automobile insurance, primarily to consumers interested in acquiring an insurance policy to comply with state-level minimum insurance requirements. The Permanent General Group writes in 46 states and the District of Columbia and relies heavily on television advertising to promote the purchase of products through their internet distribution channel and call centers. Effective August 31, 2017, the Permanent General Group redomiciled from Ohio to Wisconsin. As of December 31, 2016, unaudited consolidated GAAP financial data for PGC Holdings reported assets of $787 million, liabilities of $494 million, and equity of $293 million. Operations for 2016 produced a net loss of $32.4 million.

Permanent General Companies, Inc.

Permanent General Companies, Inc., (PGC) is a Tennessee corporation. PGC is a holding corporation and also acts as a managing general agent in Florida. Additionally, PGC performs accounting and other services for other companies in the Permanent General Group, pursuant to an Administrative Services Agreement. As of December 31, 2016, unaudited GAAP financial data for PGC reported assets of $94.8 million, liabilities of $24.5 million, and equity of $70.3 million. Operations for 2016 produced a net loss of $32.4 million.

Permanent General Assurance Corporation

Permanent General Assurance Corporation of Ohio was organized on September 28, 1994. PGAC is a wholly owned subsidiary of PGC, is licensed in 50 states and the District of Columbia, and has direct premium of $308 million in 42 states and the District of Columbia. PGAC was the lead company in the Permanent General Group's pooling agreement; in 2016, its share of the pool was 58%. As of December 31, 2016, statutory-basis audited financial statements for PGAC reported assets of $418 million, liabilities of $286 million, and surplus of $132 million. Operations for 2016 produced a net loss of $17.3 million.

As of January 1, 2017, the Permanent General Group terminated the intercompany pooling agreement, and PGAC entered into separate loss portfolio transfer and 100% quota shares with GAIC, PGACO, and AFMICSI. The effect of which was PGAC assumed 100% of the premium and losses of GAIC and PGACO, and then retroceded 100% of its direct and assumed premium and losses to AFMICSI.

Permanent General Assurance Corporation of Ohio

Permanent General Assurance Corporation of Ohio was organized on December 18, 1991. PGACO is a wholly owned subsidiary of PGC Holdings, is licensed in 33 states, and has direct premium of $181 million in 13 states. PGACO participated in the Permanent General Group's pooling agreement; in 2016 its share of the pool was 25%. As of December 31, 2016, statutory-basis audited financial statements for GAIC reported assets of $221 million, liabilities of $128 million, and surplus of $93 million. Operations for 2016 produced a net loss of $7.8 million.

As of January 1, 2017, the Permanent General Group terminated the intercompany pooling agreement, and PGACO entered into a loss portfolio transfer and 100% quota share with PGAC.

PGA Service Corporation

PGA Service Corporation (PGASC) is a wholly owned subsidiary of PGAC. PGASC is licensed as a premium finance company in various states. PGASC is the direct parent of the following entities: The General Automobile Insurance Services, Inc. (GAIS), The General Automobile Insurance Services of Ohio, Inc. (GAISOH), The General Automobile Insurance Services of Louisiana, Inc. (GAISLA), The General Automobile Insurance Services of Texas, Inc. (GAISTX), and The General Automobile Insurance Services of Georgia, Inc. (GAISGA). GAIS, GAISOH, and GAISLA are active agencies, selling policies in various states. GAISTX and GAISGA are currently inactive agencies. As of December 31, 2016, unaudited GAAP financial data for PGASC reported assets of $3.8 million, liabilities of $1.2 million, and equity of $2.6 million. Operations for 2016 produced a net loss of $5.4 thousand.

PGC Holdings Corp. Statutory Trust I

PGC Holdings Corp. Statutory Trust I (Trust I) is a Delaware trust subsidiary wholly owned by PGC Holdings. Trust I was used to complete a private placement of trust preferred securities in 2004 and the proceeds were used to redeem preferred stock. Trust I issued $20 million of fixed/floating rate trust preferred securities, with a maturity date of December 15, 2034. Quarterly interest payments on the trust preferred securities were set at 7.5% through December 15, 2009, and thereafter, reset to a rate equal to the 3-month LIBOR plus 3.5%.

PGC Holdings Corp. Statutory Trust II

PGC Holdings Corp. Statutory Trust II (Trust II) is a Delaware trust subsidiary wholly owned by PGC Holdings. Trust II was used to complete a private placement of trust preferred securities in 2004 and the proceeds were used to redeem preferred stock. Trust II issued $15 million of floating rate trust preferred securities, with a maturity date of December 15, 2034. Interest payments on the trust preferred securities are made quarterly at a rate equal to the 3-month LIBOR plus 3.5%.

Agreements with Affiliates

The company has agreements with affiliates regarding administrative services, cost sharing, and tax allocation as below. Additionally, the company has affiliated reinsurance agreements which are described in section V of the report titled “Reinsurance.”

Administrative Services Agreement

Effective May 17, 2011, PGC entered into an administrative services agreement with GAIC, PGAC, PGACO, PGC Holdings, GAISTX, GAISOH, GAISGA, GAISLA, GAIS, and PGASC. According to the terms of the agreement, PGC will assist parties to the agreement with financial reporting, treasury services, budget and costing accounting, legal services, insurance operations, as well as other essential services. Allocations under the agreement are to be consistent with SSAP No. 70, with no profit factor added to any expense. Charges incurred are to be settled on a quarterly basis, with the settlement date being no later than the 30th day following the end of each calendar quarter.

Intercompany Services and Cost Allocation Agreement

Effective January 1, 2013, PGC Holdings entered into an Amended and Restated Intercompany Services and Cost Allocation Agreement with AFMIC. The agreement was amended in 2014 after the acquisition of the Homesite Group to include HGI. Effective April 1, 2018, PGC Holdings and HGI were added to an already existing Amended and Restated Intercompany Services and Cost Allocation Agreement between AFMICSI, ASICO, AFLIC, ASICW, AFIC, American Family Brokerage, Inc. (AFBI), American Family Financial Services, Inc. (AFFS), Midvale, New Ventures, AmFam, Inc., AFIMHC, AmFam Holdings, AssureStart, American Family Dreams Foundation, Inc., SHGI Corp., Moonrise, Inc., and Networked Insights, Inc. According to the terms of the most recent agreement, each party may provide goods, third party services, and management services to other parties of the agreement. Each service recipient shall be charged with its allocable share of the service provider's actual costs incurred. Charges incurred are to be settled quarterly on a net basis, with the settlement date being no later than the 30th day following the end of each calendar quarter.

Tax Allocation Agreement

The company is party to a tax allocation agreement with PGC Holdings and other Permanent General affiliates. PGC Holdings is also party to a separate tax allocation agreement with AFMIC and certain other affiliates. Therefore, the company is included in AFMIC's federal consolidated tax filing.

Effective October 1, 2010, PGC Holdings entered into a Tax Allocation Agreement with all of its direct and indirect subsidiaries, including GAIC. According to the terms of the agreement, each party files its federal income tax return on a consolidated basis with each of the other parties. The method of allocation among the companies is based on separate return calculations with current credit for net losses. Intercompany balances are settled quarterly.

Effective April 29, 2002, AFMIC entered into a Restated Tax Allocation agreement with AFLIC, ASICW, ASICO, AFIC, AFFS, AFBI, and AmFam, Inc. The agreement was later amended multiple times to add PGC Holdings, Midvale, HGI, AFIMHC, AmFam Holdings, SHGI Corp., Moonrise, Inc., and Network Insights, Inc. PGC Holdings was added to the agreement, effective January 1, 2013.

The agreement provides the basis for computation and the method of settlement of federal income tax payments and refunds within the American Family Group. Under this agreement, AFMIC prepares and files a consolidated federal income tax return that, directly or indirectly, includes all affiliated companies in the holding company group. Final settlement is due within 30 days of the filing of the consolidated federal tax return.

V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Reinsurance Pooling Agreement

Effective December 31, 2010, the company entered into an Amended and Restated Intercompany Reinsurance Pooling Agreement with PGAC and PGACO. Under the arrangement, PGAC assumes premiums, losses, and expenses from each of the pooled companies and then cedes a portion of premiums, losses, and expenses to the pooled companies in specific percentages, with the PGAC retaining the balance of the pooled business. Below is a table which lists the pooling percentage as of December 31, 2016:

Permanent General Assurance Corporation	58%
Permanent General Assurance Corporation of Ohio	25
The General Automobile Insurance Company, Inc.	17
Total	100%

The pool was terminated effective January 1, 2017.

Affiliated Ceded Business

On September 23, 2017, the company terminated its pooling agreement and entered into a loss portfolio transfer and 100% quota share with PGAC. The effective date of the agreement was January 1, 2017. Under the terms of the agreement, PGAC assumes 100% of GAIC's in-force, new and renewal direct and assumed business. For the loss portfolio transfer portion of the ceded business, the company paid premium of $11.6 million, which was the undiscounted loss and loss adjustment expense reserve carried on the company's book as of the effective date of the agreement.

Catastrophe Reinsurance

AFMIC purchases property catastrophe and aggregate stop loss reinsurance coverage for itself and on behalf of all its P&C subsidiaries, including Midvale, Homesite Group, and Permanent General Group. Contracts are placed on a rolling two- or three-year period, which results in only a portion of the contract placement expiring each year. Depending on the contract, AFMIC utilizes Aon Benfield or Guy Carpenter as its reinsurance intermediary. Contracts are placed through a group of high-quality domestic and foreign reinsurers.

As of January 2017, the group's catastrophe excess of loss reinsurance has three layers, with placements between 85.775% and 95% and with coverage of $1.5 billion in excess of $300 million retention (see contract 1). One caveat is the first layer does not provide coverage for Named Storms (i.e., hurricanes). Named Storms are covered by a separate treaty which provides 95% coverage of $350 million in excess of $300 retention (see contract 2).

The group's 2017 aggregate stop loss reinsurance consists of a single year contract (see contract 3) and a multiyear contract covering 2017–2018 (see contract 4). The 2017 program provides 95% coverage of $350 million in excess of aggregate losses of $1.2 billion. Named Storms occurring in coastal states are not covered by the aggregate stop loss contracts.

1. Type: Property Catastrophe Excess of Loss

   Term: January 1, 2017 to January 1, 2020

   Scope: All business classified by the company as fire, allied lines, farmowners (property perils only), homeowners including mobile home and boat owners (property perils only), business owners (property perils only), commercial package (property perils only), and automobile physical damage with certain named exclusions. Note: First layer excludes coverage for losses arising out of any Named Storm (Named Storms are covered under contract #2)

Retention and Limit:

	First Layer (Retention will be $300,000,000)		Second Layer (Retention will be $650,000,000)		Third Layer (Retention will be $1,000,000,000)	
Contract Year	Reinsurers' Per Occurrence Limit	Reinsurer's Annual Aggregate Limit	Reinsurers' Per Occurrence Limit	Reinsurer's Annual Aggregate Limit	Reinsurers' Per Occurrence Limit	Reinsurer's Annual Aggregate Limit
First (2017)	$350,000,000 part of $350,000,000	$700,000,000 part of $700,000,000	$350,000,000 part of $350,000,000	$700,000,000 part of $700,000,000	$500,000,000 part of $500,000,000	$1,000,000,000 part of $1,000,000,000
Second (2018)	233,333,333 part of 350,000,000	466,666,666 part of 700,000,000	233,333,333 part of 350,000,000	466,666,666 part of 700,000,000	333,333,333 part of 500,000,000	666,666,666 part of 1,000,000,000
Third (2019)	116,666,667 part of 350,000,000	233,333,334 part of 700,000,000	116,666,667 part of 350,000,000	233,333,334 part of 700,000,000	166,666,667 part of 500,000,000	333,333,334 part of 1,000,000,000

Note: Since this is a rolling three-year contract, one third placement expires at the end of each year. New terms would then be negotiated each year for the expired portion of the contract resulting in the company having the desired overall placement.

Premium:

	First Layer			Second Layer			Third Layer		
Contract year	Annual Deposit Premium	Premium Rate	Annual Minimum Premium	Annual Deposit Premium	Premium Rate	Annual Minimum Premium	Annual Deposit Premium	Premium Rate	Annual Minimum Premium
First (2017)	$23,450,000	0.6095%	$18,760,000	$13,650,000	0.3548%	$10,920,000	$12,000,000	0.3119%	$9,600,000
Second (2018)	15,633,333	0.4063	12,506,667	9,100,000	0.2365	7,280,000	8,000,000	0.2079	6,400,000
Third (2019)	7,816,667	0.2032	6,253,333	4,550,000	0.1183	3,640,000	4,000,000	0.1040	3,200,000

Intermediary: Aon Benfield, Inc.

Termination: The company may terminate any reinsurer's participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.

Reinsurer: As of January 1, 2017, participation was as follows:

	Participation Percentages		
Reinsurer	First Layer	Second Layer	Third Layer
Allied World Assurance Company, Ltd.	1.000%	1.000%	1.000%
Arch Reinsurance Ltd.	0.000	0.500	1.000
Argo Re Ltd.	0.000	1.500	1.500
Ariel Re Bda Limited For and on behalf of Ariel Syndicate No. 1910	1.250	2.000	2.000
Aspen Bermuda Limited	2.000	2.000	2.000
BGS Services (Bermuda) Limited For and on behalf of Lloyd's Syndicate No. 2987	0.500	1.000	1.000
Chubb Tempest Reinsurance Ltd.	1.000	1.500	0.500
DaVinci Reinsurance Ltd.	0.000	0.300	0.400
Endurance Specialty Insurance Ltd.	6.000	8.000	8.000
Everest Reinsurance Company	1.000	3.000	2.500
Fidelis Insurance Bermuda Limited	2.500	6.500	5.500
General Reinsurance Corporation	1.000	1.000	1.000
Hamilton Re, Ltd.	2.500	2.500	2.500
Hannover Rück SE	2.000	2.500	2.000
Hiscock Insurance Company (Bermuda) Limited	1.000	1.500	1.500
Humboldt Re Limited	1.000	1.000	1.000
Kelvin Re Limited	1.000	1.000	1.000
Länsförsäkringar Sak Försäkringsaktiebolag (publ)	0.000	0.000	0.200
Mapfre Re, Compañia De Reaseguros, S.A.	2.000	2.000	2.000
Markel Bermuda Limited	0.000	0.500	2.850
Munich Reinsurance America, Inc.*	0.500	3.000	0.000
Odyssey Reinsurance Company	0.000	5.000	10.000
Partner Reinsurance Company Ltd.	0.000	0.000	1.000
Qatar Reinsurance Company Limited	0.000	1.000	1.200
QBE Re (Europe) Limited, Bermuda Branch	1.000	1.000	1.000
QBE Reinsurance Corporation	1.000	1.000	1.000
R+V Versicherung AG	2.000	2.000	1.500
Renaissance Reinsurance Ltd.	0.000	0.450	0.600
Swiss Reinsurance America Corporation	25.000	6.500	0.000

Tokio Millennium Re AG (Bermuda Branch)	0.000	0.000	1.500
Transatlantic Reinsurance Company	1.000	1.000	1.000
Ascot Underwriting (Bermuda) Limited For and on behalf of American International Reinsurance Company, Ltd.	5.250	0.000	0.000
XL Bermuda Ltd	0.000	1.000	0.750
MS Amlin AG Bermuda Branch	1.500	0.750	0.750
Taiping Reinsurance Co. Ltd.	0.000	0.000	0.500
Lloyd's Underwriters and Companies	31.170	23.775	32.750
SCOR Global P&C SE, Paris, Zurich Branch	0.000	0.000	2.000
Total	94.170%	85.775%	95.000%

2. Type: Property Catastrophe Excess of Loss

Effective Date: Section A: January 1, 2017 to January 1, 2018
Section B: January 1, 2017 to January 1, 2019
Section C: January 1, 2017 to January 1, 2020

Scope: All business classified by the company as Property business, including Automobile Physical Damage, in force at the inception of the Contract, or written or renewed during the term of the Contract by or on behalf of the company, subject to the terms and conditions set forth in the Contract.

Retention: Company's retention is $300 million per occurrence

Coverage: $350 million in excess of $300 million, with an annual aggregate loss of $700 million per contract year.

Premium:

Contract year	Annual Deposit Premium	Premium Rate	Minimum Premium
Section A (2017-2018)	$13,125,000	0.8049%	$10,500,000
Section B (2017-2019)	TBD*	0.8049	TBD*
Section C (2017-2020)	TBD*	0.8049	TBD*

*The Annual Minimum Premium for the second and third contract year shall equal 80% of the Annual Deposit Premium for the same contract year. The Annual Deposit Premium shall equal the Premium Rate times the estimated Gross Net Earned Premium Income for the same contract year.

Intermediary: Guy Carpenter & Company, LLC

Termination: The company may terminate any reinsurer's participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.

Reinsurer: As of January 1, 2017, participation was as follows:

	Participation Percentages		
Reinsurer	First Year	Second Year	Third Year
Arch Reinsurance Ltd.	1.251%	0.834%	0.417%
Argo Re Ltd.	0.999	0.666	0.333
Ariel Re Bda Limited			

For and on behalf of Lloyd's Syndicate No. 1910	1.248	0.832	0.416
Aspen Bermuda Limited	1.998	1.332	0.666
BGS Services (Bermuda) Limited For and on behalf of Lloyd's Syndicate No. 2987	0.999	0.666	0.333
China P&C Reinsurance Co. Ltd.	0.999	0.666	0.333
Chubb Tempest Reinsurance Ltd.	0.999	0.666	0.333
DaVinci Reinsurance Ltd.	0.501	0.334	0.167
Endurance Specialty Insurance Ltd.	4.200	2.800	1.400
Everest Reinsurance Company	9.750	6.500	3.250
Fidelis Insurance Bermuda Limited	6.000	4.000	2.000
Hamilton Re, Ltd.	2.490	1.660	0.830
Hannover Rück SE	1.998	1.332	0.666
Hiscox Insurance Company (Bermuda) Limited	0.750	0.500	0.250
Mapfre Re, Compañia De Reaseguros, S.A.	1.998	1.332	0.666
Markel Bermuda Limited	0.999	0.666	0.333
Munich Reinsurance America, Inc.	2.475	1.650	0.825
Odyssey Reinsurance Company	2.499	1.666	0.833
Partner Reinsurance Company Ltd.	1.980	1.320	0.660
Qatar Reinsurance Company Limited	2.142	1.428	0.714
QBE Reinsurance Corporation	0.999	0.666	0.333
R+V Versicherung AG	1.500	1.000	0.500
Renaissance Reinsurance Ltd.	1.500	1.000	0.500
Swiss Reinsurance America Corporation	4.500	3.000	1.500
Tokio Millennium Re AG (Bermuda Branch)	0.999	0.666	0.333
Transatlantic Reinsurance Company	0.501	0.334	0.167
Ascot Underwriting (Bermuda) Limited For and on behalf of American International Reinsurance Company, Ltd.	3.498	2.332	1.166
XL Bermuda Ltd	1.749	1.166	0.583
MS Amlin AG Bermuda Branch	0.999	0.666	0.333
Lloyd's Underwriters and Companies	23.979	15.986	7.993
Certain Insurance Companies On Whose Behalf This Agreement Has Been Signed*	6.501	4.334	2.167
SCOR Global P&C SE, Paris, Zurich Branch	2.001	1.334	0.667
Total	95.001%**	63.334%**	31.667%**

*Companies on the signing pages: Houston Casualty Company, Markel International Insurance Company Limited, Lancashire Insurance Company Limited.

**Since this is a rolling three-year contract, one third placement expires at the end of each year. New terms would then be negotiated for the following year resulting in the company having 95% placement during each contract year.

3. Type: Underlying Catastrophe Aggregate Stop Loss

Effective Date: January 1, 2017 to January 1, 2018

Scope: All business and perils classified by the company as fire, allied lines, farmowners (property perils only), homeowners including mobile home and boat owners (property perils only), business owners (property perils only), commercial package (property perils only), and automobile physical damage with certain named exclusions. Excludes coverage for losses arising out of any Named Storm in any coastal state.

Retention:	Company's retention is $1.2 billion
Coverage:	$350 million in excess of $1.2 billion
Premium:	
Deposit:	$ 40,250,000
Minimum:	32,200,000
Rate:	1.0511%
Intermediary:	Aon Benfield, Inc.
Termination:	The company may terminate any reinsurer's participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.
Reinsurer:	As of January 1, 2017, participation was as follows:

Reinsurer	Participation
Allianz Risk Transfer AG (Bermuda Branch)	3.3300%
Arch Reinsurance Ltd.	2.0000
BGS Services (Bermuda) Limited for and on behalf of Lloyd's Syndicate No. 2987	1.0000
China Property & Casualty Reinsurance Company Limited	1.0000
DaVinci Reinsurance Ltd.	0.2000
Hamilton Re, Ltd.	1.0000
Hiscox Insurance Company (Bermuda) Limited	6.0000
Hiscox Insurance Company (Bermuda) Limited	5.0000*
Hiscox Re ILS Ltd.	5.0000*
R+V Versicherung AG	3.0000
Renaissance Reinsurance Ltd.	0.3000
Ascot Underwriting (Bermuda) Limited for and on behalf of American International Reinsurance Company, Ltd.	1.2500
MS Amlin AG Bermuda Branch	2.6250
General Insurance Corporation of India	1.4345
Houston Casualty Company	1.3000
Markel International Insurance Company Limited	1.5000
Lancashire Insurance Company Limited	1.0000
Various Lloyd's Syndicates	23.6500
Total	55.5895%

*Hiscox Insurance Company (Bermuda) Limited participates in two separate placements. One placement is at 6% and the other placement is split with Hiscox Re ILS Ltd. For the split placement, Hiscox Re ILS Ltd. provides coverage of $150 million in excess of $1.2 billion and Hiscox Insurance Company (Bermuda) Limited provides coverage of $200 million in excess of $1.35 billion. Both agreements are placed at 5%.

4.	Type:	Underlying Catastrophe Aggregate Stop Loss
	Effective Date:	January 1, 2017 to January 1, 2019 January 1, 2017 to January 1, 2018

Scope:	All business and perils classified by the company as fire, allied lines, farmowners (property perils only), homeowners including mobile home and boat owners (property perils only), business owners (property perils only), commercial package (property perils only), and automobile physical damage with certain named exclusions. Excludes coverage for losses arising out of any Named Storm in any coastal state.
Retention:	Company is liable for the first $1.2 billion of aggregate losses during each contract year
Coverage:	Contract Year: 2017- $350 million part of $350 million in excess of $1.2 billion 2018- $175 million part of $350 million in excess of $1.2 billion

Rate and Premium:

Contract year	Annual Deposit Premium	Premium Rate	Minimum Premium
First (2017)	$40,250,000	1.0511%	$32,200,000
Second (2018)	20,125,000	0.5256	16,100,000

Intermediary:	Aon Benfield, Inc.
Termination:	The company may terminate any reinsurer's participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.
Reinsurer:	As of January 1, 2017, participation was as follows:

Reinsurer	Participation
Chubb Tempest Reinsurance Ltd.	5.7142%
Collateralized Re Ltd.*	5.7142
Everest Reinsurance Company	2.5000
Fidelis Insurance Bermuda Limited	1.0000
Hannover Rück SE*	1.0000
Länsförsäkringar Sak Forsäkringsaktiebolag (publ)	0.1500
Mapfre Re, Compañia De Reaseguros, S.A.	2.0000
Munich Reinsurance America, Inc.*	3.0000
Qatar Reinsurance Company Limited	2.8571
Tokio Millennium Re AG (Bermuda Branch)	6.0000
Tokio Millennium Re AG, Bermuda Branch (Credit Suisse Business)	4.0000
MS Amlin AG Bermuda Branch	0.8750
Pioneer Underwriting Limited on behalf of Peak Reinsurance Company Limited	0.6000
Lloyd's Underwriters Per Signing Page	4.0000
Total	39.4105%

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2016, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the previous five-year period, and the compulsory and security surplus calculation.

The General Automobile Insurance Company, Inc.
Assets
As of December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 72,195,131	$ 0	$ 72,195,131
Cash, cash equivalents, and short-term investments	4,833,712	0	4,833,712
Write-ins for invested assets:		0	
Miscellaneous Income Due	18,393	0	18,393
Investment income due and accrued	418,878	0	418,878
Premiums and considerations:		0	
Uncollected premiums and agents' balances in course of collection	4,458,227	3,817	4,454,410
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	29,521,273	0	29,521,273
Reinsurance:		0	
Amounts recoverable from reinsurers	1,145,314	0	1,145,314
Current federal and foreign income tax recoverable and interest thereon	2,202,015	0	2,202,015
Net deferred tax asset	3,926,497	73,895	3,852,602
Total Assets	$118,719,440	$77,712	$118,641,728

The General Automobile Insurance Company, Inc.
Liabilities, Surplus, and Other Funds
As of December 31, 2016

Losses		$ 31,515,401
Loss adjustment expenses		4,191,959
Commissions payable, contingent commissions, and other similar charges		669,404
Other expenses (excluding taxes, licenses, and fees)		4,508
Taxes, licenses, and fees (excluding federal and foreign income taxes)		548,457
Unearned premiums		43,229,434
Advance premium		45,908
Payable to parent, subsidiaries, and affiliates		1,355,535
Payable for securities		446,145
Total Liabilities		82,006,751
Common capital stock	$ 3,000,000	
Gross paid in and contributed surplus	36,870,799	
Unassigned funds (surplus)	(3,235,822)	
Surplus as Regards Policyholders		36,634,977
Total Liabilities and Surplus		$118,641,728

The General Automobile Insurance Company, Inc.
Summary of Operations
For the Year 2016

Underwriting Income		
Premiums earned		$88,948,324
Deductions:		
Losses incurred	$65,322,081	
Loss adjustment expenses incurred	8,400,798	
Other underwriting expenses incurred	30,408,449	
Total underwriting deductions		104,131,328
Net underwriting gain (loss)		(15,183,004)
Investment Income		
Net investment income earned	831,626	
Net realized capital gains (losses)	136,141	
Net investment gain (loss)		967,767
Other Income		
Finance and service charges not included in premiums	6,501,362	
Write-ins for miscellaneous income:		
Other Interest Income	34	
Subrogation Fees	5,001	
Total other income		6,506,397
Net income (loss) before federal and foreign income taxes		(7,708,840)
Federal and foreign income taxes incurred		(2,233,485)
Net Loss		$ (5,475,355)

The General Automobile Insurance Company, Inc.
Cash Flow
For the Year 2016

Premiums collected net of reinsurance			$ 98,672,203
Net investment income			1,290,779
Miscellaneous income			6,506,397
Total			106,469,379
Benefit- and loss-related payments		$55,288,280	
Commissions, expenses paid, and aggregate write-ins for deductions		37,811,110	
Federal and foreign income taxes paid (recovered)		(1,023,768)	
Total deductions			92,075,622
Net cash from operations			14,393,757
Proceeds from investments sold, matured, or repaid:			
Bonds	$26,896,138		
Miscellaneous proceeds	36,141		
Total investment proceeds		26,932,279	
Cost of investments acquired (long-term only):			
Bonds	53,895,827		
Miscellaneous applications	18,225		
Total investments acquired		53,914,052	
Net cash from investments			(26,981,773)
Cash from financing and miscellaneous sources:			
Capital and paid in surplus less treasury stock		10,700,000	
Dividends to stockholders		500,000	
Other cash provided (applied)		3,949,230	
Net cash from financing and miscellaneous sources			14,149,230
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			1,561,214
Cash, cash equivalents, and short-term investments:			
Beginning of year			3,272,497
End of Year			$ 4,833,711

The General Automobile Insurance Company, Inc.
Compulsory and Security Surplus Calculation
December 31, 2016

Assets		$118,641,728
Less liabilities		82,006,751
Adjusted surplus		36,634,977
Annual premium:		
Lines other than accident and health	$97,171,724	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		19,434,345
Compulsory Surplus Excess (Deficit)		$ 17,200,632
Adjusted surplus (from above)		$ 36,634,977
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)		26,819,396
Security Surplus Excess (Deficit)		$ 9,815,581

The General Automobile Insurance Company, Inc.
Analysis of Surplus
For the Five-Year Period Ending December 31, 2016

The following schedule details items affecting surplus during the previous five-year period as reported by the company in its filed annual statements:

	2016	2015	2014	2013	2012
Surplus, beginning of year	$31,333,870	$25,540,668	$19,037,014	$10,437,768	$ 9,901,806
Net income	(5,475,355)	(144,482)	(1,002,913)	497,498	502,333
Change in net unrealized capital gains/losses	(1,144)	1,144	0	0	0
Change in net deferred income tax	576,880	819,632	1,484,603	144,334	(61,938)
Change in nonadmitted assets	726	16,908	21,964	(112,132)	97,370
Paid in	500,000	0	0	0	0
Surplus adjustments:					
Paid in	10,200,000	5,100,000	6,000,000	8,070,799	0
Dividends to stockholders	(500,000)	0	0	0	0
Write-ins for gains and (losses) in surplus:					
Other Decreases	0	0	0	(1,253)	(1,803)
Surplus, End of Year	$36,634,977	$31,333,870	$25,540,668	$19,037,014	$10,437,768

The General Automobile Insurance Company, Inc.
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2016

The company's NAIC Insurance Regulatory Information System (IRIS) results for the previous five-year period are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2016	2015	2014	2013	2012
#1	Gross Premium to Surplus	493%	510%	483%	354%	482%
#2	Net Premium to Surplus	265	246	278	130	210
#3	Change in Net Premiums Written	26	9	187*	13	-2
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	101*	94	92	97	100*
#6	Investment Yield	1.3*	1.4*	2.3*	2.6*	3.0*
#7	Gross Change in Surplus	17	23	34	82*	5
#8	Change in Adjusted Surplus	-17*	3	3	5	5
#9	Liabilities to Liquid Assets	68	59	25	50	53
#10	Agents' Balances to Surplus	12	14	10	10	10
#11	One-Year Reserve Development to Surplus	10	3	2	2	2
#12	Two-Year Reserve Development to Surplus	2	6	9	3	10
#13	Estimated Current Reserve Deficiency to Surplus	-9	8	6	1	-3

Ratio No. 3 measures the company's change in net premiums written from the previous year. The company reported an exceptional ratio in 2014, as net premium written increased 187%, from $24.7 million in 2013 to $70.9 million in 2014. The exceptional ratio was the result of two factors. First, the Permanent General Group has been actively expanding and entering into new states, increasing premium written. In 2014, the Permanent General Group's net premium written increased to $357 million, a 16% increase from the prior year. Secondly, and more significantly, the company's portion of the group's reinsurance pool increased from 8% to 17%, effective January 1, 2014.

Ratio No. 5 measures the company's profitability over the previous two-year period. The company reported an exceptional ratio in 2016 and 2012. The exceptional ratio in 2016 was driven largely by poor underwriting results in 2016, as the company experienced an increase in claim frequency and severity. The exceptional ratio in 2012 was mostly related to higher than average losses in 2011.

Ratio No. 6 measures the amount of the company's net investment income as a percentage of the average amount of cash and invested assets. The company reported an exceptional ratio each year under examination. The exceptional ratio is primarily due to the low interest rate environment. In recent years, the company's investment yield was slightly less than the industry average, which stayed at approximately 2.4% during the past five years.

Ratio No. 8 measures the improvement or deterioration of an insurer's financial condition during the year based on operational results. The ratio does not include surplus gains due to capital contributions. The company reported an exceptional ratio in 2016, as its surplus decreased 17% from the prior year, after excluding the effect of the $10.7 million of capital contributions from its parent. As discussed earlier, the company experienced poor underwriting results, in part, because of an increase in claim frequency and severity.

Growth of The General Automobile Insurance Company, Inc.

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2016	$118,641,728	$82,006,751	$36,634,977	$(5,475,355)
2015	91,545,215	60,211,345	31,333,870	(114,482)
2014	76,573,051	51,032,383	25,540,668	(1,002,913)
2013	45,314,934	26,277,920	19,037,014	497,498
2012	31,209,720	20,771,952	10,437,768	502,333
2011	27,693,135	17,791,329	9,901,806	(551,096)

Year	Direct Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2016	83,543,962	$97,171,724	$88,948,324	82.9%	24.6%	107.5%
2015	82,802,769	76,968,396	67,618,377	70.0	26.3	96.3
2014	52,554,501	70,892,746	54,263,320	67.3	25.4	92.7
2013	42,737,429	24,714,167	24,483,531	70.7	28.3	99.0
2012	28,363,704	21,924,393	21,855,259	70.2	30.2	100.4
2011	20,850,915	22,405,311	22,600,175	76.7	28.7	105.4

During the previous five-year period, the company experienced rapid growth, both on a direct and net basis. This happened as both the company and the Permanent General Group as a whole expanded into additional states and actively worked to increase market share. In 2011, the Permanent General Group was writing in 22 states; by the end of 2016, it was writing in 46 states and the District of Columbia.

As discussed earlier, the company reported a significant increase in net premium written in 2014, mostly because of an increase to the company's allocation in the group's reinsurance pool.

GAIC's loss ratio had been fairly consistent from 2012–2015; however, it increased 12.9 points in 2016, to 82.9%, as the company experienced an increase in claim frequency and severity. The elevated loss ratio is consistent with current industry trends for auto insurance.

Over the past five years, assets increased 328% to $119 million, and surplus increased 270% to $36.6 million. The increase in surplus was the result of various capital contributions. In 2015 and 2016, the company received AFMIC-funded capital contributions totaling $38.8 million. In 2014, the company received a capital contribution of $6 million from PGACO. In 2013, the GAIC received an $8 million capital contribution that was funded by PGAC.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2016, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no recommendations in the previous examination report.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Investments

Custodial agreements of Wisconsin-domiciled companies must comply with guidelines contained in the NAIC's Financial Condition Examiners Handbook. The review of the custodial agreement with The Northern Trust Company (Northern Trust) revealed that the agreement omitted one of the suggested clauses as contained in the NAIC's Financial Condition Examiners Handbook to ensure proper controls and safeguards. The following clause was missing from the Northern Trust agreement:

1. If the custodian agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner.

It is recommended that the company revise its custodial agreement to include the guideline provisions contained in the NAIC's Financial Condition Examiners Handbook.

VIII. CONCLUSION

The General Automobile Insurance Company, Inc., is a stock insurance company that writes non-standard auto insurance and is part of the Permanent General Group, which was acquired by AFMIC on January 31, 2012. The company redomiciled from Ohio to Wisconsin in August 2017.

The company's products are marketed nationally through the internet, independent and captive agents, retail store fronts, and call centers. The majority of the company's new business comes from the internet.

During the previous five-year period, the Permanent General Group has expanded its operations into new states, which, along with an increased pooling allocation percentage, has resulted in significant growth in net premium. Assets increased 328% to $119 million, and surplus increased 270% to $36.6 million. The increase in surplus was the result of various capital contributions.

On January 1, 2017, the company terminated its intercompany pooling agreement with PGAC and PGACO, and entered into a loss portfolio transfer and 100% quota share agreement with PGAC, which in turn, entered into a loss portfolio transfer and 100% quota share agreement with AFMICSI. As of January 1, 2017, the Permanent General Group no longer retains any net premium or losses.

The current examination resulted in one recommendation.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 35 - Investments—It is recommended that the company revise its custodial agreement to include the guideline provisions contained in the NAIC's Financial Condition Examiners Handbook.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	**Title**
Nick Hartwig	Insurance Financial Examiner
Diana Havitz	Insurance Financial Examiner
Judy Michael	Insurance Financial Examiner
Greg Mielke	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Eleanor Lu	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist
Karl Albert, CFE	Workpaper Specialist

Respectfully submitted,

Levi Olson
Examiner-in-Charge