

Report of Examination of

The General Automobile Insurance Company, Inc.
Valley View, Ohio

As of December 31, 2009

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Columbus, Ohio
February 8, 2011

Honorable Mary Taylor
Lieutenant Governor/Director
State of Ohio
Department of Insurance (“Department”)
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of

The General Automobile Insurance Company, Inc.

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 2636 Elm Hill Pike, Suite 510, Nashville, Tennessee.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of October 22, 2009, through a qualifying examination by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2009.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

Name	Principal Occupation
Brian M. Donovan	Chief Financial Officer, Treasurer & Assistant Secretary Permanent General Companies, Inc.
David L. Hettinger	Senior Vice President & Chief Administrative Officer Permanent General Companies, Inc.

Andrew P. Martin	Senior Vice President, Company-wide Sales & Distribution Permanent General Companies, Inc.
Randy P. Parker	Chairman, President & Chief Executive Officer Permanent General Companies, Inc.
Elizabeth A. Roberts	Vice President, Human Resources Permanent General Companies, Inc.

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Randy P. Parker	Chairman, President & Chief Executive Officer
David L. Hettinger	Senior Vice President & Chief Administrative Officer
Brian M. Donovan	Chief Financial Officer, Treasurer & Assistant Secretary
William L. McCague, II	Vice President, General Counsel & Secretary
Andrew P. Martin	Senior Vice President, Company-wide Sales & Distribution
Allison W. Garretson	Vice President, Underwriting & Premium Finance
Barry S. Dice	Vice President, Direct Sales & Marketing
C. Wesley Kirkland	Vice President, Claims
Eileen M. Manners	Assistant Vice President, Claims
Todd R. Hakala	Assistant Vice President, Actuary Services
Robert E. Nelson	Assistant Secretary
Sherrill C. Kaiser	Assistant Secretary
Eric W. Bur	Vice President, Independent Agent Sales & Distribution
Kenton L. Fourman	Vice President, Chief Information Officer
Stephen J. Frisina	Vice President, Product Development
Elizabeth M. Roberts	Vice President, Human Resources

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The following displays the chain of ownership of the insurance companies as of December 31, 2009 (100% owned unless otherwise noted):

Capital Z Partners, Ltd.
 Capital Z Partners, L.P.
 Other Shareholders, Including Management (9.6%)
 Capital Z Financial Services Fund II, LP (90.4%)
 PGC Holdings Corp.
 Permanent General Assurance Corporation of Ohio
 The General Automobile Insurance Company, Inc.
 Permanent General Companies, Inc.
 Permanent General Assurance Corporation
 PGA Service Corporation
 The General Automobile Insurance Services of Texas, Inc.
 The General Automobile Insurance Services of Ohio, Inc.
 The General Automobile Insurance Services of Georgia
 The General Automobile Insurance Services, Inc.
 The General Automobile Insurance Services of Louisiana
 PGC Holdings Corp. Statutory Trust I
 PGC Holdings Corp. Statutory Trust II
 Capital Z Management, LLC

Reinsurance

Ceded

The Company ceded no business as of the examination date.

Assumed

The Company assumed no business as of the examination date.

Territory and Plan of Operations

The Company was licensed to transact business in the State of Ohio. No premiums were written by the Company as of the examination date.

Scope of Examination

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2009. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency.

Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and
7. Articles of Incorporation and Bylaws.

Financial Statements

The financial condition and the results of its operations for the one year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of Operations
Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds

December 31, 2009

Admitted assets

Invested assets:

Bonds	\$6,167,925
Short-term investments	3,825,857
Receivable for securities	56
Total cash and invested assets	<u>9,993,838</u>

Accrued investment income	42,589
Total admitted assets	<u>\$10,036,427</u>

Liabilities, capital and surplus

Liabilities:

Current federal and foreign income taxes	\$6,453
Payable to parent, subsidiaries and affiliates	8,014
Total liabilities	<u>14,467</u>

Capital and surplus:

Common capital stock	1,000,000
Gross paid in and contributed surplus	9,000,000
Unassigned funds	21,960
Total capital and surplus	<u>10,021,960</u>
Total liabilities, capital and surplus	<u>\$10,036,427</u>

Statement of Operations

**For the Year Ended
December 31, 2009**

Other underwriting expenses incurred	\$22
Underwriting (loss)	<u>(22)</u>
Net investment income earned	30,239
Net realized capital gains	3,119
Net investment gain	<u>33,358</u>
Income before federal income taxes	33,336
Federal income taxes	<u>11,376</u>
Net income	<u>\$21,960</u>

Statement of Changes in the Capital and Surplus Account

	<u>2009</u>
Capital and surplus December 31, previous year	\$0
Net income	21,960
Capital paid in	1,000,000
Surplus paid in	9,000,000
Net change in capital and surplus	10,021,960
Capital and surplus December 31, current year	<u>\$10,021,960</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with Section 3925.08 of the ORC.

Loss and Loss Adjustment Expense Reserves

The Company had no reserves as of December 31, 2009. The Department granted the Company an exemption from filing an Actuarial Opinion as of that date.

Subsequent Event

Effective January 1, 2010, the Company was included in a new Reinsurance Pooling Agreement with two affiliates, Permanent General Assurance Corporation ("PGAC") and Permanent General Assurance Corporation of Ohio ("PGAC of Ohio"). Under terms of this agreement, all business written by the three companies is pooled and then allocated between the companies based on the pooling percentages of 59% to PGAC, 33% to PGAC of Ohio and 8% to the Company.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2009, and is summarized as follows:

Total Admitted Assets	<u>\$10,036,427</u>
Liabilities	\$14,467
Surplus as Regards Policyholders	10,021,960
Total Liabilities and Surplus as Regards Policyholders	<u>\$10,036,427</u>

Acknowledgement

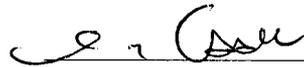
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the aforementioned and the undersigned, the following representatives of the Department participated in this examination: Mohammad A. Arif, AES, CFE, CIDM, CISA, CISSP; Aaron R. Hibbs, CPA, FLMI, ChFC; James H. Luke, CFE, CPA; Floyd D. Meeks, AES, CFE, CIDM, CISA, CPA, MBA; Leroy J. Moster, CFE, CPA; and Larry G. Rice, AES, CFE, CISA, CPA.

Respectfully,



Kevin J. Rupp, CFE
Examiner-In-Charge
Ohio Department of Insurance



David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2009.

Kevin J. Rupp
Examiner-In-Charge

3/4/11
Date

Elizabeth Chase
Assistant Chief Examiner

3/4/11
Date

State of Ohio

County of Franklin

Personally appeared before me the above named Kevin J. Rupp, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 4 day of March, 2011.

Elizabeth Chase
Notary Public
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 4 day of March, 2011.

Elizabeth Chase
Notary Public
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires