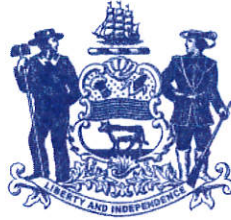


REPORT ON EXAMINATION
OF THE
GENERAL REINSURANCE CORPORATION
AS OF
DECEMBER 31, 2012

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

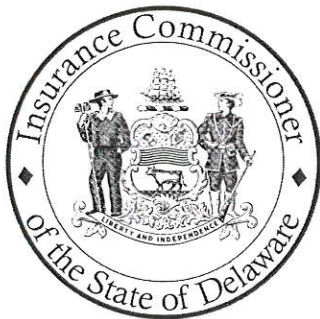
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2012 of the

GENERAL REINSURANCE CORPORATION

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

Attest By: Brandi Biddle

Date: June 19, 2014



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 19th day of June, 2014.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
GENERAL REINSURANCE CORPORATION
AS OF
DECEMBER 31, 2012

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 black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 19th day of June, 2014

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SALUTATION

May 16, 2014

Honorable Karen Weldin Stewart, CIR-ML
Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 13.013, dated March 25, 2013, an examination has been made of the affairs, financial condition and management of the

GENERAL REINSURANCE CORPORATION

hereinafter referred to as (Company or GRC) and incorporated under the laws of the State of Delaware as a private company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the administrative office of the Company located at 120 Long Ridge Road, Stamford, CT 06902.

The report of this examination is submitted herewith.

SCOPE OF EXAMINATION

This financial examination covers the four (4) year period from January 1, 2009 to December 31, 2012 and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2012. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination was conducted concurrently with that of its subsidiaries; General Star Indemnity Company (GSI) and General Star National Insurance Company (GSN), also Delaware domestic insurance companies. Separate reports of examination were filed for each company.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The NAIC Handbook requires that we plan and perform the examination to assess the financial condition and identify prospective risks by evaluating Company information including operations, corporate governance, identifying and assessing material inherent risks to which the Company is considered exposed, and evaluating processes, systems, controls and other procedures used to mitigate those risks. The examination also included assessing principles used and significant estimates made by management, as well as evaluating overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report addresses regulatory issues reviewed during the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Deloitte & Touche, LLP (D&T). Certain auditor work papers from their 2012 external audit have been incorporated into the work papers of this examination and have been utilized principally in the area of risk mitigation and substantive tests of account balances.

Consideration was also given to work performed by the Company's Internal Audit department on financial, operational and systems compliance and internal control audits performed on the Company's processes during the examination period.

In addition to items hereinafter incorporated as a part of this report, the following areas were reviewed without material exception and made part of the work papers of this examination:

NAIC Ratios
Legal Actions
Regulatory Agency Correspondence
All other Assets and Liabilities not mentioned

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, adjustments to the financial statements, or specific recommendations as a result of this examination.

SUBSEQUENT EVENTS

Dividend to Sole Shareholder

On March 6, 2013 the Board of Directors declared a \$1,050,000,000 dividend to its sole shareholder, General Re Corporation (GRN or General Re). On March 20, 2013 the Delaware Department of Insurance (DE DOI) approved the payment of this dividend.

Change in President

Imre John Cholnoky retired as president and director effective March 1, 2014, and Adin Morris (Mo) Tooker was elected president effective on the same day.

COMPANY HISTORY

The Company was incorporated under the laws of Delaware on October 8, 1970, and received its Certificate of Authority to commence business effective January 1, 1973. The Company was incorporated to act as the vehicle for the transfer of the corporate domicile from New York to Delaware of a predecessor company, General Reinsurance Corporation, which had originally been incorporated under the laws of New York on March 21, 1921.

On October 31, 1980, the Company, by merger and reorganization, became a wholly-owned subsidiary of General Re, a publicly traded holding company domiciled in the State of Delaware.

Effective December 21, 1998, the Company then became a member of the Berkshire Hathaway Inc. (Berkshire) holding company structure when, through a merger agreement, the parent company GRN became a wholly owned subsidiary of Berkshire.

On October 31, 2008, the Company completed a transaction with White Mountains Insurance Group, Ltd (White Mountains) as proposed in the Exchange Agreement entered into between the Company, White Mountains and Berkshire. The transaction involved an exchange of the Company's common stock ownership in White Mountains (approximately a 16% interest) for 100% ownership of a White Mountains subsidiary and its four (4) wholly-owned subsidiaries. In conjunction with this transaction, White Mountains restructured its holdings and the Company ultimately acquired Railsplitter Holdings Corporation, which in turn owns directly and indirectly Commercial Casualty Insurance Company, International American Group Inc., American Centennial Insurance Company, and International American Management Company.

CAPITALIZATION

Common Capital Stock

The Company has 11,000 authorized and issued shares of common stock, with a par value of \$1,000 per share for a total capital paid in of \$11,000,000. All shares are issued and outstanding and are currently held by the Company's immediate parent, GRN.

Gross Paid-In and Contributed Surplus

As of December 31, 2012, the Company reported \$2,797,435,590 in gross paid-in and contributed surplus. During the examination period, the company received a \$10.0 million capital contribution from its immediate parent, GRN.

Dividends

According to Company records and as reflected in minutes to Board of Directors' meetings, cash dividends were paid to the sole stockholder and approved by the DE DOI as follows:

<u>Date Declared</u>	<u>Date Paid</u>	<u>Amount Paid</u>
March 10, 2009	March 26, 2009	\$ 200,000,000
April 8, 2009	April 21, 2009	200,000,000
July 21, 2009	July 31, 2009	100,000,000
October 28, 2009	December 7, 2009	<u>393,000,000</u>
Total Dividends 2009		<u>\$ 893,000,000</u>
November 11, 2010	December 9, 2010	<u>\$1,164,000,000</u>
Total Dividends 2010		<u>\$1,164,000,000</u>
March 23, 2011	April 28, 2011	<u>\$ 550,000,000</u>
Total Dividends 2011		<u>\$ 550,000,000</u>

Refer to the caption "Subsequent Events" for dividend declared and paid in the first quarter of 2013.

CORPORATE RECORDS

The recorded minutes of the Stockholders and Board of Directors were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events; including authorization of investments as required by 18 Del. C. § 1304 Authorization; record of investments.

A review of the Insurance Holding Company Annual Registration Statement filings (Form B and Form C) made by and on behalf of the Company for all years under examination revealed that the Company had complied with the requirements of 18 Del. Admin. Code §1801.

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Articles of Incorporation and bylaws, all corporate powers and its business, property, and affairs are managed by or under the direction of the Board of Directors.

Stockholder

In accordance with Article 1, Section 1.01 of the Company's bylaws, the annual shareholder's meeting shall be held each year on a date and at such time and place designated by the Board of Directors.

Board of Directors

The business affairs and corporate activities are vested in a Board of Directors. The bylaws provide that the number of directors shall be established by the Board of Directors or by action of the stockholder and shall consist of not less than seven (7) members. Directors are elected annually at the annual stockholder's meeting, and serve until a successor is elected and qualified. A majority of the Board of Directors, but no less than five (5) members, shall constitute a quorum for the transaction of business.

The Board of Directors duly appointed/elected and serving as of December 31, 2012 were as follows:

Director

Franklin Montross IV

Primary Business Affiliation

Chairman, Chief Executive Officer
General Re Corporation and General Reinsurance Corporation
President, General Re Corporation

General Reinsurance Corporation

Imre John Cholnoky *	President General Reinsurance Corporation
William G. Gasdaska, Jr.	Chief Financial Officer, Treasurer and Senior Vice President General Re Corporation and General Reinsurance Corporation
Damon N. Vocke	General Counsel, Secretary and Senior Vice President General Re Corporation and General Counsel, Secretary and Senior Vice President General Reinsurance Corporation
Nicholas S. Canelos	Senior Vice President and Global Claims Manager General Reinsurance Corporation
Kenneth B. Lundgren	Senior Vice President and Chief Underwriter-Treaty General Reinsurance Corporation
Daniel K. Lyons	Senior Vice President and Chief Actuary General Reinsurance Corporation
Adin Morris Tooker *	Executive Vice President General Reinsurance Corporation

*Imre John Cholnoky was subsequently replaced as President by Adin Morris Tooker. Refer to Subsequent Events.

Officers

The bylaws provide that the officers of the Company shall be a Chairman of the Board, a President, a Treasurer and a Secretary, all of whom shall be elected by the Board of Directors at the next regular meeting after the annual meeting of the stockholder. The Chief Executive Officer may from time to time appoint other officers.

The Officers duly appointed/elected and serving as of December 31, 2012 were as follows:

<u>Officers</u>	<u>Title</u>
Franklin Montross IV	Chairman, Chief Executive Officer
Imre John Cholnoky *	President
William G. Gasdaska, Jr	Senior Vice President, Chief Financial Officer, Treasurer,

Damon N. Vocke Senior Vice President, General Counsel, Secretary,

*Retired subsequent to the examination period. Refer to “Subsequent Events”

It was noted that written correspondence was submitted by the Company to the DE DOI with regards to the changes in officers and directors during the period under examination in compliance with 18 Del. C. § 4919 Change of Directors, Officers; Notice.

Committees

The bylaws provide for the Board to appoint such standing committees and/or special committees, each consisting of two (2) or more directors, to perform such duties and make such investigations and reports as the Board by resolution may determine. Additionally, the Board of Directors may appoint an Executive Committee with the powers and authority of the Board in the management of the Company. During the examination period there were no such committees appointed by the Board. It was noted, however, that certain committees have been appointed by the GRN Board of Directors whose decisions can impact the entire GRN group of companies, and four (4) of the eight (8) GRN Board members also serve on the Company’s Board. The committees include an Audit Committee, a Risk Committee (oversees the corporate governance and risk assessment process), and a Complex Transaction Committee (oversees risk transfer related issues and contracts issued by its entities).

Members of the committees serving as of December 31, 2012 were as follows:

GRC Risk Committee

Sandra L. Bell	Teresa McTague
Florene Khissy Beyniouah	John V. Regan
Christopher J. Brock	Anthony N. Sammur
Nicholas S. Canelos	Robert D. Sciolla/Carole Ferrero
Christopher J. Crowder	Beverly J. Tramontelli
Janice C. Englesbe	Damon N. Vocke/Andrew R. Gifford

Adrienne Mageras

Joseph W. Wallen

GRN Audit Committee

Franklin Montross IV

Salvatore Curiale

Imre John Cholnoky

Adrienne Mageras

William G. Gasdaska, Jr.

Marc D. Hamburg

Damon N. Vocke

Becki Amick

Members of the Berkshire Audit Committee also participate in the GRN Audit Committee meetings held.

GRN Complex Transaction Committee

Franklin Montross IV

William G. Gasdaska, Jr.

Damon N. Vocke

Other individuals are also invited to participate in GRN's Complex Transaction Committee meetings, including the Company's actuary and GRN's Board members.

Conflict of Interest

The Company has an established procedure for the disclosure to its Board of Directors of any material interest or affiliation on the part of any of its officers, directors, or responsible employees which is in conflict with or is likely to conflict with the official duties of such person. The disclosures are made annually. Conflict of interest statements completed by all directors and key officers were reviewed and the information contained therein disclosed no evidence of conflicting interests.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined at 18 Del. C. Ch. § 50 Insurance Holding Companies. At December 31, 2012, the Company owned approximately 27 subsidiaries and, along with 12 other entities, was in turn owned by General Re Corporation, a Delaware insurance holding company. The General Re group of companies

provides global reinsurance and financial service operations in over 55 cities and in 25 countries, and provides reinsurance worldwide. General Re in turn is owned by Berkshire, a publicly traded holding company whose subsidiaries overall engage in a number of diverse business activities including property and casualty insurance and reinsurance, freight rail transportation, and a group of utilities and energy generation and distribution businesses, along with finance, manufacturing, services and retailing.

Effective December 31, 2012, the subsidiary company GSI re-domesticated from Connecticut to Delaware and on October 1, 2012, the subsidiary company GSN re-domesticated from Ohio to Delaware. Copies of the Form B Company Holding Registration Statements filed with the DE DOI, during the period under examination, were reviewed, and found to comply with the provisions of 18 Del. Admin. Code 1801 Registration of Insurance Holding Companies.

The following is an organizational chart which reflects the identities and interrelationships between the Company, parent and all other affiliated insurers of the system as of December 31, 2012:

Berkshire Hathaway Inc. (34.787% owned by Warren E. Buffett)

General Re Corporation

General Reinsurance Corporation (DE)

Elm Street Corporation

General Star Indemnity Company (DE)

General Star National Insurance Company (DE)

General Star Management Company

Genesis Management and Insurance Services Corporation

Genesis Insurance Company (CT)

GRC Realty Corporation

General Reinsurance Australia Ltd

General Re Compania de Reaseguros, S.A.

General Reinsurance AG

General Re Holdings Limited

Gen Re Services UK Limited

Faraday Reinsurance Co. Limited

General Star International Indemnity Ltd.

General Reinsurance México S.A.

Gen Re Warsaw Sp. z.o.o.

General Reinsurance Africa Ltd.

General Reinsurance AG Escritório

de Representação no Brasil Ltda.

General Reinsurance Life Australia Ltd.

Gen Re Beirut s.a.l. offshore

General Re Life Corporation

Idealife Insurance Company (CT)

Railsplitter Holdings Corporation

Commercial Casualty Insurance Company (CA)

International American Group Inc.

American Centennial Insurance Company (DE)

International American Management Company (DE)

General Re-New England Asset Management, Inc. (DE)

GR-NEAM Limited

United States Aviation Underwriters, Incorporated

Canadian Aviation Insurance Managers Ltd.

Gen Re Intermediaries Corporation

Faraday Holdings Limited

GRF Services Limited

Faraday Underwriting Limited

Faraday Capital Limited

GRD Holdings Corporation

General Re Financial Products Corporation

Gen Re Long Ridge, LLC

Fidelity Bond

The Company had a Financial Institution Bond in place which included coverage for the Company's subsidiaries. The Bond coverage limits were \$10.0 million per employee/\$20.0 million aggregate with a deductible of \$10.0 million which meets the NAIC recommended limits. Other property and casualty insurance coverages in place appeared to be adequate.

Pensions, Stock Ownership and Insurance Plans

The Company participates in a defined contribution pension plan sponsored by General Re. The Company's share of net expenses under this plan was \$18.2 million for 2012. The Company also participated in a qualified non-contributory defined benefit pension plan, sponsored by General Re, which was amended to freeze benefits at the end of 2005. The Company's share of net expense for the qualified pension plan was \$4.8 million 2012. The Company also provides certain other post-retirement benefits to retired employees through a non-qualified defined benefit plan sponsored by General Re, which was amended to freeze benefits at the end of 2005. The Company's share of net expenses for the non-qualified pension plan was \$7.9 million for 2012. The Company has no legal obligation for benefits under these plans. General Re allocates and charges amounts to the Company based on specific costs for current and retired employees.

The Company incurs expenses related to the General Re Corporation Employee Savings and Stock Ownership Plan under which it makes contributions. The Company also incurs expenses related to the General Re Corporation's Medical/Dental Expense Plan.

The Company's U.S. employees hired prior to January 1, 2002 will become eligible for certain health care and group life insurance benefits upon retirement.

At December 31, 2012 the Company had \$176,445,292 in accrued liabilities related to future Pension Plan obligations.

Intercompany Management and Service Agreements

The Company participated in various inter-company service and administrative type agreements with its parent and affiliates. The following significant agreements were entered into during the period covered by this examination:

General Services Agreement (GRA)

Effective January 1, 2009, the Company entered into a general services agreement with General Reinsurance Australia Ltd. (GRA). Pursuant to the terms of this agreement, the Company shall provide all administrative and general services required by GRA. GRA agrees to pay all expenses incurred by GRC on behalf of GRA. The Company received \$1,324,762 in fees under this agreement in 2012.

Investment Management Agreement (GR-NEAM)

Effective January 1, 2009, the Company entered into an amended and restated investment management agreement with General Re – New England Asset Management, Inc. (GR-NEAM). Under the terms of this agreement, GR-NEAM will make all investment decisions for the Company in accordance with the Investment Guidelines. The assets in the Account will be held for the Company by the designated custodians. The Annual Manager's fees for services provided under this Agreement shall be .0225% on the market value of the reported assets. The Company paid \$1,514,745 in fees under this agreement in 2012.

General Services Agreement (GRL)

Effective November 1, 2011, the Company entered into a general services agreement with General Re Life (GRL). Under the terms of the agreement, GRC agrees to provide services to GRL pertaining to corporate administration, actuarial, legal, personnel, data processing, and financial services. GRL agrees to pay GRC all expenses incurred by GRC on behalf of GRL. In 2012, GRL paid the Company \$14,369,226 in fees under this agreement.

Underwriting and Operational Services Agreement (GRFSL)

Effective October 1, 2011, the Company entered into an underwriting and operational services agreement with GRF Services Limited. (GRFSL). Under the terms of the agreement, GRC agrees to provide underwriting technical and administration support services for single risk and program casualty, ocean marine, and property facultative business written by the Company. The basis for the fees will be actual costs incurred by GRFSL plus seven percent. In 2012, GRFSL paid the Company \$1,530,229 for services provided under the agreement.

US Technical Services Agreement (FUL, FRE, GRFSL)

Effective April 6, 2011, the Company entered into a technical services agreement with Faraday Underwriting Limited (FUL), Faraday Reinsurance Company Limited (FRE), and GRF Services Limited (GRFSL). Under the terms of the agreement, the Company will provide maintenance of business applications, UK applications support, maintenance and enhancements, business process services, IT service desk and problem management, productivity services, account management, training, and other technical support services. The fees charged by the Company will be actual cost incurred plus an additional charge of seven percent. During 2012, the Company received \$972,937 in fees from the affiliates for the technical services provided.

Promissory Note from Berkshire Hathaway, Inc.

On September 19, 2011, the Company made a 10 year loan to its ultimate parent, Berkshire Hathaway Corporation, in the amount of \$100,000,000 at a 7.5% annual interest rate. Interest is to be paid semiannually with a balloon payment of \$100,000,000 on September 19, 2021. In 2012, Berkshire paid GRC \$7,500,000 in interest in accordance with the note.

The following agreements were also entered into during the examination period; however, no transactions were recorded under the agreements during the examination period:

- General Services Agreement dated January 1, 2009 between the Company and General Reinsurance Life Australia Ltd. (GRLA)
- Mutual Underwriting Services Agreement dated January 1, 2009 with General Reinsurance Mexico, S.A. (GRM)
- Technical Services Agreement dated January 1, 2009 with Kolnische Ruckversicherungs-Gesellschaft AG (KR)

The following affiliated party agreements became effective prior to the examination period and remained in-force as of December 31, 2012:

- Tax Allocation Agreement dated December 20, 1983 between the Company GRN and affiliated members
- Underwriting Management Agreement dated April 1, 1988 with Genesis Underwriting Management Company
- General Services Agreement dated September 1, 1998 among several affiliates & subsidiaries
- General Services Agreement dated October 1, 2004 with General Reinsurance AG
- Amended and Restated Master Loan Agreement dated February 1, 2007 between GRN and certain subsidiaries

- Amended and Restated Joint Asset Agreement dated February 1, 2007 between GRN and certain subsidiaries

TERRITORY AND PLAN OF OPERATION

Territory

The Company is authorized to transact the business of insurance in all states except Hawaii (where the Company operates as an accredited reinsurer), and is also licensed in the District of Columbia, Puerto Rico, Guam and Canada. There were no changes to the states or territories in which the Company is authorized to do business during the period under review.

The principal office facilities of the Company are located in Stamford, Connecticut and are supplemented by primary branch operations in Atlanta, Boston, Charlotte, Chicago, Columbus, Dallas, Hartford, Kansas City, Los Angeles, Montreal, New York City, Philadelphia, San Francisco, Seattle, St. Paul, Toronto, and Trumbull.

Plan of Operation

The Company and its U.S. subsidiaries represent the North American (N.A.) property/casualty reinsurance operations of the General Re Group. The N.A. group operates as a treaty and facultative reinsurer underwriting all lines of property and casualty business on a direct basis and, and together with its affiliates, is one of the largest professional reinsurers in the United States in terms of premium volume and policyholder surplus.

The Company is considered the “flagship” of these reinsurance operations, and operates under the Direct Business model which encompasses underwriting the business through its employees as opposed to utilizing reinsurance brokers or intermediaries to obtain and/or underwrite its business. The core of the Company’s book of business is excess of loss property and casualty treaty contracts, currently executed primarily with smaller, regional insurance entities.

In addition to its assumed reinsurance business, GRC, through its participation in the United States Aircraft Insurance Group (USAIG) pool during the examination period, also wrote a modest sized block of aviation and aerospace direct insurance.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the past four (4) years through December 31, 2012:

Year	Net Admitted Assets	Surplus as Regards Policyholders	Gross Written Premiums	Net Income (Loss)
2012	\$15,532,940,459	\$10,693,198,729	\$1,117,973,992	\$ 432,900,478
2011	14,004,069,590	9,160,371,766	1,070,775,568	858,497,245
2010	14,517,490,058	9,319,444,198	1,210,278,975	511,023,032
2009	15,353,907,158	9,909,536,746	1,309,920,648	1,164,326,052

The following factors contributed to the Company's material decrease in the listed growth factor of "Net Income":

- In 2009, the Company had net income of \$1.2 billion compared with net income of \$300.2 million in 2008, an increase of \$864.0 million. The increase in net income was mainly due to an increase in investment income which included extraordinary dividends from subsidiaries.
- In 2011, the Company had net income of \$858.5 million. The 2011 net income represents an increase from 2010, of \$347.5 and the subsequent decrease in 2012, of \$425.6. The changes are attributed to the 2011 gain on investment income, mainly from subsidiary dividends of \$566.6 million. Also included in 2011 net income, were after-tax realized capital losses of \$(31.4) million. The majority of these reported losses were the result of recognized other-than-temporary impairments on investments. Excluding subsidiary dividends and capital losses, the Company continues to realize consistent earnings on its invested assets which were \$404.4 million in 2011.

LOSS EXPERIENCE

Net loss and expenses unpaid reserves as of December 31, 2011 were \$3.6 billion. During 2012, \$380 million was paid for incurred loss and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for the prior years are now \$3.1 billion as a

result of re-estimation of unpaid claims and claims adjustment expenses across all lines. Therefore, there has been a \$123 million year to date in favorable development, primarily in the reinsurance liability line and reinsurance property lines. An independent loss reserve review was performed as part of this examination. The findings of that review are discussed in Note 5 of the “Notes to Financial Statements”.

REINSURANCE

GRN together with its subsidiaries (including the Company), and also referred to collectively as General Re, is one of the world’s largest professional reinsurers, writing a wide array of working layer reinsurance products.

The Company reported the following distribution of net premiums written in 2012:

Direct and indirect business	\$ 33,676,445
Reinsurance assumed (from affiliates)	33,278,553
Reinsurance assumed (from non-affiliates)	<u>1,051,018,994</u>
Total direct and assumed	<u>1,117,973,992</u>
Reinsurance ceded (to affiliates)	<u>516,774,803</u>
Reinsurance ceded (to non-affiliates)	<u>33,743,680</u>
Total ceded	<u>550,518,483</u>
Net premiums written	<u><u>\$ 567,455,509</u></u>

Ceded Reinsurance to Affiliates

Effective January 1, 2005, with the permission of their domestic insurance regulators, the Company and certain of its North American based property and casualty affiliates entered into a loss portfolio reinsurance contract (the “loss portfolio”) and a quota share reinsurance contract (the “quota share”) with two other affiliates, National Indemnity Company and Columbia Insurance Company. The loss portfolio provides for a 50% reinsurance cover on existing net losses as of December 31, 2004, subject to an overall aggregate limit of \$11.2 billion. The amount of net reserves ceded by the Company on January 1, 2005 was \$5.7 billion (including

\$525 million of retroactive reinsurance reserves). Consideration was equal to the amount of net statutory reserves and was reported by the Company as ceded earned premiums in 2005 for the lines of business of the underlying reserves ceded. There was no surplus gain from this retroactive transaction with affiliates and was accounted for as reinsurance.

The quota share provides for a 50% reinsurance cover on net losses occurring on or after January 1, 2005. At December 31, 2012, the Company reported \$2.4 billion of ceded outstanding losses on the loss portfolio and \$955 million of ceded outstanding losses on the quota share. The Company reported ceded earned premiums in calendar year 2012 of \$503 million related to the quota share contract.

Concurrent with the loss portfolio and quota share agreements noted above and effective January 1, 2005, Berkshire, the parent of General Re whose principal subsidiary is the Company, executed a Net Worth Maintenance Agreement to support the insurance and reinsurance of General Re and its subsidiaries. Berkshire unconditionally and irrevocably guarantees to General Re that General Re will maintain statutory capital sufficient to support the risks and to meet the capital adequacy ratios required by Standards & Poor's and A. M. Best through applications of their rating models and to support the insurance and reinsurance business of its subsidiaries.

Ceded Reinsurance to Non – Affiliates

GRC’s only direct business in 2012 was aircraft (all perils) which was 100% ceded to U.S. Aircraft Insurance Group, an authorized voluntary pool. Direct premiums for this business in 2012 were \$33,676,445.

Assumed Reinsurance – Affiliates

The Company’s assumed premium in 2012 under affiliated reinsurance agreements was \$33.3 million as illustrated in the following schedule of affiliated assumed business:

<u>U.S. Affiliates:</u>	<u>Assumed Premium in 2012</u>	<u>Percentage</u>
Genesis Insurance Company	\$ 1,462,000	4.39%
General Star Indemnity Company	4,267,000	12.82%
Seven (7) other U.S. Affiliated Companies	337,000	1.01%
Total U.S. Affiliates	\$ 6,066,000	18.23%
 <u>Non U.S. Affiliates:</u>		
General Re Australia, Ltd.	\$ 27,212,000	81.77%
Total Non-U.S. Affiliates	\$ 27,212,000	81.77%
Total	\$ 33,278,000	100.00%

Assumed Reinsurance – Non-Affiliates

The Company’s assumed premium in 2012 under non-affiliated reinsurance agreements was \$1.1 billion; see below a schedule of nonaffiliated assumed business:

U.S. Non Affiliated	\$ 911,267,000	86.70%
Pool & Associations - Voluntary Pools	81,846,000	7.79%
Other Non U.S. Insurers	57,908,000	5.51%
	\$1,051,021,000	

While GRC assumed business from a wide range of insurance companies, both U.S. domiciled and from non-U.S. based insurers, including some of the largest in the industry, the

Company focuses a significant portion of its treaty business by marketing efforts to small and medium-sized property and casualty insurers. Business is marketed on a direct basis and is subject to parameters established by the underwriting department in conjunction with top-level management. All new clients are evaluated for financial stability and performance results.

The Company has continued its implementation of a more disciplined underwriting program, focusing on risk selection, pricing, profitability and maintenance of conservative reserve margins. These actions, together with controlled catastrophe exposure, contributed to improvements in the accident year combined ratios for the Company.

Finite Reinsurance

The Company no longer writes finite reinsurance.

ACCOUNTS AND RECORDS

Accounting Systems and Information

The financial cycle data, principally maintained in the SAP (general ledger) system and its individual modules, is derived from submitted invoices, check requests, purchase orders, manual general journal entries, and automated interfaces from other insurance cycle systems. Personal computers and file servers support financial reporting and analysis. The systems are maintained by personnel located in Trumbull, CT.

The Company's investments are managed and administered by an affiliate, General Re-New England Asset Management, Inc., which utilizes the CAMRA system. The investment related transactions are also posted manually by the Finance Department into the general ledger system.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the

Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested, and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The primary systems used in the operations of the Company were also evaluated. The Information Systems (IS) portion of the examination was performed by INS Services, Inc. The review was performed in accordance with the NAIC Handbook. The review of IS controls included IS management and organizational controls; application and operating system software change controls; system and program development controls; overall systems documentation; logical and physical security controls; contingency planning; local and wide area networks; personal computers; and mainframe controls. Control testing performed by the Company's SOX and Internal Audit functions and by D&T was evaluated, and testing of end user computing and IS outsourcing controls were performed in making the evaluation. As a result of the procedures performed, the IS Examination Team obtained reasonable assurance that IS general controls and general application controls were functioning as management intended and that an effective system of controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company. There are no reportable items related to the review of IS controls.

Independent Accountants

The Company's financial statements are audited each year by the firm of Deloitte & Touche, LLP. The examiners reviewed the audited statutory financial statements for all years under examination. For all years under review, D&T issued an unqualified opinion. The examiners reviewed D&T's 2012 work papers, and incorporated their work and findings as deemed applicable into the current examination.

Actuarial Opinion

The Company's loss reserves and related actuarial items were reviewed by Daniel K. Lyons, FSA, MAAA, who issued a statement of actuarial opinion based on the financial information presented by the Company. The opinion stated that the reserves and related actuarial values carried on the balance sheet were computed in accordance with accepted loss reserving standards and principles and were reasonable in the aggregate for unpaid loss and loss expense obligations and all unearned premium obligations of the Company related to long duration contracts under the terms of its contracts and agreements and met the requirements of the insurance laws of the State of Delaware.

The consulting firm of INS Consultants, Inc. (INS), Philadelphia, PA was contracted to perform an independent loss reserving review. The findings of that review are discussed in Note (5) of the "Notes to Financial Statements".

STATUTORY DEPOSITS

The Company's state statutory deposits are comprised of U.S. Treasury Notes and other government bonds. The following schedule reflects statutory deposits that were on file with the respective states as of December 31, 2012:

State	Deposits For The Benefit of All Policyholders		All Other Special Deposits	
	Book/Adjusted Carrying Value	Fair Value	All Other Book/Adjusted Carrying Value	All Other Fair Value
Arizona			\$ 85,177,662	\$ 93,247,154
Arkansas			205,058	270,360
California			390,628,991	432,773,292
Delaware	\$ 3,075,869	\$ 4,055,400	116,189	148,698
Georgia			204,343	257,946
Illinois			102,529	135,180
Kansas			123,035	162,216
Kentucky			102,529	135,180
Massachusetts			102,529	135,180
New Mexico			2,002,254	2,276,191
North Carolina			307,587	405,540
Ohio			562,368	716,454
Oregon			10,050,341	11,011,517
Texas			105,683	133,488
Virginia			560,104	691,695
Canada	400,831,722	411,184,643		
Totals	\$ 403,907,591	\$ 415,240,043	\$ 490,351,202	\$ 542,500,091

Statutory deposits with the State of Delaware were directly confirmed with the custodian and all statutory deposits were traced back to Schedule D – Part 1 of the 2012 Annual Statement with no exception noted.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2012, as determined by this examination, along with supporting exhibits as detailed below:

Assets
Liabilities, Surplus and Other Funds
Statement of Income
Capital and Surplus Account
Reconciliation of Capital and Surplus

With the exception of invested assets and reserve related balances, narratives on individual accounts are presented on the “exception basis” in the Notes to the Financial Statements section of this Report.

Assets
As of December 31, 2012

	Assets	Non Admitted Assets	Net Admitted Assets	Note
Bonds	\$ 1,524,399,706	\$ 0	\$ 1,524,399,706	1
Preferred stocks	144,377,236	0	144,377,236	
Common stocks	10,322,536,174	43,038,875	10,279,497,299	2
Cash, Cash Equivalents and Short-term Investments	1,447,964,899	0	1,447,964,899	3
Other invested assets (Schedule BA)	1,419,255,850	0	1,419,255,850	4
Receivables for securities	22,228	0	22,228	
Subtotals, cash and invested assets	<u>\$14,858,556,093</u>	<u>\$ 43,038,875</u>	<u>\$14,815,517,218</u>	
Investment income due and accrued	78,760,936	0	78,760,936	
Uncollected premiums and agents' balances in the course of collection	145,922,712	3,766,795	142,155,917	
Deferred premiums and agents' balances in the course of collections	6,243,972	5,210	6,238,762	
Accrued retrospective premiums	36,698,732	1,478,320	35,220,412	
Amounts recoverable from reinsurers	130,237,544	0	130,237,544	
Funds held by or deposited with reinsured companies	303,558,670	289,967	303,268,703	
Electronic data equipment and software	7,781,715	7,781,715	0	
Furniture and equipment	370,878	370,878	0	
Net adjustment in assets and liabilities due to foreign exchange rates	1,630,028	0	1,630,028	
Receivables from parent, subsidiaries and affiliates	19,375,546	0	19,375,546	
Reinsurance recoverable on retroactive contracts	535,393	0	535,393	
Prepaid expenses	12,456,846	12,456,846	0	
Leasehold improvements	3,341,953	3,341,953	0	
Totals	<u>\$15,605,471,018</u>	<u>\$ 72,530,559</u>	<u>\$15,532,940,459</u>	

Liabilities, Surplus and Other Funds
As of December 31, 2012

		Note
Losses	\$ 3,147,081,373	5
Reinsurance payable on Paid Losses and LAE	9,161,776	
Loss adjustment expenses	304,910,108	5
Commissions payable, contingent commissions	2,203,276	
Other expenses	603,049,416	
Taxes, licenses and fees	5,339,743	
Current federal and foreign income taxes	37,386,380	
Net deferred tax liability	77,819,078	
Unearned premiums	203,760,297	
Ceded reinsurance premiums payable	76,442,315	
Funds held by company under reinsurance treaties	3,294,946	
Amounts withheld or retained by company for account of others	820,022	
Remittances and items not allocated	6,450	
Provisions for reinsurance	130,252,033	
Payable to parent, subsidiaries and affiliates	2,930,043	
Loss portfolio transfers	234,711,152	
Direct losses in course of payment	(1,524,160)	
Accounts payable	1,582,666	
Miscellaneous	517,816	
Total liabilities	\$ 4,839,744,730	
Special surplus for retroactive reinsurance	\$ 18,621,455	
Common capital stock	11,000,000	
Gross paid in and contributed surplus	2,797,435,590	
Unassigned funds (surplus)	7,866,141,684	
Surplus as regards policyholders	\$10,693,198,729	
Totals	\$15,532,943,459	

Statement of Income
As of December 31, 2012

UNDERWRITING INCOME

Premiums earned	\$ 552,691,241
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DEDUCTIONS

Losses incurred	\$ 261,590,604
Loss adjustment expenses incurred	41,136,870
Other underwriting expenses incurred	203,298,205
Miscellaneous other (income) / loss	(1,689,328)
Total underwriting deductions	\$ 504,336,351
Net underwriting gain (loss)	\$ 48,354,890

INVESTMENT INCOME

Net investment income earned	\$ 563,585,103
Net realized capital gains or (losses)	6,748,299
Net investment gain (loss)	\$ 570,333,402

OTHER INCOME

Gain (loss) on sale of fixed assets	\$ (38,077)
Other income (loss)	(964,501)
Total other income	\$ (1,002,578)
Net income after dividends to policyholders	\$ 617,685,714
Federal and foreign income taxes incurred	\$ 184,785,236
Net income	\$ 432,900,478

Capital and Surplus Account
As of December 31, 2012

Surplus as regards policyholders, December 31, 2011	<u>\$ 9,160,371,766</u>
GAINS AND (LOSSES) IN SURPLUS	
Net income (losses)	\$ 432,900,478
Change in net unrealized capital gains or (losses)	1,003,935,971
Change in net unrealized foreign exchange capital gains (loss)	21,507,275
Change in net deferred income tax	19,659,804
Change in non-admitted assets	84,879,577
Change in provision for reinsurance	(789,433)
Cumulative effect of changes in accounting principals	8,118,373
Minimum pension liability gain / (loss)	<u>(37,385,082)</u>
Net change in capital and surplus for the year	<u>\$ 1,532,826,963</u>
Surplus as regards policyholders, December 31, 2012	<u><u>\$ 10,693,198,729</u></u>

Reconciliation of Capital and Surplus
December 31, 2008 through December 31, 2012

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Special Surplus for Retroactive Reinsurance	Total
December 31, 2008	\$11,000,000	\$2,787,425,590	\$ 6,117,694,559	\$ 20,727,874	\$ 8,936,848,023
Operations & Investments 2009			1,846,189,604		1,846,189,604
Unassigned Funds from NSR			9,489,119		9,489,119
Dividends to Stockholders			(893,000,000)		(893,000,000)
Change in special surplus funds			330,260	(330,260)	-
Capital changes: Paid in		10,010,000			10,010,000
					-
Operations & Investments 2010			573,907,452		573,907,452
Dividends to Stockholders			(1,164,000,000)		(1,164,000,000)
Change in special surplus funds			1,161,943	(1,161,943)	-
					-
Operations & Investments 2011			390,927,568		390,927,568
Dividends to Stockholders			(550,000,000)		(550,000,000)
Change in special surplus funds			496,369	(496,369)	-
					-
Operations & Investments 2012			1,532,826,963		1,532,826,963
Change in special surplus funds			117,847	(117,847)	-
December 31, 2012	<u>\$11,000,000</u>	<u>\$2,797,435,590</u>	<u>\$ 7,866,141,684</u>	<u>\$ 18,621,455</u>	<u>\$10,693,198,729</u>

SCHEDULE OF EXAMINATION ADJUSTMENTS

There were no financial adjustments made to the Company's balance sheet as a result of this examination.

NOTES TO FINANCIAL STATEMENTSAssets

Note 1 - Bonds \$1,524,399,706

Investments in bonds are reported at values (amortized cost) adopted and approved by the Securities Valuation Office (SVO) of the NAIC. Bonds owned by the Company as of December 31, 2012 were as follows:

	<u>Statement Value</u>
Governments	\$ 189,077,134
U.S. States, Territories & Possessions	87,533,596
U.S. Political Subdivisions	11,397,398
U. S. Special Revenue	332,723,166
Industrial and Miscellaneous	<u>903,668,412</u>
Total	<u>\$1,524,399,706</u>

The Company's bond holdings represent 10.3% of the Company's total invested assets and 9.8% of total admitted assets at December 31, 2012. Seventy-two percent (72%) of the Company's total bond holdings were categorized as "Investment Grade", Class 1 and 2 with respect to NAIC credit quality standards. The remainder of the Company's reported bonds were primarily "Medium Quality" Class 3 bonds.

The Company maintains a conservative investment philosophy with an investment strategy to primarily have adequate fixed income securities in order to meet cash requirements of current operations as well as longer term liabilities. To the extent possible for funds in excess of these requirements, the objective is to maximize returns within a prudent level of risk.

As of December 31, 2012, the Company's custodian was Bank of New York. The agreement was examined to ensure that it contained provisions recommended in the NAIC Handbook.

Note 2 – Common Stocks \$10,279,497,299

The above captioned amount represents 69.4% of the Company’s total invested assets 66.2% of total admitted assets. Investments in subsidiaries, totaling \$6.5 billion or 62.9 % of its total common stock holdings, were valued according to the book value reported in each company’s respective 2012 Annual Statement and audited financial statements for the non-insurance subsidiaries.

Note 3 - Cash, Cash Equivalents and Short Term Investments \$1,447,964,899

Cash, cash equivalents and short-term investments represented 9.3% of total admitted assets at December 31, 2012 and were made up of the following:

Cash	\$ 444,172
Cash equivalents	859,381,100
Short term investments	<u>588,139,627</u>
	<u><u>\$1,447,964,899</u></u>

Cash on deposit at December 31, 2012 was held at four (4) financial institutions, with the majority held at Deutsche Bank Trust Company, and the remainder on deposit with Royal Bank of Canada, JP Morgan Chase and CIBC Mellon.

Cash equivalents of \$859,381,100 consisted of Treasury bills amounting to \$692,995,936 acquired in December 2012, and maturing in January 2013, and \$166,385,164 invested in a short term intercompany investment pool that the Company participates in.

Short-term investments of \$588,139,627 were comprised of U.S. and Canadian Treasury bills acquired at various times in 2012 and maturing by May 2013.

Note 4 – Other Invested Assets \$1,419,255,850

Ninety-eight percent (98%) of the balance reported by the Company on Schedule BA – Other Invested Assets, as of December 31, 2012, was inter-company loans due from Berkshire

and Fruit of the Loom, Inc., a subsidiary of Berkshire. The remaining invested assets consisted of reinsurance ventures and limited partnerships, which were valued under the equity method of accounting.

Liabilities

<u>Note 5 - Losses:</u>	<u>\$ 3,147,081,373</u>
<u>Note 5 - Loss Adjustment Expenses (LAE):</u>	<u>\$ 304,910,108</u>

The above-captioned amount, which is the same as that reported by the Company in its 2012 Annual Statement, has been accepted for purposes of this report.

The DE DOI retained the services of INS Consultants (INS), to conduct an independent review of the Company's loss and LAE reserves as of December 31, 2012. The INS analysis was performed using a risk-focused approach according to the guidelines contained in the NAIC Handbook. The review does not address the collectability of reinsurance recoverables.

The conclusions set forth in the INS report are based on information provided by the Company, including the 2012 Annual Statement and the related 2012 Statement of Actuarial Opinion with underlying actuarial work papers.

INS performed an analysis on the Company's book of business by segment of business on both a gross and a net basis for loss, defense and cost containment expense and adjusting and other expense. INS also reviewed the Company's work papers which reconcile the year-end 2012 data to Schedule P. The work papers supported the conclusion that the year-end amounts were closely reconciled to the Schedule P amounts.

Based on work performed, INS concluded the Company's carried net and gross loss and LAE reserves at December 31, 2012, were reasonably stated, and as such, no financial adjustment was required for examination purposes.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations made in the last examination Report.

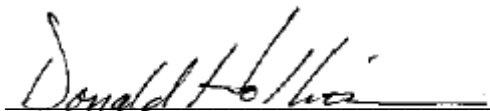
CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

<u>Description</u>	<u>December 31, 2008</u>	<u>December 31, 2012</u>	<u>Increase (Decrease)</u>
Assets	\$ 14,446,149,055	\$ 15,532,940,459	\$ 1,086,791,404
Liabilities	5,509,301,032	4,839,741,730	(669,559,302)
Special Surplus Funds	20,727,874	18,621,455	(2,106,419)
Common Capital Stock	11,000,000	11,000,000	-
Gross Paid In and Contributed Surplus	2,787,425,590	2,797,435,590	10,010,000
Unassigned Funds (Surplus)	6,117,694,559	7,866,141,684	1,748,447,125
Total Surplus as Regards Policyholders	<u>\$ 8,936,848,023</u>	<u>\$ 10,693,198,729</u>	<u>\$ 1,756,350,706</u>
Totals	<u>\$ 14,446,149,055</u>	<u>\$ 15,532,940,459</u>	<u>\$ 1,086,791,404</u>

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc., is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, Deloitte & Touche, LLP, and the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,



Don Hollier, CFE
 Examiner-In-Charge
 State of Delaware