

EXAMINATION REPORT
OF
GENERAL REINSURANCE CORPORATION
AS OF
DECEMBER 31, 2016

Trinidad Navarro
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2016 of

GENERAL REINSURANCE CORPORATION

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

Attest By: Raymond Brown

Date: June 5, 2018



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 13 day of June, 2018.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF
GENERAL REINSURANCE CORPORATION
AS OF
DECEMBER 31, 2016

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.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 13 day of June, 2018

TABLE OF CONTENTS

SALUTATION	1
SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	3
COMPANY HISTORY	3
GENERAL	3
CAPITALIZATION.....	3
DIVIDENDS	4
MANAGEMENT AND CONTROL	4
DIRECTORS	4
OFFICERS	5
CORPORATE RECORDS	5
INSURANCE HOLDING COMPANY SYSTEM	6
AFFILIATED AGREEMENTS.....	8
TERRITORY AND PLAN OF OPERATION	12
REINSURANCE.....	13
FINANCIAL STATEMENTS	14
STATEMENT OF ASSETS	15
STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS	16
STATEMENT OF INCOME.....	17
RECONCILIATION OF CAPITAL AND SURPLUS.....	18
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION	19
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	19
SUBSEQUENT EVENTS	22
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS	22
SUMMARY OF RECOMMENDATIONS	22
CONCLUSION.....	23

SALUTATION

May 31, 2018

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 17.019, dated April 25, 2017, an examination has been made of the affairs, financial condition and management of

GENERAL REINSURANCE CORPORATION

with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801 and its administrative home office located 120 Long Ridge Road, Stamford, Connecticut 06902-1843. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of General Reinsurance Corporation (the "Company"). The last examination of the Company covered the period of January 1, 2009 through December 31, 2012. This examination of the Company covers the period of January 1, 2013 through December 31, 2016. Our examination was conducted concurrently with our examination of the following subsidiaries of the Company: General Star National Insurance Company ("GSNIC"), General Star Indemnity Company ("GSIC") and Genesis Insurance Company ("GIC").

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 evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

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. 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 following the Company’s financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of the examination, consideration was given to work performed by the Company’s external accounting firm, Deloitte & Touche LLP. Certain auditor work papers have been incorporated into the examination work papers.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or changes to the Company's financial statements as a result of the examination.

COMPANY HISTORY

General

The Company was originally founded as General Casualty and Surety Reinsurance Corporation on March 21, 1921, under the laws of the State of New York. The Company's name was changed to General Reinsurance Corporation in 1923. A new legal entity was incorporated in the State of Delaware effective October 8, 1970, to facilitate the Company's change in domestication from New York to Delaware. The Delaware entity received its Certificate of Authority to commence business effective January 1, 1973. On October 31, 1980, the Company reorganized as a wholly owned subsidiary of General Re Corporation ("General Re"), which was a newly formed holding company. On November 3, 1980, shares of General Re were listed on the New York Stock Exchange. Effective December 21, 1998, General Re was acquired by Berkshire Hathaway Inc. ("Berkshire").

Capitalization

The Company's Certificate of Incorporation authorizes the issue of eleven thousand (11,000) shares of common stock with a \$1,000 par value per share. As of December 31, 2016, all authorized common shares were issued and outstanding. All outstanding common shares of the Company are owned by General Re. As of December 31, 2016, the Company reported gross paid-in and contributed surplus of \$2,797 million, which was unchanged over the examination period. The following chart summarizes the Company's reported capital stock and gross paid-in and contributed surplus from the prior examination date to December 31, 2016.

	<u>Capital Stock</u>	<u>Gross Paid-in & Contributed Surplus</u>	<u>Total Capital Stock, Gross Paid-in & Contributed Surplus</u>
December 31, 2012	\$ 11,000,000	\$ 2,797,435,590	\$ 2,808,435,590
Activity	-	-	-
December 31, 2016	<u>\$ 11,000,000</u>	<u>\$ 2,797,435,590</u>	<u>\$ 2,808,435,590</u>

Dividends

The Company paid ordinary dividends in the amount of \$1,050 million, \$150 million, \$1,100 million and \$1,105 million for the calendar years ended 2013, 2014, 2015 and 2016, respectively. The dividends for each year were approved by the Delaware Department of Insurance (“Department”).

MANAGEMENT AND CONTROL

Directors

In accordance with the General Corporation Laws of the State of Delaware, the Company’s Certificate of Incorporation and bylaws require the business and affairs of the Company to be exercised by, or under the authority of, its Board of Directors (“Board”). The Company’s bylaws mandate that the Board consist of not less than three members to be elected annually by the stockholders. The Board must elect a Chairman of the Board (“Chairman”) and may elect a Vice Chairman at its discretion. The Board members duly appointed/elected and serving as of December 31, 2016, were as follows:

<u>Name</u>	<u>Business Affiliation</u>
Kara Lee Raiguel	Chief Executive Officer General Re Corporation
Andrew Randall Gifford	General Counsel and Secretary General Re Corporation
Michael Patrick O’Dea	Global Chief Financial Officer General Re Corporation

Officers

Officers were appointed in accordance with the Company’s bylaws during the period under examination. The bylaws require that the following officers be elected by the Board: a Chairman, a President, a Treasurer and a Secretary. The Chairman and any Vice Chairman shall be directors, but the other officers need not be directors. Either the Chairman, any Vice Chairman or a President shall be designated Chief Executive Officer (“CEO”). The CEO may appoint and terminate other officers at his/her discretion. One person may hold more than one office except that the office of Chairman and Secretary or Vice Chairman and Secretary or President and Secretary may not be held by the same person. The primary officers of the Company serving as of December 31, 2016, were as follows:

<u>Name</u>	<u>Title</u>
Kara Lee Raiguel	Chairman & CEO
Carole M. Ferrero	President & Chief Underwriting Officer
Robert Maffett Jones	President and Chief Marketing Officer
Andrew Randall Gifford	Senior Vice President, General Counsel and Secretary
Michael Patrick O’Dea	Senior Vice President, Chief Financial Officer and Treasurer

Corporate Records

The recorded minutes of the stockholder and Board of Directors meetings were reviewed for the period under examination. The minutes during the examination period adequately documented the approval of the Company’s material transactions and events, including the Board approval of investment transactions in accordance with 18 *Del. C.* § 1304.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. General Re owns 100% of the Company. General Re is a wholly owned subsidiary of Berkshire, which is a publicly traded conglomerate controlled by Warren E. Buffett. In addition to General Re, Berkshire owns numerous other domestic and foreign-based insurance entities. Berkshire's insurance businesses provide insurance and reinsurance of property and casualty risks worldwide and also reinsure life, accident, and health risks worldwide. The following is an organizational chart of General Re as of December 31, 2016:

General Reinsurance Corporation

<u>Name of Corporation</u>	<u>Domicile</u>	<u>Principal Activity</u>	<u>% Ownership</u>	<u>Incorporated/ Acquired by Group</u>
Berkshire Hathaway Inc.	Delaware	Holding Company	None	
General Re Corporation	Delaware	Holding Company	100	1998/1980
General Reinsurance Corporation	Delaware	Reinsurer	100	1970
Elm Street Corporation	Delaware	Real Estate	100	1981
General Star Indemnity Company	Delaware	Insurer	100	1967
General Star National Insurance Company	Delaware	Insurer	100	1864/1985
General Star Management Company	Delaware	Management	100	1979
Genesis Management and Insurance Services Corporation	Delaware	Management	100	1988
Genesis Insurance Company	Delaware	Insurer	100	1976/1989
GRC Realty Corporation	Connecticut	Real Estate	100	1972
General Reinsurance Australia Ltd	Australia	Reinsurer	100	1961
General Re Compania de Reaseguros, S.A.	Uruguay	Reinsurer	100	1990
General Reinsurance AG	Germany	Reinsurer	100	1846/1994
General Reinsurance México S.A.	Mexico	Agent	100	1976/1994
Gen Re Support Services Mumbai Private Limited	India	Service Company	99.99 (3)	2014
General Reinsurance Africa Ltd.	South Africa	Reinsurer	100 (1)	1966/1994
General Reinsurance AG Escritório de Representação no Brasil Ltda.	Brazil	Management	99.99 (2)	1997
General Reinsurance Life Australia Ltd.	Australia	Reinsurer	100	1981/1994
Gen Re Beirut s.a.l. offshore	Lebanon	General Business Corp.	100 (1)	1996
General Re Life Corporation	Connecticut	Reinsurer	100	1967/1994
Idealife Insurance Company	Connecticut	Insurer	100	1981/1994
Railsplitter Holdings Corporation	Delaware	Holding Company	100	2008/2008
New England Asset Management, Inc.	Delaware	Investment Adviser	100	1984/1995
New England Asset Management Limited	Ireland	Investment Adviser	100	2008
United States Aviation Underwriters, Incorporated	New York	Manager	100	1928/1982
Canadian Aviation Insurance Managers Ltd.	Canada	Manager	100	1937
Gen Re Intermediaries Corporation	New York	Intermediary	100	1926/1928
Faraday Holdings Limited	UK	Holding Company	100	1991/1998
GRF Services Limited	UK	General Business Corp.	100	1993/1998
Faraday Underwriting Limited	UK	Manager	100	1982/1998
Faraday Capital Limited	UK	Lloyd's Corporate Vehicle	100	1994/1998
GRD Holdings Corporation	Delaware	Holding Company	100	2001
General Re Financial Products Corporation	Delaware	Former Swap Dealer	100	1990
Gen Re Long Ridge, LLC	Connecticut	Real Estate	100	2008

(1) Warren E. Buffett owns 295,161 shares of Class A common stock and 79,345 shares of Class B common stock, which is approximately 32.28% of the voting interest and 17.93% of the economic interest of Berkshire Hathaway Inc.

(2) Percentages include any qualifying shares.

(3) General Reinsurance AG owns 3,574,417 shares of General Reinsurance AG Escritório de Representação no Brasil Ltda. One share is owned by Luis E.C. Rayes, a Brazilian citizen.

(4) General Reinsurance AG owns 99.99% of Gen Re Support Services Mumbai Private Limited. One share is owned by Suzie Foo (on behalf of GRAG).

Through its directly and indirectly owned subsidiaries, General Re has global insurance, reinsurance and financial service operations with business activities in over forty-five cities throughout the world and provides property/casualty and life/health reinsurance coverage worldwide. General Re's principal reinsurance operations are based in North America and

Germany, with other major operations in Asia, Australia, Europe (primarily London) and South America. General Re's principal financial service operations are the New England Asset Management, Inc. ("NEAM") operations located in the United States (Farmington, Connecticut) and Dublin, Ireland.

Affiliated Agreements

- Domestic Management and Cost Sharing Agreements
 - Effective as of August 1, 2014, General Re and its subsidiaries, including the Company, entered into a Master Services Agreement wherein the entities provide various services and reporting to each other. The Master Services Agreement superseded the various individual service agreements that existed between and among the entities. Fees and expenses are settled based on actual charges and/or allocated in accordance with methods prescribed in the agreement.
 - Effective as of January 1, 2004, the Company entered into an Aviation Group Agreement with its affiliate United States Aviation Underwriters, Inc. ("USAU"). In accordance with the agreement, USAU performs certain underwriting, claims, and management services on behalf of United States Aviation Insurance Group ("USAIG"). USAIG is a Joint Underwriting Association, of which the Company is a member, that writes aviation insurance in return for a fee.
 - Effective as of January 1, 2016, the Company entered into a Run-off Management Agreement with its affiliate USAU. In accordance with the agreement, USAU performs certain run-off services for a discontinued line of business on behalf of USAIG.

- International Management Agreements
 - Effective as of January 1, 2009, and amended in 2014, the Company entered into a Technical Services Agreement with its subsidiary General Reinsurance AG ("GRAG"). In accordance with the agreement, the Company performs certain information technology services in return for payment by GRAG for all costs and expenses incurred by the Company.
 - On April 28, 2011, the Company entered into a Technical Services Agreement with its affiliates Faraday Underwriting Limited, Faraday Reinsurance Co. Limited, and GRF Services Limited (collectively "Faraday"), with an effective date of April 6, 2011. In accordance with the agreement, the Company performs certain information technology services in return for payment by Faraday of all costs and expenses incurred by the Company.
 - Effective as of January 1, 2009, the Company entered into a Mutual Underwriting Services Agreement with its indirectly owned subsidiary Gen Re Mexico, S.A. In accordance with the agreement, each party performs certain underwriting services in return for payment of all costs and expenses incurred by the other party.
- Tax Allocation Agreement
 - Effective for tax years beginning December 31, 2015, the Company entered an Amended and Restated Tax Allocation Agreement with General Re and Berkshire affiliates. In accordance with the amended agreement, the Company joins with a group of approximately eight hundred affiliated companies in the filing of a consolidated federal income tax return by Berkshire. The consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate

return tax liability bears to the sum of the separate return tax liabilities of all affiliates that are members of the consolidated group. In addition, a complementary method is used which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates.

- Cash Management Agreements

- Effective as of January 1, 1989, and amended February 1, 2007, October 1, 2008 and July 1, 2009, the Company entered a Joint Asset Agreement with several of its affiliates. In accordance with the agreement, a pool fund was established whereby each participant contributes cash in excess of general working capital in order to improve the investment returns on the contributed funds. Each participant jointly owns a percentage of the assets in the pool and the investment income derived from the pool. Reinvestments of the pool are made in proportion to each participant's contributed assets, and each participant jointly shares the same proportion in the profits or losses, if any, of the pool fund. The agreement appoints the Company as the manager of the pool fund, and any participant may cancel its participation and liquidate or withdraw its contributions on notice to the manager.
- Effective as of March 1, 1993, and amended February 1, 2007, October 1, 2008 and July 1, 2009, the Company and several affiliates entered a Master Loan Agreement. In accordance with the agreement, an intercompany short-term loan program was established to reduce each participant's level of short-term investments yet allow the participants to retain sufficient liquidity to pay current obligations by borrowing funds as needed. The Company acts as the manager of

the short-term loan facility. It is authorized to make loans by affiliates to affiliates requesting such a loan. Material loans require the lending affiliate's specific approval. Loans are repayable on demand, but are anticipated to be outstanding for six months or less. Borrowing affiliates may repay the loans at any time without penalty.

- Investment Management Agreement

- Effective as of June 1, 2003, and amended October 1, 2006 and January 1, 2009, the Company and its affiliate, NEAM, entered into an Investment Management Agreement. In accordance with the agreement, NEAM performs certain investment management services for the Company in return for an annual fee as specified in the agreement.

- Guarantees

- Effective as of January 1, 2005, the Company became the beneficiary of a Net Worth Maintenance Agreement issued by Berkshire. In accordance with the agreement, Berkshire is obligated to contribute up to \$1,500 million of capital to the Company under certain circumstances.
- Effective as of April 15, 2004, the Company issued a Deed of Guarantee (the "2004 Guarantee"), for the benefit of the reinsureds of General Reinsurance UK Limited ("GREL"). In accordance with the 2004 Guarantee, the Company must pay the reinsureds of GREL any undisputed sums GREL fails to pay in accordance with GREL's reinsurance contracts issued or renewed on or after April 15, 2004. In the event of the termination of the 2004 Guarantee, the terms of the 2004 Guarantee will continue to apply with respect to all contracts reinsured by

GREL from the effective date through the termination date. The 2004 Guarantee replaced a similar guarantee issued by the Company on behalf of GREL effective April 25, 1996 (the "1996 Guarantee"). The 1996 Guarantee remains in effect with respect to reinsurance contracts issued or renewed by GREL on or after that date and before April 15, 2004.

- Effective as of July 15, 2015, the Company issued a Deed of Guarantee in favor of its affiliates Faraday Reinsurance Co. Limited and Faraday Capital Limited. This Deed of Guarantee replaces the Deeds of Guarantee dated September 15, 2010 and November 9, 2010 issued by the Company in favor of General Star International Indemnity Limited ("GSIL"). GSIL was dissolved and its business was transferred to the above mentioned United Kingdom affiliates.
- Other – From time to time, the Company participates in various affiliated agreements and transactions with entities owned or controlled by Berkshire. The principal agreements in place as of December 31, 2016, include affiliated reinsurance agreements whereby the Company retrocedes insurance risk to Berkshire entities and affiliated investment contracts whereby the Company invests in lending agreements and/or securities issued by Berkshire entities.

TERRITORY AND PLAN OF OPERATION

The Company is the principal subsidiary of General Re and directly or indirectly owns the majority of General Re's domestic and international insurance operating entities. General Re operates in four principal business segments: North American property/casualty insurance and reinsurance, international property/casualty reinsurance, global life/health reinsurance and financial services. The Company's standalone operations constitute the North American

property/casualty reinsurance segment of General Re.

The Company is licensed and/or authorized to transact business in forty-nine states, the District of Columbia and in the Dominion of Canada. The Company is accredited in Hawaii. The principal business of the Company is property/casualty treaty and facultative reinsurance underwritten on a direct basis. The business consists of excess of loss and pro-rata reinsurance written through three divisions: treaty, property facultative and casualty facultative. Effective August 1, 2016, the Company entered into a five-year agreement with a third-party to act as exclusive underwriting manager on behalf of the Company for United States and Canadian property and casualty treaty reinsurance business produced by brokers and intermediaries.

REINSURANCE

The Company utilizes retrocessional agreements to reduce its exposure to large losses. The Company's retrocession program is primarily concentrated with two Berkshire affiliates as further described as follows. Effective January 1, 2005, the Company (and affiliates: GSNIC, GSIC and GIC) entered into a loss portfolio transfer reinsurance contract (the "loss portfolio") and a quota share reinsurance contract (the "quota share") with two other Berkshire affiliates, National Indemnity Company and Columbia Insurance Company. Both agreements cover the majority of the North American property/casualty business, notably excluding Canadian business. 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 \$11,155 million. The quota share provides 50% reinsurance cover on net losses occurring after January 1, 2005.

The following is a summary of the Company's gross written and assumed premium, ceded premium and net written and assumed premium for the year ended December 31, 2016.

	Premium Written, Assumed and Ceded	% of Written and Assumed Premium
Direct premium written	\$ 26,329,066	2.4%
Reinsurance assumed from affiliates	22,979,521	2.1%
Reinsurance assumed from non-affiliates	<u>1,027,105,302</u>	<u>95.4%</u>
Total direct written and assumed premium	<u>\$ 1,076,413,889</u>	<u>100.0%</u>
Ceded to affiliates	499,882,618	46.4%
Ceded to non-affiliates	<u>26,337,688</u>	<u>2.4%</u>
Total ceded	<u>\$ 526,220,306</u>	<u>48.9%</u>
Net written and assumed premium	<u>\$ 550,193,583</u>	<u>51.1%</u>

As of December 31, 2016, the Company's ceded reinsurance in-force consists primarily of affiliated reinsurance as demonstrated by the following summary of reported credits for reinsurance:

(In Thousands)

	Affiliated Reinsurers	Unaffiliated Reinsurers	Total as of 12/31/2016
Paid losses and loss adjustment expenses	\$ 90,119	\$ 13,520	\$ 103,639
Known case loss and loss adjustment expenses	1,283,849	150,398	1,434,247
Incurred but not reported	1,388,773	195,033	1,583,806
Unearned premiums	<u>175,846</u>	<u>9,115</u>	<u>184,961</u>
Total Reinsurance Recoverables	<u>\$ 2,938,587</u>	<u>\$ 368,066</u>	<u>\$ 3,306,653</u>

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2016:

- Statement of Assets
- Statement of Liabilities, Capital and Surplus
- Statement of Income
- Reconciliation of Capital and Surplus

Statement of Assets
As of December 31, 2016

	Ledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	\$ 942,169,869	\$ -	\$ 942,169,869	1
Preferred stocks	80,000,000	-	80,000,000	
Common stocks	10,008,899,865	50,466,539	9,958,433,326	2
Cash - Schedule E - Part 1	30,602,151	-	30,602,151	
Cash equivalent - Schedule E - Part 2	238,401,149	-	238,401,149	1
Short-term investments - Schedule DA	1,361,355,473	-	1,361,355,473	1
Other invested assets	1,750,413,368	-	1,750,413,368	3
Investment income due and accrued	44,103,057	-	44,103,057	
Uncollected premiums and agents' balances	146,884,567	4,347,273	142,537,294	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	34,959,965	25,450	34,934,515	
Accrued retrospective premiums and contracts subject to redetermination	6,477,898	2,978,652	3,499,246	
Amounts recoverable from reinsurers	103,638,986	-	103,638,986	
Funds held by or deposited with reinsurance companies	32,134,573	376,199	31,758,374	
Electronic data processing equipment and software	5,171,764	5,171,764	-	
Furniture and equipment	327,975	327,975	-	
Net adjustments in assets and liabilities due to foreign exchange rates	47,415,926	-	47,415,926	
Receivables from parent, subsidiaries and affiliates	7,190,761	-	7,190,761	
Aggregate write-ins for other than invested assets	8,069,382	4,426,175	3,643,207	
Total assets	<u>\$ 14,848,216,729</u>	<u>\$ 68,120,027</u>	<u>\$ 14,780,096,702</u>	

Statement of Liabilities, Capital and Surplus
As of December 31, 2016

		<u>Notes</u>
Losses	\$ 2,585,175,831	4
Reinsurance payable on paid losses and loss adjustment expenses	8,519,037	
Loss adjustment expenses	294,906,682	4
Commissions payable, contingent commissions and other similar charges	(7,862,984)	
Other expenses	255,229,915	
Taxes, licenses and fees	4,513,247	
Current federal and foreign income taxes	68,640,739	
Net deferred tax liability	251,169,410	
Unearned premiums	194,574,195	
Ceded reinsurance premiums payable	82,344,102	
Funds held by company under reinsurance treaties	2,807,545	
Amounts withheld or retained by company for accounts of others	1,235,663	
Remittances and items not allocated	9,772	
Provision for reinsurance	117,667,475	
Payable to parent, subsidiaries and affiliates	5,427,269	
Aggregate write-ins for liabilities	<u>255,220,675</u>	
 Total liabilities	 <u>\$ 4,119,578,573</u>	
 Aggregate write-ins for other-than-special surplus funds	 \$ 13,301,787	
Common capital stock	11,000,000	
Gross paid in and contributed surplus	2,797,435,590	
Unassigned funds (surplus)	<u>7,838,780,752</u>	
 Total capital and surplus	 <u>\$ 10,660,518,129</u>	
 Total liabilities, capital and surplus	 <u><u>\$ 14,780,096,702</u></u>	

Statement of Income
For the Year Ended December 31, 2016

UNDERWRITING INCOME

Premiums earned	\$ 549,262,722
Losses incurred	\$ 236,501,219
Loss adjustment expenses incurred	62,568,098
Other underwriting expenses incurred	190,624,938
Aggregate write-ins for underwriting deductions	<u>18,871,994</u>
Total underwriting deductions	<u>\$ 508,566,249</u>
Net underwriting gain (loss)	<u>\$ 40,696,473</u>

INVESTMENT INCOME

Net investment income	\$ 484,227,205
Net realized capital gains (losses)	<u>314,123,620</u>
Total net investment gain (loss)	<u>\$ 798,350,825</u>

OTHER INCOME

Aggregate write-ins for miscellaneous income	\$ 841,616
Net gain from operations before federal income tax	<u>\$ 839,888,914</u>
Federal and foreign income taxes incurred (benefit)	<u>97,877,116</u>
Net income (loss)	<u><u>\$ 742,011,798</u></u>

**Reconciliation of Capital and Surplus
for the Period from the Prior Examination
December 31, 2012 to December 31, 2016**

	Common Capital Stock	Gross Paid-in & Contributed Surplus	Special Surplus Funds	Unassigned Funds Surplus	Total
Balance at December 31, 2012	\$ 11,000,000	\$ 2,797,435,590	\$ 18,621,455	\$ 7,866,141,684	\$ 10,693,198,729
2013 Net income	-	-	-	930,896,600	930,896,600
2013 Changes in unassigned funds - other (1)	-	-	-	987,507,977	987,507,977
2013 Dividends to stockholders	-	-	-	(1,050,000,000)	(1,050,000,000)
2013 Changes in special surplus funds	-	-	84,766	-	84,766
Balance at December 31, 2013	<u>\$ 11,000,000</u>	<u>\$ 2,797,435,590</u>	<u>\$ 18,706,221</u>	<u>\$ 8,734,546,261</u>	<u>\$ 11,561,688,072</u>
2014 Net income	-	-	-	538,214,181	538,214,181
2014 Changes in unassigned funds - other (1)	-	-	-	(243,281,047)	(243,281,047)
2014 Dividends to stockholders	-	-	-	(150,000,000)	(150,000,000)
2014 Changes in special surplus funds	-	-	(9,034)	-	(9,034)
Balance at December 31, 2014	<u>\$ 11,000,000</u>	<u>\$ 2,797,435,590</u>	<u>\$ 18,697,187</u>	<u>\$ 8,879,479,395</u>	<u>\$ 11,706,612,172</u>
2015 Net income	-	-	-	570,657,742	570,657,742
2015 Changes in unassigned funds - other (1)	-	-	-	(121,280,395)	(121,280,395)
2015 Dividends to stockholders	-	-	-	(1,100,000,000)	(1,100,000,000)
2015 Changes in special surplus funds	-	-	(5,475,780)	-	(5,475,780)
Balance at December 31, 2015	<u>\$ 11,000,000</u>	<u>\$ 2,797,435,590</u>	<u>\$ 13,221,407</u>	<u>\$ 8,228,856,742</u>	<u>\$ 11,050,513,739</u>
2016 Net income	-	-	-	742,011,798	742,011,798
2016 Changes in unassigned funds - other (1)	-	-	-	(27,087,788)	(27,087,788)
2016 Dividends to stockholders	-	-	-	(1,105,000,000)	(1,105,000,000)
2016 Changes in special surplus funds	-	-	80,380	-	80,380
Balance at December 31, 2016	<u>\$ 11,000,000</u>	<u>\$ 2,797,435,590</u>	<u>\$ 13,301,787</u>	<u>\$ 7,838,780,752</u>	<u>\$ 10,660,518,129</u>

(1): Changes in unassigned funds - other for each year include: change in net unrealized capital gain/loss, change in net unrealized foreign exchange capital, change in net deferred income tax, changes in non-admitted assets, change in provision for reinsurance and change in minimum pension liability gain/loss.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no adjustments to the Company's financial statements as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Schedule D – Part 1 - Bonds	\$ 942,169,869
Schedule DA – Part 1 – Short-term Investments	1,361,355,473
Schedule E – Part 2 – Cash equivalents	238,401,149

As of December 31, 2016, total bonds were comprised of the following based on NAIC

Annual Statement classification:

	<u>Book Value</u>	<u>% of Total Bond Book Value</u>	<u>Fair Value</u>
<u>Schedule DA - Short-term Investments:</u>			
United States - Treasury Bills	\$1,116,184,407	43.9%	\$1,116,184,407
Canada - Treasury Bills	244,478,846	9.6%	244,478,846
Other	<u>692,220</u>	<u>0.03%</u>	<u>692,220</u>
Sub-total Schedule DA	<u>\$1,361,355,473</u>	<u>53.5%</u>	<u>\$1,361,355,473</u>
<u>Schedule E - Part 2 - Cash Equivalents:</u>			
General Re - Affiliated Cash Pool*	<u>\$ 238,401,149</u>	<u>9.4%</u>	<u>\$ 238,401,149</u>
<u>Schedule D - Bonds:</u>			
U.S. Government Bonds - Issuer Obligations	\$ 377,792,833	14.9%	\$ 377,939,750
Affiliated - Private Placement Issuer Obligation**	283,200,000	11.1%	283,426,560
Industrial and Miscellaneous - Issuer Obligations	164,689,112	6.5%	214,228,511
U.S. Special Revenue & Assessment - Issuer Obligations	56,438,737	2.2%	60,478,966
Other	<u>60,049,187</u>	<u>2.4%</u>	<u>68,778,941</u>
Sub-total Schedule D - Bonds	<u>\$ 942,169,869</u>	<u>37.1%</u>	<u>\$1,004,852,728</u>
 Total Bonds	 <u>\$2,541,926,491</u>	 <u>100%</u>	 <u>\$2,604,609,350</u>

*Consists primarily of United States Treasury Bills

**Berkshire Hathaway Energy Company

Of the Company's total bond holdings, \$2,117 million or 83.3% were categorized as Class 1 with respect to NAIC credit quality standards. NAIC Class 2 bonds totaled \$388 million and represented 15.3% of total bonds. The remaining holdings were NAIC Class 5 bonds totaling \$37 million and accounted for 1.4% of total bonds. As of December 31, 2016, bond maturities were structured with 75.8%, 9.8%, 1.2%, 1.6% and 11.6% maturing in less than one year, one to five years, five to ten years, ten to twenty years and over twenty years, respectively. Of the total bond holdings, 88.9% were publicly traded securities and the remaining consisted on a single affiliated private placement issue. The affiliated bond issue was redeemed subsequent to the examination period.

Note 2:

Schedule D – Part 2 – Section 2 – Common Stock

\$ 10,008,899,865

As of December 31, 2016, the Company reported total unaffiliated common stock investments on Schedule D – Part 2 – Section 2 with book/fair market values in the amount of \$3,225 million and actual cost of \$1,881 million. Additionally, the Company reported affiliated common stock with a book/fair market value of \$6,784 million and a reported actual cost of \$2,590 million. The following is a summary of the Company's common stock holdings as of December 31, 2016.

General Reinsurance Corporation

	<u>Book/Fair Value</u>	<u>Actual Cost</u>
<u>Unaffiliated Common Stock</u>		
Wells Fargo & Company	\$ 1,141,614,672	\$ 620,529,268
US Bancorp	747,900,967	392,658,927
Apple, Inc	418,341,840	399,391,459
Other	<u>917,410,604</u>	<u>468,693,600</u>
Sub-total	<u>\$ 3,225,268,083</u>	<u>\$ 1,881,273,254</u>
 <u>Affiliated Common Stock</u>		
General Reinsurance AG	\$ 3,799,822,791	\$ 1,105,690,306
Railsplitter Holdings Corporation	1,105,543,055	793,545,521
General Re Life Corporation	644,268,027	196,026,976
General Star Indemnity Company	595,172,730	91,497,820
General Reinsurance Australia LTD	284,815,999	110,548,257
General Star National Insurance Company	178,116,704	45,966,250
Genesis Insurance Company	125,425,936	79,465,941
Other	<u>50,466,540</u>	<u>167,615,261</u>
Sub-total	<u>\$ 6,783,631,782</u>	<u>\$ 2,590,356,332</u>
 Total Common Stocks	 <u>\$ 10,008,899,865</u>	 <u>\$ 4,471,629,586</u>

Note 3:

Other Invested Assets

\$ 1,750,413,369

As of December 31, 2016, the Company reported total investments on Schedule BA – Part 1 in the amount of \$1,750 million. The investments consisted primarily of private party loans issued by affiliates of Berkshire as follows:

	<u>Book Value</u>	<u>Fair Value</u>
<u>Affiliated - Fixed Income Instruments</u>		
Union Underwear Company	\$ 940,000,000	\$ 1,010,037,783
Berkshire Hathaway, Inc.*	450,000,000	582,489,800
Fruit of the Loom, LTD	<u>350,000,000</u>	<u>364,548,900</u>
Sub-total	<u>\$ 1,740,000,000</u>	<u>\$ 1,957,076,483</u>
 <u>Unaffiliated Joint Venture or Partnerships</u>		
Characteristics of Common Stock	\$ 1,463,668	\$ 1,463,668
Characteristics of Real Estate	<u>8,949,701</u>	<u>8,949,701</u>
Sub-total	<u>\$ 10,413,369</u>	<u>\$ 10,413,369</u>
 Total Schedule BA Assets	 <u>\$ 1,750,413,369</u>	 <u>\$ 1,967,489,852</u>

*Consists of two separate loans.

Note: 4

Losses	\$ 2,585,175,831
Loss Adjustment Expense	294,906,682

INS Consultants, Inc. (“Consulting Actuary”) assisted in review of the inherent risks, management oversight and other mitigating controls over the Company’s actuarial processes and procedures. The Consulting Actuary’s review included detail testing and an independent calculation of selected segments of the Company’s gross and net loss and loss adjustment expense reserves as of December 31, 2016.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to the examination date of December 31, 2016:

- For the year ended December 31, 2017, the Company discontinued its permitted practice accounting policy of discounting unpaid losses with respect to certain excess workers’ compensation liabilities. The change was made in an effort to align the Company’s accounting policy with other Berkshire affiliate accounting policies.
- During 2017, the Company’s affiliated bond holding issued by Berkshire Hathaway Energy Company in November 2014, with a book adjusted carrying value of \$283 million as of December 31, 2016, was fully redeemed.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no findings or recommendations issued by the prior examination report.

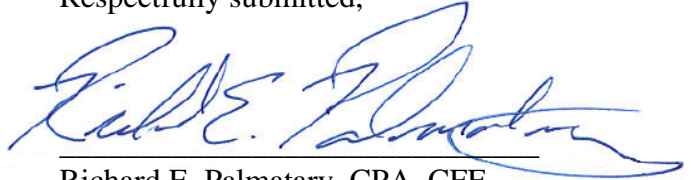
SUMMARY OF RECOMMENDATIONS

There were no examination findings or recommendations as a result of the examination.

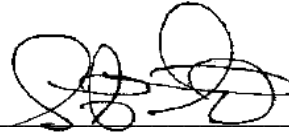
CONCLUSION

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

Respectfully submitted,



Richard E. Palmatary, CPA, CFE
Examiner-In-Charge
Delaware Department of Insurance



Steve Guest, CFE, CPA, ACI
Supervisory Examiner
Delaware Department of Insurance