

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Thomas R. Sullivan, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of GENESIS INSURANCE COMPANY (the "Company") as of December 31, 2009, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

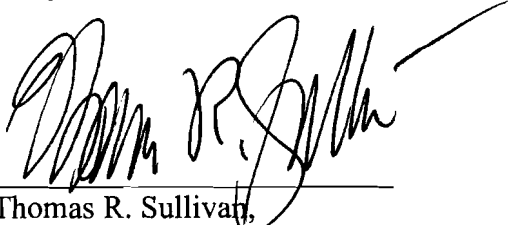
TO WIT:

1. I, Thomas R. Sullivan, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes;
2. GENESIS INSURANCE COMPANY is a domestic insurer authorized to transact the business of insurance in the State of Connecticut;
3. On August 23, 2010, the verified Examination Report of GENESIS INSURANCE COMPANY was filed with the Connecticut Insurance Department.
4. In accordance with Conn. Gen. Statutes §38a-14(e) (3), GENESIS INSURANCE COMPANY was afforded a period of thirty (30) days within which to submit to the Connecticut Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On September 17, 2010, the Company notified the Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Examination Report of GENESIS INSURANCE COMPANY hereby is adopted as filed with the Insurance Department.
2. That GENESIS INSURANCE COMPANY shall comply with all of the recommendations set forth in the Report, and that failure by GENESIS INSURANCE COMPANY to so comply shall result in sanctions or administrative action as provided by Title 38a of the Connecticut General Statutes.

Dated at Hartford, Connecticut this 12th day of October 2010.



Thomas R. Sullivan,
Insurance Commissioner

EXHIBIT A

ASSOCIATION EXAMINATION REPORT

OF

GENESIS INSURANCE COMPANY

AS OF

DECEMBER 31, 2009

BY THE

CONNECTICUT INSURANCE DEPARTMENT

TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	2
Organizational Chart	4
Management and Control	4
Related Parties	6
Insurance Coverages	7
Territory and Plan of Operation	7
Reinsurance	8
Information Technology and Controls	8
Accounts and Records	8
Financial Statements	9
Assets	9
Liabilities, Surplus and Other Funds	10
Statement of Income	11
Losses and Loss Adjustment Expenses	12
Remittances and Items Not Allocated	14
Common Capital Stock	15
Gross Paid In and Contributed Surplus	15
Unassigned Funds (Surplus)	15
Recommendations	15
Conclusion	16
Signature	17

August 23, 2010

The Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee
Commissioner, Virginia State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, Virginia 23218

The Honorable Mila Kofman
Secretary, Northeastern Zone
Superintendent of Insurance
Bureau of Insurance
34 State House Station
Augusta, Maine 04333-0034

The Honorable Thomas R. Sullivan
Insurance Commissioner
State of Connecticut
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioners and Superintendent:

In compliance with your instructions and pursuant to the requirements of section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has made an association examination of the condition and affairs of the

GENESIS INSURANCE COMPANY

(hereinafter referred to as the Company or GIC), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office and administrative office located at 120 Long Ridge Road, Stamford, Connecticut. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2004. The current examination, which covers the subsequent five-year period, was conducted at the administrative office of the Company.

As part of the examination planning procedures, the Financial Regulation Division of the Connecticut Insurance Department (the Division) reviewed the following materials submitted by the Company:

- Board of Director (Board) minutes from 2005 through the latest 2010 meeting.
- Statutory Audit reports from 2005 through 2009, completed by the Company's independent certified public accountants, Deloitte and Touche, LLP (D&T).

GENESIS INSURANCE COMPANY

- Management's Discussion and Analysis from 2005 through 2009.
- Statements of Actuarial Opinion from 2005 through 2009.
- Annual Statements filed with the Division.
- Documentation supporting Section 404 of the Sarbanes-Oxley Act (SOX) of 2002.
- Reports of the Company's Internal Audit Department from 2005 to 2009.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Division, as well as reports obtained from the National Association of Insurance Commissioners (NAIC) database which indicated no material concerns with respect to financial condition or regulatory compliance issues.

The work papers prepared by D&T in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Examiners Handbook (the Handbook).

Concurrent examinations of the following affiliated Connecticut and non-Connecticut domestic property and casualty companies within the General Reinsurance Corporation Group (the Group) were conducted:

Cologne Reinsurance Company of America (CT)
Fairfield Insurance Company (CT)
General Star Indemnity Insurance Company (CT)
General Star National Insurance Company (OH)
Genesis Indemnity Insurance Company (ND)

The Division retained the services of Milliman, USA (Milliman) to perform an actuarial review for the Connecticut domiciled companies. The State of North Dakota contracted with INS Regulatory Insurance Services, Inc. (INS) for the examination of the North Dakota domestic insurance company. INS also completed a review of the investment process for the Group. The State of Ohio used their own examination team for the review of their domestic insurance company.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

The Company was originally incorporated as Phoenix General Insurance Company on April 6 1976, and commenced business on December 1, 1981. Until 1989, the Company was owned by P.M. Holdings Inc., a downstream holding company of Phoenix Mutual Life Insurance Company. Initially, the Company operated as a professional reinsurer and, after 1986, as a personal lines insurer.

GENESIS INSURANCE COMPANY

Effective October 1, 1989, the Company was purchased by General Reinsurance Corporation (GRC) and changed its name to Genesis Insurance Company. The in-force business of the Company was reinsured with a Phoenix Mutual Life Insurance Company subsidiary and not renewed upon expiration. The Company did not begin writing new coverages until 1991.

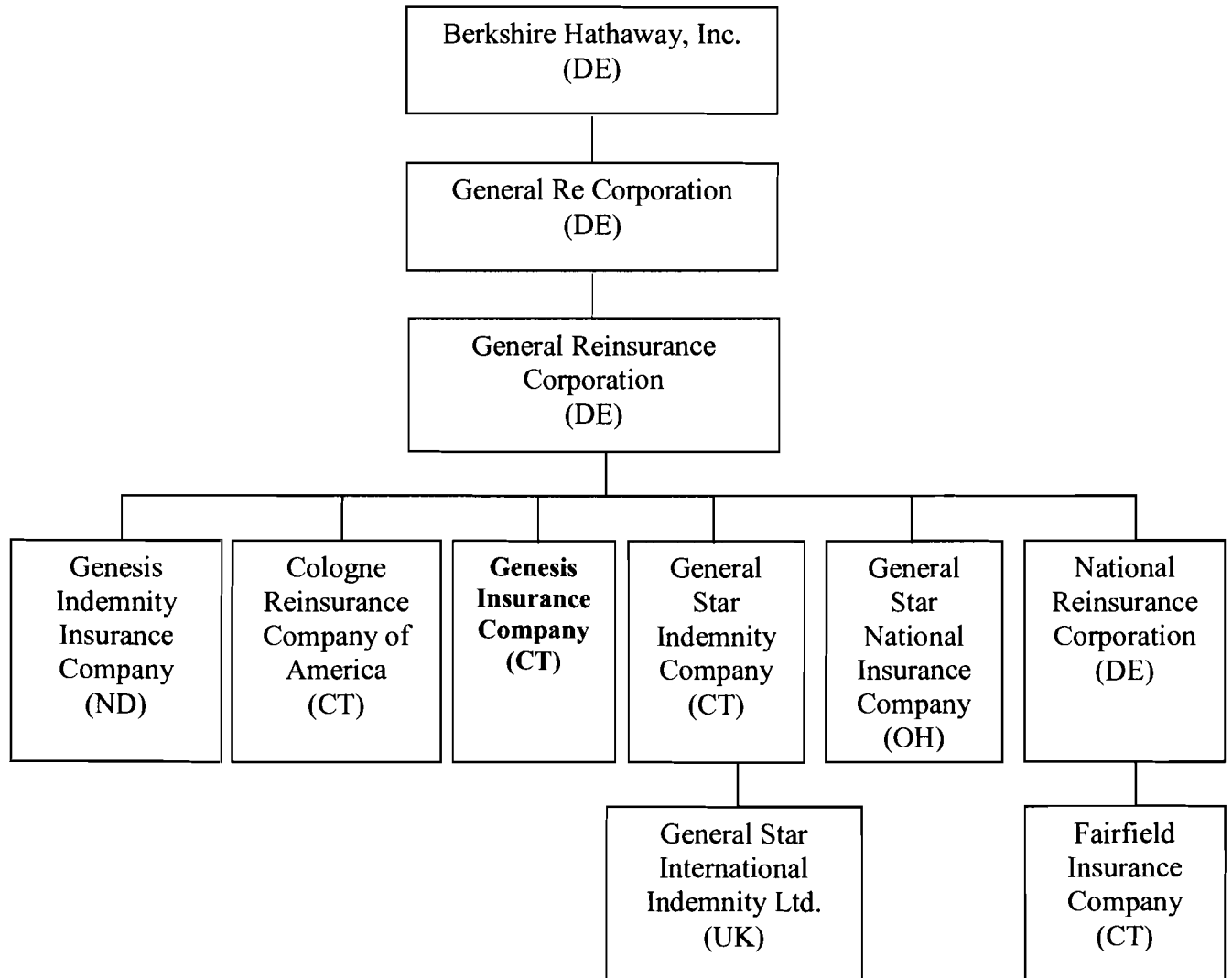
On June 19, 1998, Berkshire Hathaway, Inc. (BH) announced that it would acquire General Re Corporation (GRN), the ultimate parent company of the Group, in a stock swap valued at \$22 billion. The acquisition, which was approved by the Division on October 22, 1998, was completed on December 21, 1998.

The Company markets commercial property and casualty coverages on a primary and excess of loss basis, focusing primarily on policyholders that elect to retain risk through high deductibles, self-insured retentions or captive vehicles, with first-dollar and self-insured claims handled by a third-party administrator or policyholder.

GENESIS INSURANCE COMPANY

ORGANIZATIONAL CHART

The following is an organizational chart for the Company and its major affiliates:



MANAGEMENT AND CONTROL

Annual Stockholders Meetings

The bylaws provide that there shall be an annual meeting of the stockholders for the election of directors and for the transaction of such other business that may come before such meeting. Special meetings of the stockholders may be called by the Board, the Chairman of the Board (Chairman), or the president. The presence at any meeting, in person or by proxy, of the holders of record of a majority of the shares issued and outstanding and entitled to vote shall constitute a quorum for the transaction of business.

Board of Directors

The number of directors shall be established by the Board or stockholders but shall not be less than three.

GENESIS INSURANCE COMPANY

A meeting of the Board shall be held for organization, for the election of officers and for the transaction of such other business that may come before such meeting. Special meetings may be called by the Chairman, the president, or any two directors.

A majority of the total number of members of the Board as constituted from time to time, but not less than five, shall constitute a quorum for the transaction of business.

The Board may appoint standing committees and/or special committees, each consisting of at least two directors, to perform such duties as the Board shall determine.

The Board (or any committee authorized by the Board), did not approve officer compensation as required by its bylaws. It is recommended that the Company implement necessary procedures to ensure compliance with all provisions of its bylaws.

Members of the Board serving the Company at December 31, 2009, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
William G. Gasdaska, Jr.	Senior Vice President, Treasurer and Chief Financial Officer, General Reinsurance Corporation
Robert M. Jones	Senior Vice President and Chief Operating Officer, Genesis Underwriting Management Company
Patricia H. Roberts	President, Chairman and Chief Executive Officer, Genesis Underwriting Management Company
Victoria J. Seeger	Senior Vice President and Chief Underwriting Officer, Genesis Underwriting Management Company
Damon N. Vocke	Senior Vice President, Secretary and General Counsel, General Reinsurance Corporation

Officers

The elected officers shall be the Chairman, a president, a treasurer and a secretary. All shall hold office for one year.

The executive officers serving the Company were:

<u>Name</u>	<u>Title</u>
Patricia H. Roberts	President, Chairman and Chief Executive Officer
Adam D. Roberts	Secretary
William G. Gaskaska, Jr.	Treasurer

GENESIS INSURANCE COMPANY

RELATED PARTIES

The Company has the following intercompany agreements in place:

Administrative Services and Cost-Sharing Arrangement

The Company, GRC and certain of its affiliates maintain various administrative services and cost-sharing arrangements, whereby various administrative, technological and other service costs are allocated among affiliated companies in accordance with the service arrangement.

It was noted during the review of the Underwriting Management Agreement between the Company and General Star Management, an affiliate, that the agreement was not specific regarding the settlement of payable amounts between the companies. Statements of Statutory Accounting Principles (SSAP) No. 96 of the NAIC Accounting Practices and Procedures Manual (Manual) requires that agreements amongst affiliates and related parties must provide for timely settlements of amounts owed and must have a specific due date, otherwise the uncollected receivable is non-admitted. It is recommended that the Company amend their Underwriting Management Agreement to comply with the requirements of SSAP No. 96 of the Manual regarding the settlement of intercompany balances.

Investment Management Agreement

The Company has an Investment Management Agreement with its affiliate, General Re-New England Asset Management Inc (GR-NEAM). This agreement became effective on December 15, 2004, and provides that GR-NEAM will perform certain investment management services for GSIC in return for an annual management fee. This agreement was subsequently amended as of January 1, 2009.

Tax Allocation Agreement

The Company is party to a tax agreement that files a consolidated federal income tax return with a group of approximately six hundred other BH affiliates. 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.

It was noted during the examination that the Tax Allocation Agreement was not in compliance with SSAP No. 96 of the Manual. SSAP No. 96 requires that agreements amongst affiliates and related parties must provide for timely settlements of amounts owed and must have a specific due date, otherwise the uncollected receivable is non-admitted. It is recommended that the Company amend the Tax Allocation Agreement to comply with the requirements of SSAP No. 96 of the Manual regarding the settlement of tax balances.

Short-Term Investment Pool

The Company is participating in a short-term investment pool which is governed by an agreement with affiliated companies, whereby participants pool funds and invest principally in commercial paper and certificates of deposit.

GENESIS INSURANCE COMPANY

INSURANCE COVERAGES

The Company's parent, GRN maintains fidelity bond coverage through various insurers. The financial institution fidelity bond coverage protects for GRN and its subsidiaries for a single loss liability limit of \$10,000,000 and an aggregate amount of \$20,000,000, with a single loss deductible amount of \$10,000,000 against loss resulting from dishonest or fraudulent acts of its directors, officers and employees. Additionally, the Company's computer/crime coverages are self-insured with GRN, with an aggregate limit of \$20,000,000 with a deductible of \$10,000,000. GRN and its subsidiaries are further protected by a commercial excess and umbrella policy with a limit of \$15,000,000.

In addition to the fidelity bond insurance, the Company and its affiliates maintain insurance coverages with various insurance carriers including the following:

<u>Company</u>	<u>Coverage</u>
Federal Insurance Company	Financial Institution Bond, Commercial Excess and Umbrella Insurance
Great Northern American Insurance	Property & liability Insurance and Commercial Business Auto
Pacific Indemnity Company	Workers' compensation and employer's liability

TERRITORY AND PLAN OF OPERATION

The Company is licensed in all states, the District of Columbia and Puerto Rico. The Company offers commercial property and casualty coverages on a primary and excess of loss basis principally to policyholders who retain some percentage of the underwriting risk through self-insurance or some alternative form of risk assumption.

The Company targets middle market and larger commercial and governmental accounts. The Company's business is produced primarily by retail and specialty brokers. The Company deals with national brokers and larger regional brokers that are more skillful in advising these sophisticated insureds. Its operations are conducted primarily through their regional offices. In 1999, the Company began to underwrite selected lines of accident and health (A&H) business nationwide. Initially the focus was on disability insurance, provider excess insurance and long term care (LTC) insurance. The Company had begun to write LTC business in jurisdictions where the product had been approved. Senior management decided, however, that the A&H and disability lines of business did not meet their strategic goals and the Company has stopped writing these lines. The Company will continue to pursue business through qualified brokers with commercial and governmental insureds that seek excess insurance protection in conjunction with their entire risk management programs.

GENESIS INSURANCE COMPANY

REINSURANCE

Reinsurance Ceded

Effective January 1, 2005, the Company became a party to a 50% loss portfolio reinsurance agreement and a 50% quota share reinsurance agreement with affiliated insurance companies. The reinsurers for both agreements are Columbia Insurance Company (20%) and National Indemnity Company (80%). As additional security, BH provided a net worth maintenance agreement to GRC which further guarantees these two reinsurance agreements.

The Company also cedes to an affiliated reinsurance company 100% of the small amount of the long term care business it wrote, which is non cancelable and is now in run-off.

INFORMATION TECHNOLOGY AND CONTROLS

An evaluation of the information technology (IT) and controls was performed in accordance with NAIC requirements. The review focused on GenServe, a core financial application used in the underwriting, and premium and claims processing and GRAP, the Company's application system utilized for cash application within the receivables and accounts payable functions. The Division reviewed the supporting documentation in conjunction with the evaluation of the IT Controls Questionnaire as contained in the Handbook.

The evaluation of IT controls focused on the following areas: management control; organizational control; changes to applications; operations; documentation; logical and physical security; contingency planning; and wide area network and internet.

There were no material findings which affected the Division's overall reliance on the Company's IT controls.

ACCOUNTS AND RECORDS

The Company utilizes the System Application Programs (SAP) general ledger system, the Princeton Asset Management (PAM) system for investments, and the Genserve software for insurance processing. The software is divided into three main components: the policy system; claim system; and management report system. The policy and claim systems maintain the information on policy and claims respectively, while the management system acts as the main vehicle for generating regulatory, statutory and financial reports.

The Company utilizes The Complete Package by Booke for preparation of its Annual Statement.

General ledger account balances were reconciled and traced to the amounts reported in the Annual Statement for 2009. Further detail analyses were performed on the individual accounts throughout the examination.

GENESIS INSURANCE COMPANY

FINANCIAL STATEMENTS

The following statements reflect the assets, liabilities, surplus and other funds, and statement of income as of December 31, 2009, as reported by the Company and as determined by the examination:

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$15,995,045		\$15,995,045
Stocks:			
Preferred stocks	45,180,000		45,180,000
Common stocks	11,323,299		11,323,299
Cash, cash equivalents and short-term investments	<u>109,080,816</u>		<u>109,080,816</u>
Subtotals, cash and invested assets	181,579,160		181,579,160
Investment income due and accrued	703,677		703,677
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	618,883		618,883
Deferred premiums, agents' balances and installments booked but deferred and not yet due	608,151		608,151
Reinsurance:			
Amounts recoverable from reinsurers	2,287,181		2,287,181
Receivables from parent, subsidiaries and affiliates	457,418		457,418
Aggregate write-ins for other than invested assets	350,000		350,000
Totals	<u>\$186,604,470</u>		<u>\$186,604,470</u>

GENESIS INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 63,116,374
Loss adjustment expenses	12,516,217
Taxes, licenses and fees	(41,299)
Current federal and foreign income taxes	(63,579)
Net deferred tax liability	883,340
Unearned premiums	6,102,244
Ceded reinsurance premiums payable	401,182
Amounts withheld or retained by company for account of others	(21,792)
Remittances and items not allocated	(640,696)
Provision for reinsurance	95,000
Payable to parent, subsidiaries and affiliates	1,758,316
Aggregate write-ins for liabilities	<u>1,578,337</u>
Total liabilities	<u>\$85,683,644</u>
Common capital stock	3,500,000
Gross paid in and contributed surplus	46,500,000
Unassigned funds (surplus)	<u>50,920,826</u>
Surplus as regards policyholders	<u>\$100,920,826</u>
Totals	<u>\$186,604,470</u>

GENESIS INSURANCE COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	\$12,740,984
Losses incurred	5,507,735
Loss adjustment expenses incurred	1,598,053
Other underwriting expenses incurred	2,727,914
Aggregate write-ins for underwriting deductions	<u>1,249,897</u>
Total underwriting deductions	<u>11,083,599</u>
Net underwriting gain (loss)	1,657,385
INVESTMENT INCOME	
Net investment income earned	5,584,741
Net realized capital gains (losses)	<u>147,103</u>
Net investment gain (loss)	5,731,844
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	0
Aggregate write-ins for miscellaneous income	<u>0</u>
Total other income	0
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	7,389,229
Dividends to policyholders	<u>0</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	7,389,229
Federal and foreign income taxes incurred	<u>1,166,903</u>
Net income	<u>\$6,222,326</u>
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year	\$124,616,619
Net income	6,222,326
Change in net unrealized capital gains or (losses)	8,880,479
Change in net deferred income tax	(296,239)
Change in nonadmitted assets	4,740,241
Change in provision for reinsurance	757,400
Dividends to stockholders	<u>(44,000,000)</u>
Change in surplus as regards policyholders for the year	<u>(23,695,793)</u>
Surplus as regards policyholders, December 31 current year	<u>\$100,920,826</u>

GENESIS INSURANCE COMPANY

LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE) \$75,632,591

The following items are included in the captioned account:

Losses	\$63,116,374
LAE	<u>12,516,217</u>
	<u>\$75,632,591</u>

The Division engaged Milliman to conduct a comprehensive actuarial analysis of the loss and LAE reserves of the Company as of December 31, 2009. The actuarial analysis was conducted in accordance with accepted loss reserving standards and principles. Milliman based its review on information provided by the company, which included:

- The Actuarial Reports as of December 31, 2009 (detailed calculations supporting the actuarial data to Schedule P- Part 1 – Summary of the Annual Statement).
- The 2009 Statements of Actuarial Opinion and Actuarial Opinion Summaries.
- The 2009 Annual Statements and other information requested and obtained during the course of the review through discussions and meetings with key personnel of the Company.

Milliman relied on the Division's review of the Company's underlying data concluding that there were no indications of any significant inaccuracies in the data reported in Schedule P of the Annual Statement.

The scope of Milliman's actuarial analysis is outlined below:

1. An assessment of reserve risk, including but not limited to:
 - a. An evaluation of the Company's reconciliation of the actuarial data to Schedule P as well as review the integrity and the appropriateness of data segmented for actuarial evaluation.
 - b. A review of the Company's claims handling procedures and processes used to estimate loss and LAE liabilities.
 - c. A review of adjusting and other LAE
 - d. A detailed review of the work papers and documentation supporting the carried liabilities for loss and LAE.
 - e. Meeting with appropriate reserve actuaries and/or other officers of the Company to assess the appropriateness of methodologies and the quality of assumptions, including but not limited to case reserve adequacy, expected loss ratios, claim emergence patterns, and anticipated recoveries.
 - f. Reporting actuarial indications to management, by line of business and in the aggregate.
2. An assessment of pricing and underwriting risk, including but not limited to:

GENESIS INSURANCE COMPANY

- a. A high level evaluation of the actuarial process for development of rate indications, including but not limited to trend, loss development, expenses, catastrophes, large losses, and profit.
 - b. A high level evaluation of price monitoring processes and controls.
 - c. The reporting of pricing and underwriting considerations to management.
3. An assessment of liquidity risk, including but not limited to:
- a. A qualitative review of the Company's process for assessment of catastrophe exposure and risk concentration.
 - b. Reporting assessments to management.

The following table summarizes the carried loss and LAE reserves as of December 31, 2009.

Company	Gross Basis			Net Basis		
	Case Reserves	IBNR Reserves	Total Reserves	Case Reserves	IBNR Reserves	Total Reserve
GIC	85,866	136,032	221,918	25,353	50,279	75,632
Total	85,866	136,032	221,918	25,353	50,279	75,632

Milliman reviewed the following segments with an emphasis on long tail casualty lines of business:

- Auto Liability Excess Public Entity
- Premises/Operations Excess Public Entity
- Other Professional Liability
- Genesis Professional Liability Managers
- Unallocated Loss Adjustment Expenses (ULAE)

Reserve Risk

Overall, Milliman believes that the reserve risk is mitigated due to the Company's reserve analyses and the resulting reserve position. Milliman's review found that the Company has exhibited favorable calendar year loss and LAE reserve run-off for the past four calendar years which seems to stem from conservative initial loss ratio assumptions. In addition, regular communication between management and Corporate Actuarial Services unit is accomplished through quarterly meetings and the distribution of monthly "Loss Development Review" reports.

GENESIS INSURANCE COMPANY

Loss and ALAE Reserves

For all reviewed lines of business, the Company estimated the IBNR reserves using the Incurred Bornhuetter-Ferguson method.

The key assumptions used in this method are ultimate loss ratios and the incurred loss development factors (LDFs). A pattern of increasing expected loss ratios (ELRs) was observed for accident years 2004 through 2009. Milliman believes that the ELRs and trend factors are conservative and contribute to the pattern of favorable development referenced above. In general, the methodologies used by the Company in the reserve analysis for these lines of business are reasonable and standard actuarial methods are used and the methodology is adjusted as appropriate.

Pricing and Underwriting Risk

Overall, Milliman determined that the pricing and underwriting practices at the Company were appropriate for the risks assumed. Milliman found that the pricing process appears to be rigorous and commensurate with industry practice. In addition, rate reviews are performed annually on significant business by credentialed actuaries using appropriate actuarial methods and reasonable assumptions and any rate changes are the result of collaborative efforts between the pricing actuaries, business units, and management.

Liquidity Risk

Overall, Milliman found the Company's liquidity risk mitigation practices to be appropriate for the risks assumed. The primary liquidity risk relates to catastrophe exposure. Milliman reviewed the Company's mitigation practices which consist of strong catastrophe risk monitoring tools reviewed on a regular basis and appropriate process controls. In addition, the liquidity risk is further mitigated by the strong capital support of its ultimate parent company, BH.

Conclusion

Based on the procedures performed, no material concerns were noted relating to reserve risk, pricing and underwriting risk and liquidity risk.

REMITTANCES AND ITEMS NOT ALLOCATED

(\$640,696)

The Company did not report remittances and items not allocated in accordance with the requirements documented in the Manual, nor were items cleared in a timely manner.

The Company is currently reporting items in this line that do not meet the criteria specified in the Manual. SSAP No. 67 requires that only unidentified cash receipts and unapplied premium payments be reported as remittances and items not allocated. In addition, it was noted that a majority of the items reported as unallocated receipts were greater than a year old.

It is recommended that the Company institute proper controls and procedures to ensure that only items documented in the SSAP No. 67 of the Manual are reported in the above captioned account. It is further recommended that suspense items be cleared in a timelier manner.

GENESIS INSURANCE COMPANY

COMMON CAPITAL STOCK \$3,500,000

At December 31, 2009, there were 5,000,000 shares authorized and 3,500,000 issued and outstanding, having a par value of \$1 per share. All shares are owned by GRC.

GROSS PAID IN AND CONTRIBUTED SURPLUS \$46,500,000

During the period under examination there were no changes to the balance of this account.

UNASSIGNED FUNDS (SURPLUS) \$50,920, 826

The following exhibit reflects the balance of this account during the five year period under review:

2009	\$50,920,826
2008	\$74,616,619
2007	\$65,921,817
2006	\$53,705,808
2005	\$45,912,995

The decrease in 2009 was due to a \$44.0 million dividend payment to GRC, which was offset by net income of \$6.2 million, net unrealized capital gains of \$8.9 million and a change in non-admitted assets of \$4.7 million.

RECOMMENDATIONS

PAGE

4 MANAGEMENT AND CONTROL

- It is recommended that the Company implement necessary procedures to ensure compliance with all provisions of its bylaws.

6 RELATED PARTIES

- It is recommended that the Company amend the Underwriting Management Agreement to comply with the requirements of SSAP No. 96 of the Manual regarding the settlement of intercompany balances.
- It is recommended that the Company amend the Tax Allocation Agreement to comply with the requirements of SSAP No. 96 of the Manual regarding the settlement of tax balances.

14 REMITTANCES AND ITEMS NOT ALLOCATED

- It is recommended that the Company institute proper controls and procedures to ensure that only items documented in the SSAP No. 67 of the Manual are

GENESIS INSURANCE COMPANY

reported on the remittances and items not allocated statutory line. It is further recommended that suspense items be cleared in a timelier manner.

CONCLUSION

The results of this examination disclosed that as of December 31, 2009, the Company had admitted assets of \$186,604,470, liabilities of \$85,683,644, and surplus as regards policyholders of \$100,920,826. During the period under examination, admitted assets decreased \$80,741,549, liabilities decreased \$91,369,708, and surplus as regards policyholders increased \$10,628,159.

It was determined that the Company's assets were fairly stated in accordance with guidance outlined in the Manual. Assets were acceptable under Section 38a-102 of the CGS. The liabilities established were adequate to cover the Company's obligations to policyholders.

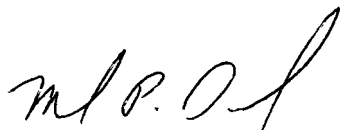
GENESIS INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, Sharon Altieri, CPA, Gerald Burke, CFE, Kent Krajick, CFE, Joseph Marcantonio, AFE, CISA, Mark Murphy, CFE, Wayne Shepherd, CFE and Richard Marcks, FCAS, MAAA, of the Connecticut Insurance Department, Edward Moody, CFE, CPA, CIA, FLMI, representing the North Dakota Insurance Department and the consulting firm of Milliman participated in this examination

I, Michael Daniels, CFE, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2009, to the best of my information, knowledge and belief.

Respectfully submitted,

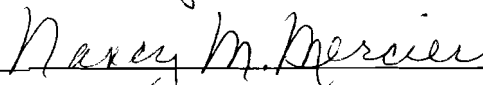


Michael Daniels, CFE
Examiner-in-Charge
State of Connecticut
Insurance Department

State of Connecticut ss Hartford

County of Hartford

Subscribed and sworn before me, Nancy M. Mercier, Notary Public/Commissioner of the Superior Court, on this 23rd day of August, 2010.



Notary Public/Commissioner of the Superior Court

My Commission Expires 6/30/2015