

- The information related to Note # 30 in the Annual Statement did not get uploaded to the NAIC electronic data capture.



ANNUAL STATEMENT
For the Year Ended December 31, 2012
OF THE CONDITION AND AFFAIRS OF THE
General Automobile Insurance Company, Inc.

NAIC Group Code 00473, 3638 NAIC Company Code 13703 Employer's ID Number 26-2465659
Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio
Country of Domicile United States
Incorporated/Organized 01/22/2009 Commenced Business 01/28/2010
Statutory Home Office 9700 Rockside Road, Suite 250, Valley View, OH, 44125
Main Administrative Office 2636 Elm Hill Pike, Suite 510, Nashville, TN, 37214 615-242-1961
Mail Address P. O. Box 305054, Nashville, TN, 37230-5054
Primary Location of Books and Records 2636 Elm Hill Pike, Suite 510, Nashville, TN, 37214 615-744-1221
Internet Web Site Address www.pgac.com
Statutory Statement Contact R Burton Barnes Jr., 615-744-1221
bbarnes@pgac.com (E-Mail Address) 615-744-1608 (Fax Number)

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Includes Randy Philip Parker (Chairman, President & CEO), Brian Michael Donovan (Secretary), David Lee Hettinger (Sr. V.P., Chief Administrative Officer).

OTHER OFFICERS

Table with 4 columns: Name, Title, Name, Title. Includes Sherrill Cleek Kaiser (Secretary), Allison Walker Garretson (V.P., Underwriting & Customer Service), Kenton Lee Fourman (V.P., Chief Information Officer), William Joseph Yeager (Sr. V.P., Claims), Eileen Manners (Assistant V.P., Claims), Barry Scot Dice (V.P., Direct Sales & Marketing), Charles Wesley Kirkland (V.P., Claims), Eric William Bur (V.P., IA Sales & Distribution), John Allen Hollar (Sr. V.P., Product Management), Robert Eugene Nelson (Assistant Secretary), Elizabeth Ann Roberts (V.P., Human Resources), Todd Raymond Hakala (V.P., Actuary Services).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Includes Randy Philip Parker, David Lee Hettinger, Brian Michael Donovan, Elizabeth Ann Roberts, Andrew Peter Martin.

State of Tennessee

ss

County of Davidson

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Signature lines for David Lee Hettinger, Brian Michael Donovan, Sherrill Cleek Kaiser. Includes subscription date (May 23, 2013) and a checklist of filing details (1. State the amendment number: 1, 2. Date filed: 05/23/2013, 3. Number of pages attached: 7).

Susan Hawk, Notary Public
May 5, 2015

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- A. The accompanying financial statements of The General Automobile Insurance Company, Inc. (GAIC) have been prepared in accordance with the NAIC Accounting Practices and Procedures Manual except to the extent that Ohio law differs. However, as of this Statement date, there have been no requests from the State of Ohio to depart from the prescribed NAIC guidelines.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Ohio is shown below:

	<u>2012</u>	<u>2011</u>
<u>Net Income</u>		
(1) Ohio company state basis (Page 4, Line 20, Column 1 & 2)	\$502	\$(551)
(2) State prescribed practices that increase / (decrease) NAIC SAP:		
(3) State permitted practices that increase / (decrease) NAIC SAP:		
(4) NAIC SAP	\$502	\$(551)
<u>Surplus</u>		
(5) Ohio company state basis (Page 3, Line 37, Column 1 & 2)	\$10,438	\$9,902
(6) State prescribed practices that increase / (decrease) NAIC SAP:		
(7) State permitted practices that increase / (decrease) NAIC SAP:		
(8) NAIC SAP	\$10,438	\$9,902

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are earned over the terms of the related insurance policies. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

- (1) Short-term investments are stated at cost.
- (2) Bonds are stated at amortized cost using the yield to maturity method.
- (3) Common stocks, if owned are stated at lower of cost or market.
- (4) The Company holds no preferred stock.
- (5) The Company holds no mortgage loans.
- (6) The Company holds no loan backed securities.
- (7) The Company has no investments in subsidiaries or affiliated companies.
- (8) The Company has no investments in joint ventures, partnerships & limited liability company.
- (9) The Company has no investments in derivatives.
- (10) The Company does not anticipate investment income as a factor in the premium deficiency calculation.
- (11) Reserve for losses represents the estimated liability for claims reported to the Company and an amount, based on actuarially determined reserves for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) The Company has no pharmaceutical rebate receivables.

2. Accounting Changes and Corrections of Errors:

On November 6, 2011, SSAP No. 101, Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10, was adopted by the NAIC. SSAP No. 101 contains changes to accounting for current and deferred federal and foreign income taxes, effective January 1, 2012. This guidance provides that the deferred tax asset admissibility guidance is no longer elective, and the reversal and surplus limitation parameters in the admissibility test are determined based on the risk-based capital level. It also requires gross deferred tax assets to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Finally, the guidance set a more likely than not threshold for the recording of contingent tax liabilities. The cumulative effect of adopting this pronouncement is \$0.

The following summarizes the impact of the adoption (000's omitted).

	1/1/2012	12/31/2011	Change
Gross DTA	\$1,005	\$1,005	-
SVA	-	-	-
Adj. Gross DTA	\$1,005	\$1,005	-
Gross DTL	(42)	(42)	-
Non admitted DTA	(98)	(98)	-
Net Admitted DTA/(DTL)	\$865	\$865	-
Contingent tax liability	-	-	-
Penalty / Interest	-	-	-
Net impact to surplus	\$-	-	\$- **

** The net impact to surplus is the sum of any change in the net admitted DTA / (DTL), contingent tax liability, and penalty and interest.

3. Business Combinations and Goodwill

NOTES TO FINANCIAL STATEMENTS

Refer to Note 21.A Extraordinary Items.

4. Discontinued Operations

None.

5. Investments

- A) The Company has no mortgage loans.
 B) The Company did not restructure any debt.
 C) The Company holds no reverse mortgages.
 D) Loan-Backed Securities
 (1) The source used to determine prepayment assumptions is Intex.
 (2) Not applicable.
 (3) There are no securities currently held with recognized impairments.
 (4) All impaired securities (fair value is less than amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

Continuous Unrealized Loss	Less than 12 Months	\$5,969
	12 Months or Longer	\$ -

Fair Value of Security with Continuous Unrealized Loss

Less than 12 Months	\$757,376
12 Months or Longer	\$ -

(5) Not applicable.

- E) The Company has no repurchase agreements.
 F) The Company has no real estate investments.
 G) The Company has no low-income housing tax credits (LIHTC).

6. Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable.

7. Investment Income

All Investment Income due and accrued is admitted.

8. Derivative Instruments

None.

9. Income Taxes

A. The components of the net deferred tax asset / (liability) at December 31 are as follows:

	31-Dec.-12			31-Dec-11			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Total gross deferred tax assets	901,047		901,047	1,004,940		1,004,940	(103,893)		(103,893)
Stat valuation allowance adj		-	-		-	-		-	-
Adj gross deferred tax assets	901,047		901,047	1,004,940		1,004,940	(103,893)		(103,893)
Total gross deferred tax liab				(41,955)		(41,955)	41,955		41,955
Net deferred tax assets	901,047		901,047	962,985		962,985	(61,938)		(61,938)
Def tax assets nonadmitted	(2,357)		(2,357)	(98,477)		(98,477)	96,120		96,120
Net admitted def tax asset	898,690		898,690	864,508		864,508	34,182		34,182

The Company has not elected to admit additional DTAs pursuant to SSAP 10R, paragraph 10e. The current period election does not differ from the prior reporting period.

Admission Calculation Components SSAP 101	31-Dec.-12			31-Dec-11			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	312,810		312,810	864,508		864,508	(551,698)		(551,698)
Adj gross deferred tax assets expected to be realized after application of the threshold limitation	585,880		585,880				585,880		585,880
1. Adj gross deferred tax assets expected to be realized following the balance sheet date	585,880		585,880				585,880		585,880
2. Adj gross dtas allowed per limitation threshold			1,430,862			946,927			483,935
Adj gross dtas offset by gross deferred tax liabilities				41,955		41,955	(41,955)		(41,955)
Total	898,690		898,690	906,463		906,463	(7,773)		(7,773)

31-Dec.-12 31-Dec-11

NOTES TO FINANCIAL STATEMENTS

Ratio percentage used to determine recovery period and threshold limitation amount. 311% 297%

Amount of adjusted capital and surplus used to determine recovery period and threshold limitation. 9,539,078 9,037,298

Impact of tax planning strategies:	31-Dec.-12			31-Dec-11			Change	Capital	Total
	Ordinary	Capital	Total	Ordinary	Capital	Total			
Adjusted gross DTAs (% of Total Adjusted Gross DTAs)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Admitted Gross DTAs (% of Total Net Admitted Adj Gross DTAs)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The Company's tax strategies do not include the use of reinsurance.

B. Unrecognized DTLs

Not applicable

C. Current Tax and Change in Deferred Tax

Current income tax:	31-Dec.-12	31-Dec-11	Change
Current federal income tax provision	322,604	0	322,604
Prior year (overaccrual)/underaccrual	59,315	10,679	48,636
Other adjustments	(209,210)		(209,210)
Federal and foreign income taxes incurred	<u>172,709</u>	<u>10,679</u>	<u>162,030</u>

Deferred income tax:	31-Dec.-12	31-Dec-11	Change
Ordinary:			
Unearned premium reserve@ 20%	617,664	615,571	2,093
Discounted loss reserves	117,588	112,260	5,328
Guaranty fund accrual			
Allowance for Bad Debts	82,282	61,746	20,536
Accrued Bonus	81,156		81,156
Net Operating loss carryover	-	215,363	(215,363)
Unearned Provisional Commission	2,357		2,357
Subtotal	<u>901,047</u>	<u>1,004,940</u>	<u>(103,893)</u>
Statutory valuation allowance adjustment			
Nonadmitted	(2,357)	(98,477)	96,120
Admitted ordinary deferred tax assets	<u>898,690</u>	<u>906,463</u>	<u>(7,773)</u>

Capital:

Impairment Loss on Investments

Capital loss carryover

Net unrealized capital losses - SAP

Subtotal

Statutory valuation allowance adjustment

Nonadmitted

Admitted capital deferred tax assets

Admitted deferred tax assets 898,690 906,463 (7,773)

Deferred Tax Liabilities:	31-Dec.-12	31-Dec-11	Change
Ordinary:			
Sec. 481 adjustment	-	(41,955)	41,955
Subtotal		(41,955)	41,955

Capital:

Subtotal

Deferred tax liabilities (41,955) 41,955

Net deferred tax assets / liabilities 898,690 864,508 34,182

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate are as follows:

NOTES TO FINANCIAL STATEMENTS

	31-Dec.-12	Effective Rate
Provision computed at statutory rate	236,699	35.00%
Tax exempt interest	(7,120)	-1.05%
Other permanent differences	8,055	1.19%
State tax	(873)	-0.13%
Rate differential	(3,335)	-0.49%
Provision to return adjustment	1,220	0.18%
Total	234,646	34.70%

	31-Dec.-12	Effective Rate
Federal and foreign income taxes incurred	172,709	25.54%
Current taxes on realized capital gains	-	0.00%
Change in net deferred income taxes	61,937	9.16%
Total statutory income taxes	234,646	34.70%

E. Operating Loss and Tax Credit Carryforwards

At the end of the year, the Company did not have any unused operating loss carryforwards generated in prior years available to offset against future taxable income.

Income tax expense for 2012 and 2011 in the amounts of \$948,835 and \$0 are available for recoupment in the event of future losses.

The company does not have any protective tax deposits under Sec. 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

1) The Company's federal income tax return will be consolidated with the following entities:

PGC Holdings Corp. (parent)	The General Automobile Insurance Services, Inc.
Permanent General Companies, Inc.	The General Automobile Insurance Services of Georgia, Inc.
Permanent General Assurance Corporation of Ohio	The General Automobile Insurance Services of Louisiana, Inc.
PGA Service Corporation	The General Automobile Insurance Services of Ohio, Inc.
The General Automobile Insurance Company, Inc.	The General Automobile Insurance Services of Texas, Inc.

2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled quarterly.

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company has no loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- A,B,C. At December 31, 2012 PGAC declared a dividend of \$1,000,000 to its parent Permanent General Companies who in turn paid a dividend of \$1,000,000 to its parent PGC Holdings Corporation.
- D. At December 31, 2012, the Company reported \$936,935 net payable to its parent and affiliates. The terms of the settlement requires these amounts are settled within 90 days.
- E. The Company has made no guarantees or undertakings for the benefit of the parent or affiliates.
- F. GAIC is an affiliate of PGC Holdings Corp. and as such has a tax agreement in place with this affiliated company. GAIC also has a service agreement in place with its affiliate Permanent General Companies, Inc (PGC), which is a wholly owned subsidiary of PGC Holdings Corp. Under this agreement PGC performs administrative services on behalf of GAIC. These services include; claims administration, underwriting, policy issuance and record keeping, legal services, data processing and accounting.
- G. All outstanding shares of the company are owned by the parent company PGAC of Ohio.
- H. No amounts have been deducted from the value of an upstream entity or ultimate parent owned either directly or indirectly.
- I,J. The Company has no investment in an SCA entity.
- K. None.
- L. None.

11. Debt

None.

12. Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Post retirement Benefit Plans.

None.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

- The company has 20,000 shares of \$500 par value common stock authorized of which 5,000 shares are issued and outstanding.
- The company has no preferred stock issued.
- The maximum amount of dividends which can be paid by an Ohio domiciled insurance company without prior approval of the insurance commissioner is subject to restrictions based upon statutory surplus.
- The company has not paid any dividends in 2012.

NOTES TO FINANCIAL STATEMENTS

- (5) The portion of the Company's profits that may be paid as ordinary dividends to stockholders is limited by # (3) above. However, the maximum dividend payout which can be made in 2013 without prior approval is \$1,043,777.
- (6) There are no restrictions placed on the Unassigned Surplus.
- (7) The company has not made advances of surplus.
- (8) There is no stock held for special purposes.
- (9) There are no special surplus funds established.
- (10) Refer to Page 4 lines 21 through 37 and Exhibit of Capital Gain (Losses).
- (11) The company has no surplus notes.
- (12) The company has not been reorganized.
- (13) Not Applicable.

14. Contingencies

- (A) The company has no contingent commitments to a SCA entity, joint ventures, partnerships, or limited liability companies.
- (B) There company has not been notified of any assessments that could have a material financial effect..
- (C) The company has no gain contingencies.
- (D) The company has no extra contractual obligations and bad faith losses stemming from lawsuits.
- (E) The company does not make any product warranties.
- (F) All Other Contingencies.

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

15. Leases

None.

16. Information about Financial Instruments with Off-balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.

None.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None.

18. Gain or Loss to the Report Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans.

None.

19. Direct Premium Written/Produced by MGA/3rd Party Administration

None.

20. Fair Value Measurements.

- A. (1) Fair Value Measurements at Reporting Date
None.
- (2) Fair Value Measurements in level 3 of the Fair Value Hierarchy
None.
- (3) Transfers between levels are recognized at the end of the reporting period.
None.
- (4) Valuation techniques and inputs used in the fair value measurements.
Not Applicable.

21. Other Items.

A. Extraordinary Items

On December 31, 2012 American Family Mutual Insurance Company through a wholly owned non-insurance holding company, Am Fam, Inc., acquired 100% of the ownership interest in PGC Holdings Corp. (PGC) for \$241,636,000 in cash. PGC was the ultimate parent of the Company prior to the acquisition. Refer to Schedule Y for the organizational chart following the acquisition..

B. Troubled Debt Restructuring. Debtors

None.

C. Other Disclosures

None.

D. The Company routinely assesses the collectibility of premiums and agent balances. The uncollectible amounts are not material to the Company's financial condition.

E. Business Interruption Insurance Recoveries.

None.

F. State Transferable Tax Credits

None.

G. Subprime Mortgage Related Risk Exposure

None.

22. Events Subsequent.

None.

23. Reinsurance

- A. Unsecured Reinsurance Recoverable

NOTES TO FINANCIAL STATEMENTS

None.

B. Reinsurance Recoverable in Dispute.

None.

C. Reinsurance Assumed and Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	8,795,953	3,343,342	13,839,293	5,380,717	(5,043,340)	(2,037,375)
b. All Other			56,093	6,731	(56,093)	(6,731)
c. Total	8,795,953	3,343,342	13,895,386	5,387,448	(5,099,433)	(2,044,106)
d. Dir. UE Prem Res.	13,895,386					

D. Uncollectible Reinsurance.

None.

E. Commutation of Ceded Reinsurance

None.

F. Retroactive Reinsurance

None.

G. Reinsurance Accounted for as a Deposit.

None.

H. Transfer of Property and Casualty Run-Off Agreements.

None.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination.

None.

25. Change in Incurred Losses and Loss Adjustment Expenses

Loss & lae reserves as of December 31, 2011 were \$7.319 million. As of December 31, 2012, \$5.475 million has been paid for incurred loss & lae expenses attributable to insured events or prior years. Reserves remaining for prior years are now \$2.023 million as a result of re-estimation of unpaid claims and lae expenses. Therefore, there has been a \$.179 million unfavorable prior year development from 12/31/2011 to 12/31/2012 principally on liability lines of business.

For the 2011 accident year, liability and PIP reserves for Florida are now projected at lower levels with California liability now developing more favorably. There was unfavorable development in the 2009 and 2010 accident years from New York and Florida PIP due to severity levels coming in higher than previously projected.

The development is generally the result of an ongoing analysis of recent loss development trends and are increased or decreased as additional information becomes known regarding individual claims. The Company has no retrospectively rated policies that are subject to premium adjustments. The development is generally the result of an ongoing analysis of recent loss development trends and are increased or decreased as additional information becomes known regarding individual claims. The Company has no retrospectively rated policies that are subject to premium adjustments.

26. Intercompany Pooling Arrangements

Effective January 1, 2010, the Company entered into a reinsurance pooling agreement with PGAC (NAIC company code - 37648) (lead entity) an affiliated property and casualty insurance company domiciled in Ohio and PGAC of Ohio (NAIC company code - 22906) which is the parent of the Company. The business includes private passenger auto liability & auto physical damage with PGAC receiving 59%, PGAC-Ohio receiving 33%, & GAIC receiving 8%. This Agreement applies only to that portion of any insurance or reinsurance which the parties hereto retain net for their own account and in calculating the amount of any loss hereunder, only loss or losses in respect of that portion of any insurance or reinsurance which the parties hereto retain net for their own account shall be included. The Company has a net payable balance of \$2,889,695 at 12/31/2012.

27. Structured Settlements

None.

28. Health Care Receivables

None.

29. Participating Policies

None.

30. Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves. \$0
2. Date of the most recent evaluation of this liability. 12/31/2012
3. Was anticipated investment income utilized in the calculation? Yes No

31. High Deductibles

None.

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

None.

33. Asbestos/Environmental Reserves

None.

34. Subscriber Savings Accounts

None

35. Multi Peril Crop Insurance

None

NOTES TO FINANCIAL STATEMENTS

36. **Financial Guaranty Insurance**
None.