

# STATE OF MISSOURI



## DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of GMAC Insurance Company Online, Inc.

### ORDER

After full consideration and review of the report of the financial examination of GMAC Insurance Company Online, Inc. for the period ended December 31, 2009, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations; treatment of policyholders, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of GMAC Insurance Company Online, Inc. as of December 31, 2009, be and is hereby ADOPTED as filed and for GMAC Insurance Company Online, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 15th day of June, 2011.



John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

REPORT OF  
FINANCIAL EXAMINATION

GMAC Insurance Company  
Online, Inc.

As of:  
DECEMBER 31, 2009

**FILED**  
JUN 25 2011  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



STATE OF MISSOURI  
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

## Table of Contents

<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
Period Covered.....	1
Procedures.....	1
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>2</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>2</b>
<b>COMPANY HISTORY</b> .....	<b>3</b>
General.....	3
Capital Stock.....	3
Dividends .....	3
Mergers and Acquisitions .....	3
<b>CORPORATE RECORDS</b> .....	<b>4</b>
Committees .....	5
Conflict of Interest .....	5
Surplus Debentures .....	5
<b>MANAGEMENT AND CONTROL</b> .....	<b>6</b>
Holding Company .....	6
Organizational Structure .....	6
Intercompany Transactions.....	7
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>10</b>
<b>PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS</b> .....	<b>11</b>
<b>TERRITORY AND PLAN OF OPERATION; TREATMENT OF POLICYHOLDERS</b> .....	<b>11</b>
Territory and Plan of Operation.....	11
Treatment of Policyholders.....	11
<b>GROWTH OF COMPANY</b> .....	<b>11</b>
<b>LOSS EXPERIENCE</b> .....	<b>12</b>
<b>REINSURANCE</b> .....	<b>12</b>
Assumed Reinsurance.....	12
Ceded Reinsurance.....	12
<b>ACCOUNTS AND RECORDS</b> .....	<b>12</b>
General.....	12
Independent Auditor .....	12
Independent Actuaries .....	13
Information Systems .....	13
<b>STATUTORY DEPOSITS</b> .....	<b>13</b>
Deposits with the State of Missouri.....	13
Deposits with Other States.....	13
<b>FINANCIAL STATEMENTS</b> .....	<b>14</b>
<b>BALANCE SHEET</b> .....	<b>15</b>

<b>INCOME STATEMENT .....</b>	<b>16</b>
<b>CAPITAL AND SURPLUS.....</b>	<b>17</b>
<b>COMMENTS ON FINANCIAL STATEMENTS.....</b>	<b>17</b>
<b>SUMMARY OF RECOMMENDATIONS.....</b>	<b>17</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>18</b>
<b>VERIFICATION.....</b>	<b>18</b>
<b>SUPERVISION .....</b>	<b>18</b>

April 13, 2011  
St. Louis, MO

Honorable Alfred W. Gross, Commissioner  
Bureau of Insurance  
Virginia State Corporate Commission  
Chairman, Financial Condition (E) Committee, NAIC

Honorable Mary Jo Hudson, Director  
Department of Insurance  
State of Ohio  
Secretary, Midwestern Zone, NAIC

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Lady and Gentlemen:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

**GMAC Insurance Company Online, Inc.**

hereinafter referred to as "Online" or the "Company." The Company's main office is located at 500 West Fifth Street; Winston-Salem, North Carolina 27101-2728; telephone number (336) 435-2000. Examination fieldwork began on August 16, 2010 and concluded on the above date.

**SCOPE OF EXAMINATION**

Period Covered

This examination covers the period from January 1, 2007 through December 31, 2009, and was conducted by examiners from the state of Missouri in conjunction with examiners from the state of North Carolina. This examination also considered material transactions or events occurring subsequent to December 31, 2009.

Procedures

This examination was conducted as a coordinated examination with the state of North Carolina acting as the lead state. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The handbook requires that we plan

and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key activities were: Investment and Cash Management; Underwriting/Premium Process; Claims, Reserving and Reinsurance; Related Party Transactions; and Taxes.

The examiners relied upon information and workpapers provided by the Company's independent auditor, Deloitte & Touche, LLP for its audit covering the period from January 1, 2009 through December 31, 2009. Such reliance included fraud risk analysis, internal control narratives and tests of internal controls.

#### **SUMMARY OF SIGNIFICANT FINDINGS**

The Company has increased its premium writings over the past two years and continues to remain adequately capitalized. There were no significant weaknesses identified in this examination. The Company has experienced underwriting losses in each of the past two years and this has led directly to net losses overall.

#### **SUBSEQUENT EVENTS**

GMAC Insurance Company Online, Inc., along with nine other related personal lines insurance companies, were acquired by American Capital Acquisition Corporation, ("ACAC") on March 1, 2010. ACAC is a Delaware corporation, formed on October 2, 2009, solely for purposes of the acquisition. A grantor retained annuity trust was established with Michael Karfunkel, an investor, controlling 78.75% of ACAC. AmTrust Financial Services, Inc. ("AmTrust") controls the remaining 21.25%. As the majority shareholder, Michael Karfunkel is now the ultimate controlling entity.

Effective March 1, 2010, the companies entered into a new reinsurance pooling agreement whereby 100% of all direct written and assumed business is ceded to the pool. After reinsuring 50% of the pool, the remaining 50% is ceded back to the pool participants in a prescribed allocation.

Also, effective March 1, 2010, the companies entered into a new asset management agreement with AmTrust and a new services agreement among the various companies acquired.

## COMPANY HISTORY

### General

GMAC Insurance Company Online, Inc. was incorporated under the laws of the state of Missouri on April 6, 2000, and received its certificate of authority as a property and casualty insurer on June 28, 2000. The Company began premium writings on January 1, 2001. The Company was a wholly owned subsidiary of Motors Insurance Corporation. Motors Insurance Corporation was owned by GMAC Insurance Holdings, Inc., which was owned by General Motors Acceptance Corporation.

This organizational structure remained unchanged until 2006, when a 51% ownership stake in General Motors Acceptance Corporation ("GMAC") was sold to FIM Holdings, LLC ("FIM"), a consortium of institutional investors led by Cerberus FIM Investors, Citigroup, Inc., Aozora Bank Ltd and a subsidiary of PNC Financial Services Group, Inc. GMAC's structure was reorganized and the company became known as GMAC LLC.

GMAC LLC received approval to become a bank holding company during 2009. As part of this approval, the ownership structure of GMAC LLC was changed to comply with Bank Holding Company Act provisions. Also, effective June 30, 2009, GMAC LLC was converted back to a corporation and is now known as GMAC, Inc. The organization chart in the Management and Control section of this report shows the ownership structure of the Company as of December 31, 2009.

### Capital Stock

The Company has 100,000 shares of \$100.00 par value common stock authorized with 40,000 shares issued and outstanding. All shares are owned by Motors Insurance Corporation.

### Dividends

The Company paid the following stockholder dividends during the examination period:

<u>Year of Dividend</u>	<u>Amount</u>
2007	\$1,000,000
2008	450,000
2009	0
<b>Total</b>	<u>\$1,450,000</u>

### Mergers and Acquisitions

Acquisition of the Company was discussed in the Subsequent Events section above.

## CORPORATE RECORDS

Minutes of the meetings of the Board of Directors and annual meetings of the stockholder were reviewed for the years 2007 through 2009. Those minutes adequately documented evidence of the overall guidance provided by the Board of Directors.

### MANAGEMENT AND CONTROL

As of December 31, 2009, the following ten members comprised the Board of Directors:

<u>Name</u>	<u>Position</u>
Wade L. Bontrager	Director and Vice-President of numerous GMAC Insurance Personal Lines Companies
Timothy J. Hogan	Director of numerous GMAC Insurance Personal Lines Companies
Cynthia Y. Valko	Director of numerous GMAC Insurance Personal Lines Companies
Preston S. Eckman	Director of numerous GMAC Insurance Personal Lines Companies
Douglas M. McCracken	Director of numerous GMAC Insurance Personal Lines Companies
Michael H. Weiner	Director and Chief Financial Officer of numerous GMAC Insurance Personal Lines Companies
George H. Hall, Jr.	Director, Vice-President, and Chief Claims Officer of numerous GMAC Insurance Personal Lines Companies
David S. Murphy	Director, Vice-President, and Chief Operating Officer of numerous GMAC Insurance Personal Lines Companies
Mary R. Hennessy	Director and President of numerous GMAC Insurance Personal Lines Companies
Robert D. Solomonic	Director of numerous GMAC Insurance Personal Lines Companies

Officers serving at December 31, 2009 were:

<u>Name</u>	<u>Position</u>
Mary R. Hennessy	President
David S. Murphy	Vice-President and Chief Operating Officer
Jeffrey W. Bishop	Secretary
Donald J. Bolar	Treasurer
Wade L. Bontrager	Vice-President
George H. Hall, Jr.	Vice-President and Chief Claims Officer
Michael H. Weiner	Chief Financial Officer
Preston S. Eckman	Vice-President

#### Committees

Committee assignments as of December 31, 2009 were as follows:

Investment Committee: Mary R. Hennessy and Michael H. Weiner

Individual insurance companies do not have their own audit committees. An audit committee was appointed by GMACI Holdings, LLC to serve in that function. As of December 31, 2009, three independent members served on that committee. They were: James Butler, Thomas West, and James Robb.

#### Conflict of Interest

Members of the senior management of this company and related entities provided signed conflict of interest disclosures. No instances of conflict of interest situations were reported.

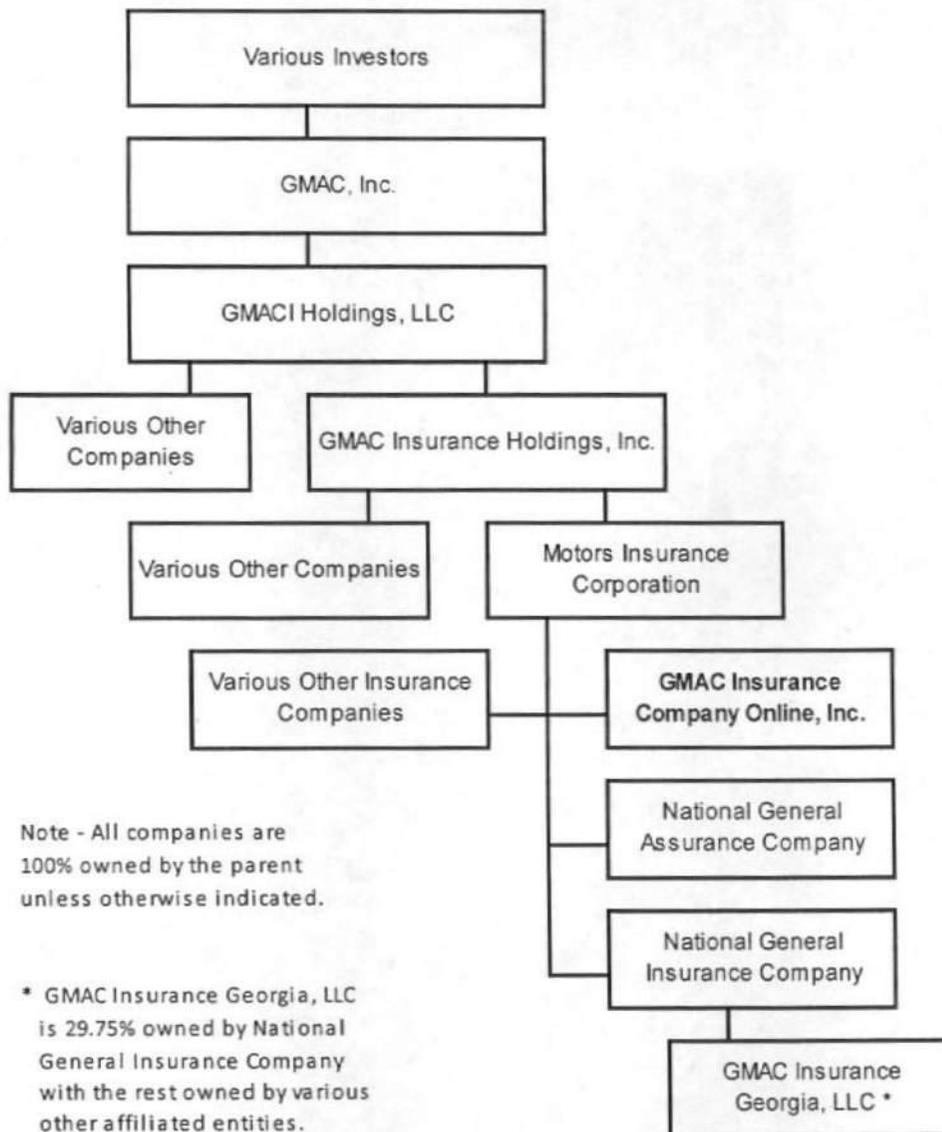
#### Surplus Debentures

The Company had no surplus debentures.

#### Holding Company

The Company is a member of an insurance holding company system as defined by Chapter 382 RSMo (Insurance Holding Companies). Relationships are discussed in the Company History section above.

## Organizational Structure



## Intercompany Transactions

The Company was a party to the following affiliated agreements at December 31, 2009:

### ***Treaty Reinsurance Agreement***

Parties: Motors Insurance Company and GMAC Insurance Company Online, Inc.

Effective: Original agreement effective October 1, 2000, Amendment # 1 effective January 1, 2001, Amendment #2 also effective January 1, 2001.

Terms: Online cedes 90% of its net retained premiums (after outside reinsurance) to MIC, and in turn MIC agrees to share on the same percentage basis all losses, LAE and other underwriting-related expenses.

***Service and Facilities Agreement***

Parties: GMAC, Inc. ("GMAC"), GMAC Insurance Holdings, Inc. ("GMACI") and subsidiaries (including the personal lines insurance companies.)

Effective: Agreement dated November 30, 2006, effective upon the closing of the sale by General Motors Corporation of 51% interest in GMAC to FIM Holdings, LLC.

Terms: Each party agrees to furnish services and facilities upon request of any of the others. Services include personnel, administrative, marketing, actuarial, financial, tax, investment, information technology, real estate management, claims and underwriting functions, human resources, payroll and employee benefits, corporate communications, audit, risk management and legal.

Rate(s): Actual cost to supplying party, without a profit factor built into cost. Costs are allocated in accordance with customary accounting principles consistently applied and any applicable law. Indirect and shared expenses are allocated in accordance with a method of cost allocation in conformity with SSAP No. 70. The Company paid \$6,095,361 for these services in 2009 compared to \$3,321,179 in 2008.

Termination: May be terminated by any party upon written notice to the others specifying when, not less than 120 days thereafter, such termination shall be effective as to the terminating party. The Agreement shall remain in effect as to all other parties.

***Tax Allocation Agreement***

Parties: GMAC, Inc.; GMAC Insurance Holdings, LLC; GMAC Insurance Holdings, Inc. and subsidiaries. Among the subsidiaries are Motors Insurance Corporation and its subsidiaries including the Company.

Effective: Effective July 1, 2009 through December 31, 2009 and annually thereafter.

Terms: Settlement of taxes owed or tax credits due from each of the participants on a consolidated basis. Each party pays taxes or receives credits equivalent to that which would be owed or due had the companies each filed on an individual basis.

Rate(s): No charges. Companies' costs or benefits are based on each company's contribution to the consolidated tax determination.

Termination: Agreement may be terminated at any time by mutual consent of the parties or by at least 90 days written notice by either party to the other.

#### ***Intellectual Property Sublicense Agreement***

Parties: GMAC, Inc.; GMAC Insurance Holdings, Inc. ("Licensee") and subsidiaries.

Effective: Effective November 20, 2006.

Terms: GMAC, Inc. and Licensee entered into an agreement to allow Licensee to utilize the intellectual property owned by GMAC Inc. (brand names, trademarks, logos) in the course of its business. That agreement granted a sublicense to GMAC Insurance Holdings, Inc. This agreement governs the sublicensed use of this intellectual property with regards to the sale of insurance products and the potential payments of royalties for same.

Rate(s): Licensee pays a percentage of dealer cost received by Licensee or its subsidiaries on sales of GM Protection Plan. In payment for use of the GM Motor Club trademark, Licensee pays a percentage of the revenues of the GM Motor Club. Royalties for use of trademarks of GM subsidiaries are set forth in the relevant opt-in letter made part of the agreement. Licensee agrees that it will pay guaranteed minimum royalties in the amount of \$15 million per year on a pre-tax basis. Payments under the agreement are due no later than 30 days from the end of each calendar month.

Termination: The agreement is concurrent with and remains in effect so long as the underlying agreement between the parties is in effect. The agreement commenced on the effective date and unless terminated, expires on the tenth anniversary date.

#### ***Marketing Service Implementing Agreement***

Parties: General Motors Corporation and General Motors of Canada Limited (collectively "GM") and GMAC Insurance Holdings, Inc. ("Holdings") and subsidiaries.

Effective: Effective November 30, 2006.

Terms: The agreement governs the rights and duties of the parties with respect to various marketing activities of the parties, including but not limited to: GM-sponsored events, consumer websites, call center activities, advertising media, direct mailings, employee-incentive programs, communications with dealers in the GM auto-sales network, and customer lists. Generally, the charges for these services are governed by an Insurance Services Agreement (ISA) that is incorporated into the overall agreement, unless otherwise specifically addressed in the agreement.

Rate(s): As per the ISA, services are generally provided on an at-cost or mutually-agreed basis consistent with the current and historical practices between the companies, with the exception of the provision of customer lists from GM to GMACI. The services related to the provision of customer marketing lists are specifically addressed in schedule 1 to the agreement, providing for an hourly wage for the GM personnel necessary to produce the list, plus a 10% markup on such hourly wage.

Termination: The initial term of the agreement is 10 years, with 1-year extensions allowable from the date of expiration. The agreement may be terminated by either party at the expiration of a period with three years advance written notice to the other party.

#### ***Investment Management Services Agreement***

Parties: General Motors Investment Management Corporation ("GMIMC") and GMACI Holdings, LLC ("GMACI") and subsidiaries.

Effective: Effective October 1, 2007.

Terms: GMIMC provides management and/or advisory services related to investment assets owned by GMACI. Subject to investment guidelines provided to GMIMC, GMACI delegates the following powers and GMIMC assumes the following duties, included but not limited to: serving as investment manager, investing of assets, negotiate fees, recommend investment guidelines and performance benchmarks, make asset allocation recommendations to GMACI, oversee GMACI's securities lending program.

Rate(s): GMACI pays GM IMC management and advisory fees, paid in arrears on a quarterly basis, as follows:

<u>Assets Managed</u>	<u>Management Fee</u>
\$0 - 1 billion	0.10%
\$1 - \$3 billion	0.075%

\$3 - \$5 billion	0.06%
Over \$5 billion	0.05%

The advisory fee is .02% of assets under management. Minimum quarterly advisory fee of \$875,000, is allocated to GMACI participants based on relative percentage of assets under management. GMACI will reimburse GMIMC for any out-of-pocket third party costs.

**Termination:** Effective until terminated by either party. Either party may terminate with or without cause with 90 days' notice. Agreement may be terminated at any time for material breach, assignment for the benefit of creditors, voluntary bankruptcy, adjudged bankrupt or insolvent, or other causes as enumerated in Section 8 (a).

### **FIDELITY BOND AND OTHER INSURANCE**

The Company is currently a named insured on a crime policy purchased by its parent which provides \$5 million in coverage with a \$100 thousand deductible. This coverage exceeds the minimum amount of fidelity insurance recommended by the NAIC.

The Company is also a named insured on policies that provide the following liability coverages: general, automobile, excess, directors and officers, errors and omissions, fiduciary, and worker compensation. The Company's coverage appears adequate.

### **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company has no employees. Services are provided by affiliates under various intercompany agreements. Affiliates' employees are provided benefits typical of the industry including group health and dental coverage, group life insurance, short- and long-term disability, a flexible spending account, a 401(k) plan, a non-contributory defined benefit pension plan, paid time off, an employee assistance plan, and tuition reimbursement. Employee benefit costs, including retirement costs, are included in intercompany charges from affiliates.

### **TERRITORY AND PLAN OF OPERATION; TREATMENT OF POLICYHOLDERS**

#### Territory and Plan of Operation

The Company is licensed in Missouri under Chapter 379 RSMo, (Insurance other than life) to write property, liability and miscellaneous insurance. The company is also licensed in all other states except Maine, Massachusetts, Minnesota, New Hampshire and

New Jersey. The vast majority of business was written in Arizona, Florida, Missouri and Tennessee.

The Company writes automobile coverages marketed primarily through the internet. The Company was primarily composed of run-off business for the majority of 2006 and 2007. It began writing new business during the third quarter of 2007 and continues to increase written premium year to year.

#### Treatment of Policyholders

The Missouri Department of Insurance, Financial Institutions and Professional Registration has a market conduct staff which performs a review of these issues. No market conduct examination was completed during the examination period. The most recent examination was conducted as of December 31, 2001.

### **GROWTH OF COMPANY**

After years of decline, the Company began writing new business which produced large increases in premium written in each of the past two years. Despite this rapid growth, the Company remains adequately capitalized and has the capacity to continue to grow.

### **LOSS EXPERIENCE**

The Company has experienced underwriting losses in each of the past two years. However, the bulk of the business is reinsured and the Company remains in a relatively strong capital position. No issues were identified with respect to the Company's reserving methods.

### **REINSURANCE**

Premiums written by the Company during the examination period were as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct Written	\$578,394	\$12,026,850	\$22,587,427
Ceded to Affiliates	540,970	10,821,415	20,308,628
Ceded to Non-Affiliates	<u>(22,683)</u>	<u>3,056</u>	<u>22,127</u>
Net Written Premiums	<u>\$60,107</u>	<u>\$1,202,379</u>	<u>\$2,256,672</u>

#### Assumed Reinsurance

The Company did not assume any reinsurance during 2009.

### Ceded Reinsurance

The Company cedes most of the business currently being written. Ninety percent of the net retained premiums, losses, costs, assessments, expenses and other liabilities are ceded to Motors Insurance Corporation under a quota share treaty. The reinsurance agreement was reviewed and found to have the required clauses and safeguards.

## **ACCOUNTS AND RECORDS**

### General

The Company's financial statements are prepared based on statutory accounting principles. Accounting entries were recorded on the SAP general ledger system as of December 31, 2009.

### Independent Auditor

The Company's financial statements were audited by the accounting firm Deloitte & Touche LLP. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

### Independent Actuaries

Loss reserves, loss adjustment expense reserves and related actuarial accounts reported in the financial statements were opined on and certified by Brian Scott, ACAS, MAAA, Senior Actuarial Manager with GMAC Insurance. His review concluded the Company's net reserves made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of their contracts and agreements.

Rick Kohan, FCAS, MAAA, Actuary for the state of North Carolina reviewed the adequacy of the Company's loss and loss adjustment expense reserves. His review of the Company's reserves concluded the gross and net reserves carried were adequate.

### Information Systems

In conjunction with this examination, Alan Gutierrez Arana, CISA, Manager for RSM McGladrey, Inc. and Andrew Balas, AES, Information Systems Financial Examiner with the Missouri Department of Insurance, Financial Institutions and Professional Registration conducted a review of the Company's information systems. Their evaluations did not identify any significant weaknesses.

## STATUTORY DEPOSITS

### Deposits with the State of Missouri

The funds on deposit with the Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2009, are reflected below. These deposits had sufficient par and market values to meet the deposit requirement for the state of Missouri per Section 379.098 RSMo (Security Deposits).

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Treasury Notes	<u>\$2,600,000</u>	<u>\$2,814,944</u>	<u>\$2,603,732</u>

### Deposits with Other States

The Company has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2009, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
Arkansas	US Treasury Bond	\$110,000	\$118,491	\$110,463
Florida	US Treasury Bond	160,000	170,600	160,792
Nevada	US Treasury Bond	200,000	213,250	200,990
New Mexico	US Treasury Bond	300,000	319,875	301,484
North Carolina	US Treasury Bond	400,000	426,500	401,979
Oklahoma	US Treasury Bond	300,000	319,875	301,484
Virginia	US Treasury Bond	<u>550,000</u>	<u>591,908</u>	<u>552,353</u>
		<u>\$2,020,000</u>	<u>\$2,160,499</u>	<u>\$2,029,545</u>

## FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2009, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

**BALANCE SHEET**  
As of December 31, 2009

<b>Assets</b>	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$6,521,630	\$0	\$6,521,630
Cash and short-term investments	4,371,048	0	4,371,048
Investment income due and accrued	178,447	56,250	122,197
Uncollected premiums	187,653	7,152	180,501
Deferred premiums	2,142,277	0	2,142,277
Amounts recoverable from reinsurers	1,018,829	0	1,018,829
Current federal income tax recoverable	53,918	0	53,918
Net deferred tax asset	61,638	0	61,638
Guaranty funds receivable or on deposit	141	0	141
Receivables from parent, subsidiaries and affiliates	763,479	0	763,479
Aggregate write-ins for other than invested assets	2	0	2
<b>Total assets</b>	<b>\$15,299,062</b>	<b>\$63,402</b>	<b><u>\$15,235,660</u></b>
 <b>Liabilities</b>			
Losses			604,316
Loss adjustment expenses			107,622
Other expenses			7,998
Taxes, licenses and fees			6,527
Unearned premiums			762,990
Advance premium			28,097
Ceded reinsurance premiums payable			<u>3,848,972</u>
<b>Total liabilities</b>			<b>5,366,522</b>
 <b>Capital Stock and Surplus</b>			
Common capital stock			4,000,000
Gross paid in and contributed surplus			6,000,000
Unassigned funds (surplus)			<u>(130,862)</u>
Surplus as regards policyholders			<u>9,869,138</u>
<b>Total liabilities, capital stock and surplus</b>			<b><u>\$15,235,660</u></b>

**INCOME STATEMENT**  
**For Year Ending December 31, 2009**

Premiums earned		\$1,878,875
Losses incurred	1,575,871	
Loss adjustment expenses incurred	232,016	
Other underwriting expenses incurred	546,856	
Total underwriting deductions	<u>2,354,743</u>	
Net underwriting gain (loss)		(475,868)
Net investment income earned	273,647	
Net realized capital gains (losses)	<u>0</u>	
Net investment gain (loss)		273,647
Net gain (loss) from agents' or premium balances charged off	(32,312)	
Finance and service charges not included in premiums	30,104	
Aggregate write-ins for miscellaneous income	<u>62,839</u>	
Total other income		<u>60,631</u>
Net income before federal taxes		(141,590)
Federal income taxes incurred		<u>(11,093)</u>
Net income		<u>(\$130,497)</u>

## CAPITAL AND SURPLUS

### Changes for 2009

Surplus as regards policyholders, December 31, 2008		\$10,026,697
Net income	(130,497)	
Change in net deferred income tax	33,764	
Change in nonadmitted assets	(60,826)	
Changes per examination	0	
Change in surplus as regards policyholders for the year		<u>(157,559)</u>
Surplus as regards policyholders, December 31, 2009		<u>\$9,869,138</u>

## COMMENTS ON FINANCIAL STATEMENTS

None

## SUMMARY OF RECOMMENDATIONS

None



# STATE OF MISSOURI



## DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

**Certified Copy**

*I, John M. Huff, Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, do hereby certify that the annexed pages are a true and correct copy of the original.*

**REPORT OF FINANCIAL EXAMINATION**

**FOR**

**AS OF**

**GMAC INSURANCE COMPANY ONLINE, INC.**

**DECEMBER 31, 2009**

*Which said original is now on file in this department.*

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed Seal of said Department. Done at my office in the City of Jefferson, this 15<sup>th</sup> day of June 2011

John M. Huff, Director

A handwritten signature in cursive script, appearing to read "John M. Huff", written over a horizontal line.

Jeremiah W. (Jay) Nixon  
Governor  
State of Missouri



Department of Insurance  
Financial Institutions  
and Professional Registration  
John M. Huff, Director

June 15, 2011

Lawrence R. Pentis, President  
GMAC Insurance Company Online Inc  
500 W. 5th Street  
PO Box 3199  
Winston-Salem, NC 27102-3199

Dear Mr. Pentis

This letter is to inform you that ten days from the date of this letter, the Missouri Department of Insurance, Financial Institutions and Professional Registration (the "Department") will file a copy of the enclosed Order and Examination Report of GMAC Insurance Company Online Inc for the period ending December 31, 2009 in this office as a public document. The Department is issuing the Examination Report pursuant to section 374.205, RSMo. The Department will distribute copies of the Examination Report to all states in which your company is licensed and to the National Association of Insurance Commissioners.

**Within thirty (30) days of the date of this letter**, the company must file affidavits executed by each of the company's directors stating under oath that they have received copies of the Examination Report and the Order. At their next meeting the board of directors should review the Examination Report and indicate their acceptance of the Examination Report in the board meeting minutes.

As provided in the enclosed Order, you are responsible to fully implement or address each item that may be mentioned in the Comments on Financial Statements Items and/or Summary of Recommendations sections of the Examination Report and to account for the company's financial condition and affairs in a manner consistent with the Director's findings and conclusions. If there are Comments on Financial Statement Items and/or Summary of Recommendations sections, verification of compliance must be received by the Department **within ninety (90) days of the date of this letter**. Failure to fully comply may result in further action by the Department and/or additional examination procedures.

Sincerely,  
John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

A handwritten signature in black ink that reads "Frederick G. Heese".

By: Frederick G. Heese, CPA, CFE  
Chief Financial Examiner & Division Director

JH/FH/tsr

Certified Mail  
Return Receipt Requested

cc: Michael Shadowens, Audit Manager  
Rob Jordan, Examiner-in-Charge

# STATE OF MISSOURI



## DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of GMAC Insurance Company Online, Inc.

### ORDER

After full consideration and review of the report of the financial examination of GMAC Insurance Company Online, Inc. for the period ended December 31, 2009, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations; treatment of policyholders, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of GMAC Insurance Company Online, Inc. as of December 31, 2009, be and is hereby ADOPTED as filed and for GMAC Insurance Company Online, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 15th day of June, 2011.



Handwritten signature of John M. Huff in black ink.

John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration