STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of National General Assurance Company as of December 31, 2006

ORDER

After full consideration and review of the report of the financial examination of National General Assurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER National General Assurance Company, 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 mentioned in the General Comments and/or 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 June 20, 2008.

Linda Bohrer

LINDA BOHRER, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

National General Assurance Company

As of:

DECEMBER 31, 2006

FILED
JUN 30 2008
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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May 9, 2008
Maryland Heights, Missouri

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

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

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

Dear Sirs:

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

National General Assurance Company

hereinafter referred to as such or as the "Company". The Company's office is located at 13736 Riverport Drive, Suite 700, Maryland Heights, Missouri 63043, telephone number (314) 493-8000. Examination fieldwork began on July 9, 2007, and concluded on the date shown above.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2003, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2004, through December 31, 2006, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2006.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, Deloitte & Touche LLP, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments - Previous Examination

1. Comment: Accounts and Records

The Company is in violation of 20 CSR 200-4.010 (Books, Records, Accounts and Vouchers), both paragraph (3) "Location of Files," which states, "All financial books, records and accounts necessary for the annual statement of a Missouri insurer must be kept in a central location" and paragraph (4) "Time Limits," which states, "The insurer shall provide, within five (5) working days, any record requested by any duly appointed financial examiner . . ."

The General Motors holding company system is decentralized. Financial records are kept in various locations, and because of this it was difficult to obtain detailed documentation. Many requests took well over five working days.

We direct the Company to centralize its financial records or maintain an adequate audit trail that would expedite the response to financial information requests. This could significantly reduce the costs of future financial examinations.

Company Response:

The Company responded as follows: "The Company's records are maintained in certain strategic locations to efficiently and effectively support the Company's business from an operational perspective by being readily available to management of the operating departments as needed."

Current Findings:

Examiners participating in the current examination received requested information in a timely manner.

HISTORY

General

National General Assurance Company was incorporated on June 2, 1983 and commenced business on January 1, 1989 as a stock property and casualty insurer in Missouri operating under Chapter 379 RSMo (Insurance other than life). Initially, 100% of the capital stock of the Company was owned by NAVCO Corporation. During December, 2002, NAVCO transferred this stock to Motors Insurance Corporation in conjunction with the merger of NAVCO into National General Insurance Company. This resulted in Motors Insurance Corporation as the immediate parent of the Company.

The organizational structure remained unchanged until 2006, when a 51% ownership stake of General Motors Acceptance Corporation was sold to FIM Holdings, LLC, a consortium of institutional investors led by Cerberus FIM Investors, Citigroup, Inc., Aozora Bank Ltd and a subsidiary of PNC Financial Services Group, Inc. At this time, General Motors Acceptance Corporation converted its form of organization from a corporation to a limited liability company, changing its name to GMAC, LLC.

Capital Stock

The Company is authorized to issue 30,000 shares of common stock at a par value of $100 per share. There were 25,000 shares issued and outstanding as of December 31, 2006, resulting in a common capital stock account of $2,500,000.

Gross Paid In Surplus

During 2006, the Company received an infusion of $10,000,000 from its parent, Motors Insurance Corporation. These funds were received in order to help satisfy regulatory asset diversification requirements.

Dividends

The Company paid no dividends during the examination period.

Management

The Company's articles of incorporation call for a board of directors consisting of nine members. However, at December 31, 2006, there were only eight members. On November 26, 2007, the board selected another member. The board should take timely action to ensure that the appropriate number of directors serve on the board should an opening occur in the future.

Directors serving at December 31, 2006 were as follows:

Name and Address	Business Affiliation
John C. Beattie Winston-Salem, NC	Vice President, Human Resources
Bernard J. Buselmeier Wildwood, MO	Executive Vice President and Chief Financial Officer
David S. Murphy Winston-Salem, NC	Vice President and Chief Pricing Officer
Gerald D. Filler Hudson, OH	Vice President and Chief Information Officer
Gary Y. Kusumi Town and Country, MO	Chairman, President and Chief Executive Officer
Daniel C. Pickens Winston-Salem, NC	Vice President and Chief Actuary
Sheena E. Poe Clemmons, NC	Vice President, Secretary and Chief Claims Officer
James M. Curtin Atlanta, GA	Vice President and Chief Marketing Officer

Additional officers included:

Name	Office
Donald J. Bolar	Vice President and Treasurer
George H. Hall, Jr.	Vice President
Verne E. Purvines (retired in 2007)	Vice President and Assistant Secretary
Thomas W. Stuertz	Vice President

Conflict of Interest

The Company and its affiliates have a policy which requires directors, officers and key employees to complete annual conflict of interest disclosure statements. Review of the most current disclosure statements found no instances of conflict of interest situations.

Corporate Records

A review was made of the articles of incorporation and bylaws of the Company. The articles of incorporation had been amended to reflect the new location of the Company's offices. The bylaws were not amended during the period being examined.

The minutes of the meetings of the stockholder and board of directors were also reviewed for the period under examination. The minutes appeared to properly document and approve applicable corporate events and transactions. The board of directors reviewed and approved the examination report as of December 31, 2003 on September 14, 2005.

Acquisitions, Mergers and Major Corporate Events

The sale of a 51% interest in the Company's immediate parent to FIM Holdings, LLC was discussed above. There were no other major corporate events to note.

Surplus Debentures

None.

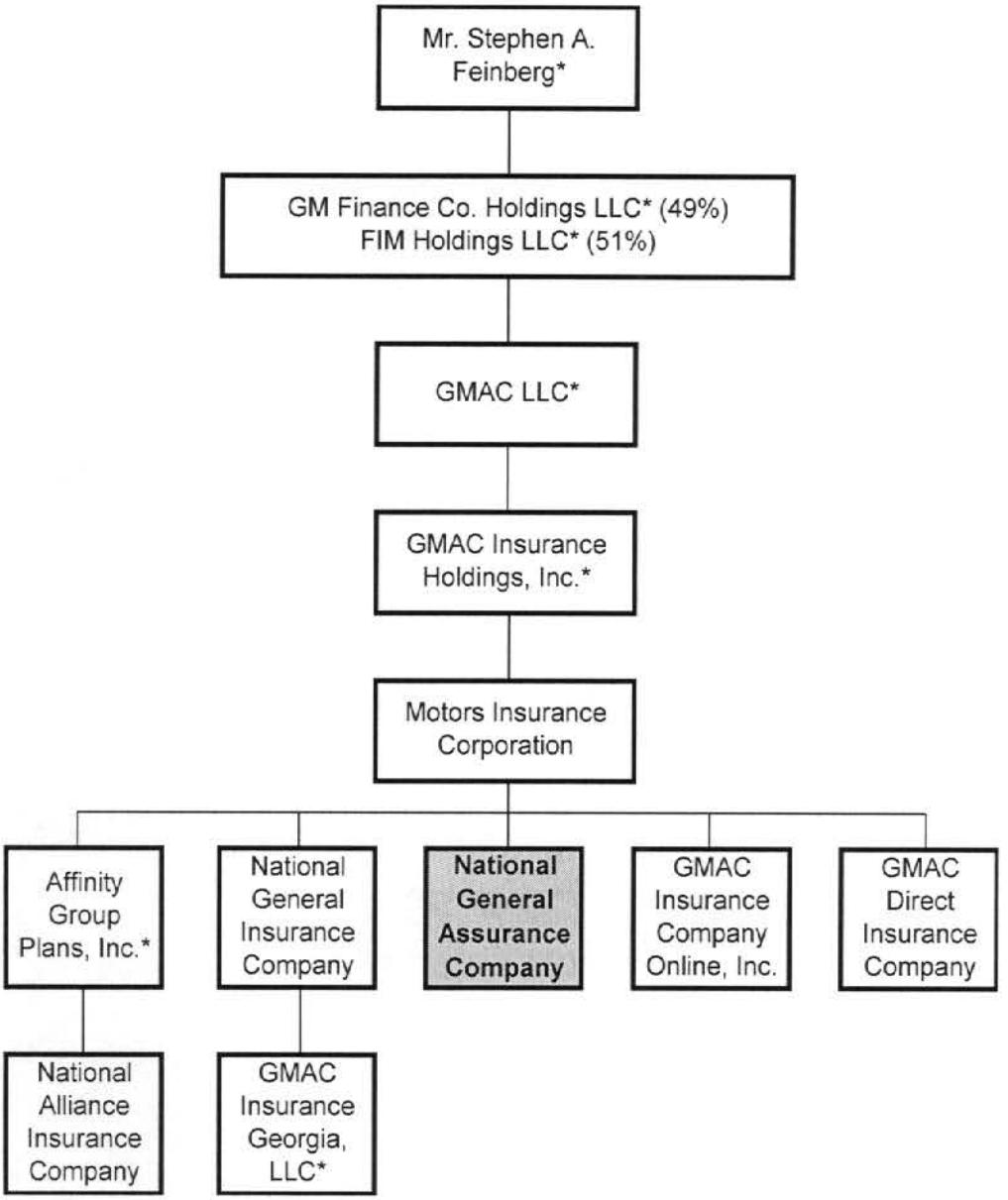
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

National General Assurance Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). Pursuant to Missouri Insurance Regulations 20 CSR 200-11.100 and Section 382.100 RSMo, the Company has filed Form B of the Insurance Holding Company System with the Department. The ultimate controlling person is Mr. Stephen A. Feinberg of Cerberus FIM, LLC.

Organizational Chart

The following organizational chart depicts the ownership structure of the Company as of December 31, 2006. The chart shows only the Missouri domiciled insurers and their subsidiaries and the parent companies. Mr. Feinberg owns Cerberus FIM, LLC which is the primary owner of FIM Holdings LLC. All subsidiaries are wholly owned and non-insurance entities are identified with an asterisk.



Intercompany Transactions

The Company is a party to several intercompany agreements, which were reviewed and summarized below. These agreements were all filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration.

1. Tax Allocation Agreement

The Company operated under two tax allocation agreements during the examination period. The first was effective as of December 9, 2002, and remained in place until November 30, 2006. The parties to the agreement included General Motors Corporation, General Motors Acceptance Corporation, GMAC Insurance Holdings Incorporated and its various subsidiaries which included Motors Insurance Corporation, the parent of the

Company. The current agreement became effective December 1, 2006. It is essentially the same as the previous agreement with the notable exception that General Motors Corporation and General Motors Acceptance Corporation are no longer part of the agreement.

Under these agreements, each subsidiary pays to Motors Insurance Corporation the separate subsidiary tax liability as determined by the hypothetical federal income tax return for the subsidiary. Within 15 business days prior to the date on which Motors Insurance Corporation is required to make estimated tax payments on behalf of the group, subsidiaries submit to Motors Insurance Corporation or its designee a calculation of the separate subsidiary estimated taxes, determined on the basis of the estimated separate subsidiary tax liability. Within 90 days following the filing of the consolidated federal income tax return, Motors Insurance Corporation notifies each subsidiary of the amount of the separate subsidiary tax liability and within 15 days after the notification, a settlement is made.

2. Services and Facilities Agreement

The parties to this agreement are GMAC LLC, GMAC Insurance Holdings, Inc. on behalf of all of its direct and indirect subsidiaries. The agreement is effective as of November 30, 2006, the date that FIM Holdings LLC became majority owner of GMAC LLC.

Each party agrees to furnish, upon request of the others, such qualified personnel, supplies, equipment, services and facilities reasonably and necessarily required as the recipient party is authorized by law to perform. The services include, but are not limited to, the performance of various administrative, marketing actuarial, financial, tax, investment, information technology, real estate management, claims and underwriting, human resources, payroll and employee benefits, corporate communications, audit, risk management and legal functions. The sole consideration for the services and facilities to be provided is the actual cost of the same to the supplying party, without a profit factor built into cost. Each supplying party shall render to the recipient party notification of charges and expenses incurred in connection with this agreement at no less frequently than on a quarterly basis.

3. Investment Management Agreement

The parties to this agreement are General Motors Investment Management Corporation and Motors Insurance Corporation, including this company and various other subsidiaries. General Motors Investment Management Corporation manages the Company's cash and securities in accordance with investment guidelines established by the Company. Motors Insurance Corporation reimburses General Motors Investment Management Corporation semi-annually for the costs and expenses incurred by General Motors Investment Management Corporation. All disputes arising with respect to this agreement can be submitted to arbitration with one arbitrator to be chosen by Motors Insurance Corporation and one by General Motors Investment Management Corporation.

FIDELITY BOND AND OTHER INSURANCE

The Company is adequately insured under a crime policy issued to General Motors Corporation (GM) and affiliates. This policy provides fidelity coverage with a limit of $350,000,000 and a deductible of $25,000,000. The amount of the deductible is self insured by GM.

The Company is also protected by various policies issued to the affiliated group and includes liability coverages for employment practices, errors and omissions and directors and officers.

EMPLOYEE BENEFITS AND PENSION PLAN

The Company has no employees. GMAC Insurance Holdings, Inc. and other affiliates provide services under the Services and Facilities Agreement.

GMAC Insurance Holdings, Inc. provides its employees with benefits typical for the industry including, health insurance (medical, dental, vision), group life insurance, long and short term disability benefits, a retirement savings plan, pension plan and paid leave.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2006, as reflected below, were sufficient in par and market value to meet the minimum requirement of $1,200,000 in accordance with Section 379.098 RSMo – Security Deposits.

Description of Security	Par Value	Market Value	Statement Value
U. S. Treasury Bond	$ 2,000,000	$ 1,940,320	$ 1,983,673

Deposits with Other States

The following funds were on deposit with other states as of December 31, 2006:

State	Description of Security	Par Value	Market Value	Statement Value
Arkansas	US Treasury Note	$ 100,000	$ 104,445	$ 103,660
Georgia	US Treasury Note	35,000	36,556	36,281
Louisiana	US Treasury Note	20,000	19,403	19,837
Nevada	US Treasury Note	200,000	208,890	207,320
New Mexico	US Treasury Note	100,000	104,445	103,660
North Carolina	US Treasury Note	300,000	313,335	310,980
Ohio	US Treasury Note	50,000	48,508	49,592
South Carolina	US Treasury Note	125,000	130,556	129,575
Virginia	US Treasury Note	225,000	219,097	223,433
Total		$ 1,155,000	$ 1,185,235	$ 1,184,338

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

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 Hawaii, Maine, Massachusetts, New Hampshire, New Jersey and Vermont.

The majority of the Company's business is produced through direct response programs marketed to affinity groups and associations.

Policy Forms and Underwriting; Advertising and Treatment of Policyholders

The Department has a market conduct staff that performs a review of these issues and generates a separate market conduct report. No market conduct examination was completed during the examination period. The most recent examination was conducted as of December 31, 2001.

REINSURANCE

The Company's premiums on a direct written and ceded basis for the current examination period were as follows:

	2006	2005	2004
Direct Business	$180,136,018	$174,901,406	$157,221,372
Reinsurance Ceded	180,136,018	174,901,406	157,221,372
Net Premiums	$ 0	$ 0	$ 0

Assumed

The Company assumes no reinsurance.

Ceded

The Company cedes all of its net retention to its parent company, Motors Insurance Corporation. This accounts for nearly 100% of the Company's ceded premium. Along with the premium, the Company cedes all liabilities. The Company is party to various other reinsurance agreements, but very little business is ceded under those agreements.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements were audited by the firm of Deloitte & Touche LLP for the period covered by this examination.

Company Actuaries

Dan Pickens, FCAS, MAAA, provided the actuarial opinions for the Company for 2006 and 2005. The 2004 opinion was provided by Matthew Carrier, ACAS, MAAA, from the firm of Deloitte Consulting LLP.

Consulting Actuary

The Department contracted Jon W. Michelson, FCAS, MAAA, from Expert Actuarial Services, LLC to evaluate the adequacy of the Company's loss related reserves. His evaluation concluded that the Company's reserves at December 31, 2006 were adequate.

Information Systems Examination Specialist

The Department's Information Systems Examination Specialist, Andy Balas, evaluated data processing controls and no exceptions were noted.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2006, 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 "Notes to the 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 "Notes to the 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, 2006

Assets

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 17,384,204	$ -	$ 17,384,204
Cash	2,229,760	0	2,229,760
Investment income due and accrued	242,156	6,484	235,672
Uncollected premiums and agents' balances in the course of collection	2,567,819	52,777	2,515,042
Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,844,081	0	12,844,081
Amounts recoverable from reinsurers	8,494,053	0	8,494,053
affiliates	290,101	0	290,101
Totals	$ 44,052,174	$ 59,261	$ 43,992,913

Liabilities

Taxes, licenses and fees	$ 80,452
Current federal and foreign income taxes	121,857
Net deferred tax liability	21,484
Ceded reinsurance premiums payable	24,237,200
Total liabilities	$ 24,460,993

Surplus

Common capital stock	$ 2,500,000
Gross paid in and contributed surplus	13,500,000
Unassigned funds (surplus)	3,531,920
Surplus as regards policyholders	19,531,920
Total Liabilities and Policyholder Surplus	$ 43,992,913

INCOME STATEMENT

For the year ended December 31, 2006

Premiums earned	$ -	
Losses incurred	-	
Loss expenses incurred	-	
Other underwriting expenses incurred	3,703	
Net underwriting gain (loss)		$ (3,703)
Net investment income earned	820,031	
Net realized capital gains (losses)	$ 37,578	
Net investment gain (loss)		857,609
Income before income taxes		853,906
Less: Federal income taxes		268,568
Net income		$ 585,338

CAPITAL AND SURPLUS

Surplus as regards policyholders, December 31 prior year		$ 8,975,850
Net income	$ 585,338	
Change in net deferred income tax	(8,742)	
Change in nonadmitted assets	(20,526)	
Surplus adjustments paid in	$ 10,000,000	
Change in surplus as regards policyholders for the year		10,556,070
Surplus as regards policyholders, December 31 current year		$ 19,531,920

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

Management page 3

The board of directors had eight members as of December 31, 2006 while the articles of incorporation call for a board consisting of nine members. This condition existed until November 26, 2007 when the ninth member was selected. In the future, the board should fill vacancies in a timely manner.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and the employees of National General Assurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Art Palmer, CFE, Rick Stamper, CFE, Dave Schaper, Doug Daniels and Andy Balas, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Consulting actuary, Jon W. Michelson, FCAS, MAAA, from Expert Actuarial Services, LLC evaluated the adequacy of the Company's loss related reserves.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Robert P. Jordan

JACQUELIN LEHMUTH
Notary Public - Notary Seal
State of Missouri
County of St. Louis
My Commission Exp. 06/14/2008

Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 6 day of May, 2008
My commission expires:
June 14, 2008

Jacquelin Lehmuth
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Christiana Dugopolski

Christiana Dugopolski, CFE, CPA
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

GMAC Insurance

June 11, 2008

Frederick G. Heese
Missouri Department of Insurance
PO Box 690
Jefferson City, MO 65102-0690

Dear Mr. Heese:

We received the Examination Report for National General Assurance Company, the "Company", for the period ending December 31, 2006. This letters serves as the Company's response to the Examination Report.

Page 8 of the Examination Report labeled Employee Benefits and Pension Plan assumes GMAC Insurance Holdings, Inc. was the employer which is incorrect. The employer that provides these benefits to employees is GMAC Insurance Management Corporation. In addition, Page 13 of the report labeled General Comments and Recommendations contains a comment regarding the number of members on the board of directors being inconsistent with the articles of incorporation. At this time the board of directors contains nine members which is the number required per the articles of incorporation.

We would like this response to be included in the report as a public document.

Should you need additional information please contact me by phone – 336.770.2218 or by email, Rebecca.Boone@gmacinsurance.com.

Regards,

Rebecca Boone
Assistant Treasurer
GMAC Insurance – Personal Lines

RECEIVED
JUN 19 2008
INSURANCE SOLVENCY
& COMPANY REGULATION

GMAC Insurance
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