REPORT ON EXAMINATION

OF THE

GLOBAL REINSURANCE CORPORATION OF AMERICA

AS OF

DECEMBER 31, 2010

DATE OF REPORT	FEBRUARY 17, 2012
EXAMINER	MOSES EGBON

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

February 17, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30728 dated June 14, 2011, attached hereto, I have made an examination into the condition and affairs of GLOBAL Reinsurance Corporation of America as of December 31, 2010, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate GLOBAL Reinsurance Corporation of America.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company's home office located at 7 Times Square, 37th Floor, New York, NY 10036.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2006. This examination covered the four-year period from January 1, 2007 through December 31, 2010, and was limited in scope to those balance sheet items considered by this Department to require analysis, verification or description, including: invested assets, losses and loss adjustment expenses, reinsurance recoverable and provision for reinsurance. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This report on examination is confined to the target areas investigated pursuant to the limited scope examination instructions, financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the National Association of Insurance Commissioners Financial Condition Examiners Handbook:

Significant subsequent events
Company history
Corporate records
Management and control
Fidelity bonds and other insurance
Territory and plan of operation
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated as the Constitution Reinsurance Corporation of New York on August 7, 1940, and commenced operations on September 5, 1940. On March 26, 1951, it changed its name to Constitution Insurance Company of New York and on March 6, 1970, it changed its name to Constitution Reinsurance Company. It adopted its current title on November 9, 2005.

On October 27, 1998, the Company's ultimate parent was acquired by Gerling Global U.S. Investments Inc. ("GGUSI"), a Delaware investment holding company, which was ultimately controlled by Gerling-Konzern Rueckversicherungs Aktiengesellschaft ("GKG"), of Cologne, Germany.

As it was management's intention to integrate the operations of the Company with its existing US-based reinsurance company, Gerling Global Reinsurance Corporation of America ("GGRCA"), effective January 1, 1999, the Company entered into an assumption agreement with GGRCA, whereby GGRCA transferred all of its policy obligations to the Company. Simultaneously, the Company and GGRCA entered into a quota share reinsurance agreement whereby the Company ceded 3% of all policies in force, issued or renewed to GGRCA. Effective May 21, 1999, GGRCA was renamed Constitution Insurance Company ("CIC") and the Company was renamed Gerling Global Reinsurance Company of America. In September, 1999, the stock of CIC was contributed to the Company by its parent.

On August 5, 2002, GKG announced its voluntary withdrawal from the United States property/casualty reinsurance market. As a result the Company no longer writes any new business. Currently, the Company is running off its contractual obligations. The German reinsurance parent Gerling-Konzern Globale Rueckversicherungs-AG went into run-off in October of 2002.

In 2007, it became management's intention to sell its ownership of its wholly-owned subsidiary, CIC, so it was decided to transfer all of CIC's underwriting reserves to the Company to make CIC a clean shell. Therefore, effective January 1, 2007, the 3% quota share reinsurance agreement from the Company to CIC was cancelled. Simultaneously, the 97% quota share reinsurance agreement from CIC to the Company was increased to 100%. Additionally, effective January 1, 2008, the Company entered into an assumption agreement whereby all direct policy obligations of CIC were transferred to the Company.

In December 2007, following the Department's approval, the Company was acquired by GLOBALE Management, GmbH ("GMG") and its parent company GLOBALE Beteilingungs, GmbH ("GBG"). On October 13, 2010, GMG was merged with its ultimate parent, GBG.

In 2009, the Company sold its 100% subsidiary, CIC, as a "shell" company to an unaffiliated third party. The transaction was approved by the Department.

Capital paid in is $4,200,000 consisting of 42,000 shares authorized, issued and outstanding of $100 par value per share common stock. Gross paid in and contributed surplus is $460,169,868. There was no change in the gross paid in and contributed surplus during the examination period.

A. Management

Pursuant to the Company's charter and by-laws, management of the company is vested in a board of directors consisting of not less than thirteen nor more than twenty-one members. The board of directors meets three times during each calendar year. At December 31, 2010, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Bard E. Bunaes Irvington, NY	Vice Chairman, GLOBAL Reinsurance Corporation of America
Wei S. Chez Brooklyn, NY	Vice President and Controller, GLOBAL Reinsurance Corporation of America
James E. Fletcher Darien, CT	Senior Vice President, GLOBAL Reinsurance Corporation of America
Thomas K. Freudenstein Alfter, Germany	Chief Operating Officer, GLOBAL Reinsurance Corporation of America
Burton I. Henry North Caldwell, NJ	Executive Vice President and Chief Financial Officer, GLOBAL Reinsurance Corporation of America
Thomas J. Hill Monmouth Junction, NJ	Senior Vice President, GLOBAL Reinsurance Corporation of America
Barry R. Keogh Hillsdale, NJ	Senior Vice President, GLOBAL Reinsurance Corporation of America
Peter Morone Airmont, NY	Vice President, GLOBAL Reinsurance Corporation of America

Name and Residence	Principal Business Affiliation
Christian Neukamp Bruhl, Germany	Director of Corporate Finance & Controlling, GLOBALE Beteilingungs GmbH
Vincent S. Potts Long Valley, NJ	Senior Vice President, GLOBAL Reinsurance Corporation of America
David W. Smith Locust Valley, NY	Executive Vice President and General Counsel, GLOBAL Reinsurance Corporation of America
Nicholas Szabo Huntington, NY	Vice President, GLOBAL Reinsurance Corporation of America
Volker D. Weisbrodt Cologne, Germany	Chairman, President and Chief Executive Officer, GLOBAL Reinsurance Corporation of America

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member has an acceptable record of attendance.

As of December 31, 2010, the principal officers of the Company were as follows:

Name	Title
Volker D. Weisbrodt	Chairman, President & Chief Executive Officer
Thomas K. Freudenstein	Chief Operating Officer
Burton I. Henry	Executive Vice President & Chief Financial Officer
David W. Smith	Executive Vice President, General Counsel & Secretary

B. Territory and Plan of Operation

As of December 31, 2010, the Company was licensed to write business in thirty-four states and the District of Columbia. The Company was also authorized to do business as an accredited reinsurer in fifteen states.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
12	Collision
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also authorized to transact such workers' compensation insurance as may be incident to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended), and as authorized by Section 4102(c) of the New York Insurance Law, insurance of every kind or description outside of the United States and reinsurance of every kind or description to the extent permitted by certified copy of its charter on file with the Insurance Department.

Based on the lines of business for which the Company is licensed and its current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $35,000,000.

In August 2002, the Company went into voluntary run-off. The Company did not write any new business during the examination period.

C. Reinsurance

Assumed Reinsurance

The Company voluntarily ceased writing business in 2002. Prior to that time, the Company operated as a property and casualty reinsurer, specializing in providing pro-rata treaties for regional and specialty insurance companies, with an emphasis on non-standard automobile, multi-peril, and general liability lines. The Company is currently actively pursuing commutation of its outstanding assumed liabilities. During the examination period, commutations of assumed and ceded reinsurance treaties have resulted in a net gain to the Company's surplus of $43,294,129.

On July 31, 2009, the Company and GLOBAL Reinsurance Corporation - US Branch ("the Branch") entered into a Commutation and Mutual Release Agreement whereby the Company agreed to pay the sum of $854,045 in full satisfaction of all of its past, present and future obligations assumed from the Branch pursuant to a 100% quota share reinsurance agreement that was effective January 1, 1997. The 100% quota share reinsurance agreement was originally entered into when the Branch ceased writing new business and went into runoff.

Ceded Reinsurance

In early 2002, the Company discontinued writing new business. Consequently, its ceded reinsurance program then in place was not renewed and was terminated on a run-off basis.

Reinsurance Agreements between the Company and Constitution Insurance Company ("CIC")

In 2007, the Company decided to make its wholly-owned subsidiary, CIC, a shell company for the purpose of selling it to a third party. In order to clear out CIC's underwriting obligations, the Company cancelled the 3% quota share reinsurance agreement, which had been in effect since January 1, 1999. Additionally, the reinsurance agreement whereby CIC ceded a 97% quota share of its business to the Company, which had been in effect since January 1, 2000, was amended to a 100% quota share. The cancellation and amendment were effective January 1, 2007.

Additionally, effective January 1, 2008, the Company entered into an assumption agreement with CIC, whereby 100% of CIC's outstanding liabilities arising out of all insurance policies, binders and contracts were transferred to the Company.

On May 6, 2009, the Company sold CIC to Constitution Group, LLC. The sale was approved by the Department.

Reinsurance Agreement between the Company and GLOBALE Ruckversicherungs-Aktiengesellschaft ("GLOBALE")

On July 31, 2009, the Company and GLOBALE entered into a Commutation and Mutual Release Agreement, whereby GLOBALE agreed to pay the sum of $384,884 in full satisfaction of all of its past, present and future obligations relating to multi-line excess and catastrophe reinsurance business retroceded by the Company to GLOBALE. The commutation did not have a material impact on the Company’s surplus. The agreement was filed with the Department and was non-disapproved on August 10, 2009.

The activity reflected in Schedule F relates to the ceded programs currently in run-off. Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material retroceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 62. Additionally, representations were supported by an attestation from the Company's chief executive officer and chief financial officer pursuant to the NAIC Annual Statement Instructions.

A review of the aging of the Company’s reinsurance recoverables on paid losses and loss adjustment expenses reported in Schedule F – Part 4 of its 2010 annual statement revealed that the Company reported 74.6% as more than 120 days overdue. The Company advised that this had to do with the fact that it was commuting a large number of its assumed treaties, which affected the timing of and the amounts recoverable on the retrocessions. It is noted that the Company has established a provision for reinsurance based on the formula prescribed in the annual statement instructions; however, such provision may not fully reflect the amount of recoverable balances that would ultimately prove to be uncollectible.

The Company’s management has indicated that settlements for these recoverables are being negotiated, and others are being pursued through arbitration or litigation. The outcome of these actions by the Company to recoup the ceded reinsurance balances recoverable is difficult to determine. As the Company continues to commute assumed reinsurance contracts, there are likely to continue to be issues when these commutation costs are billed out through the Company’s ceded reinsurance contracts.

It is recommended that the Company continue to carefully monitor its reinsurance collectibles and write-off all recoverables that are of doubtful value. This recommendation is based on the materiality of the risk involved in this area rather than on any past failure of the management to properly reflect its reinsurance recoverables.

D. Holding Company System

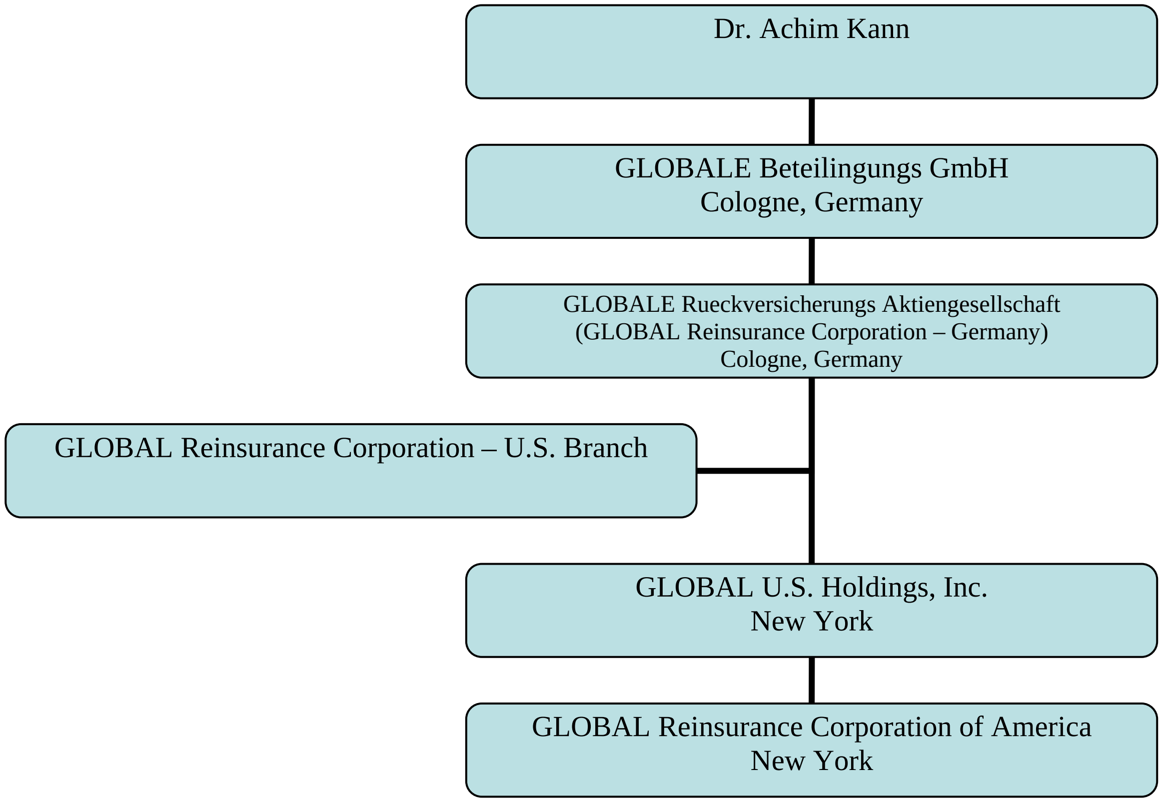
The Company is a member of a German holding company system known as the GLOBAL Re Group. The GLOBAL Re Group is comprised of a large number of related entities in Germany, as well as throughout the world.

On December 28, 2007, the Department approved the sale of the GLOBAL Re Group, including the Company, by Winsor Verwaltungs – AG, to GLOBALE Management GmbH (“GMG”), and its parent, GLOBALE Beteilingungs GmbH (“GBG”). On October 13, 2010, GMG was merged with GBG.

Prior to December 2009, Dr. Achim Kann owned 100% of the outstanding shares of GBG. In December 2009, Dr. Kann transferred 99% of his shares to his two daughters (49.5% each); however, each of his daughters exercised Powers of Attorney, which indicate that they have provided Dr. Kann with complete voting rights and other shareholder’s rights to which they are entitled. Therefore, Dr. Kann is considered the ultimate controlling person by virtue of his power to vote 100% of the shares of GBG.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2010:



At December 31, 2010, the Corporation was party to the following agreements with other members of its holding company system:

Investment Service Agreement

The Company is party to an investment services agreement with its immediate parent, GLOBAL U.S. Holdings, Incorporated ("GUSHI"). According to the terms of the agreement, GUSHI will provide all services related to the management of the Company's investment portfolio.

Expense Sharing Agreements

Effective November 1, 2005, the Company and several members of its affiliates are party to an expense sharing agreement. The agreement provides for the Company to make available to its affiliates, the employees and facilities necessary for the conduct of their business, which includes but is not limited to: claims and underwriting services; accounting, legal, and IT services; assistance with report preparation; assistance with retrocession programs; and human resource services.

Tax Sharing Agreement

The Company and several members of its holding company group are party to a tax sharing agreement with its parent company. The agreement became effective August 3, 1999.

E. Significant Operating Ratios

The following ratio has been computed as of December 31, 2010, based upon the results of this examination:

Liabilities to liquid assets (cash and invested assets less investments in affiliates)	67%

The above ratio falls within the benchmark range set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners. The net premiums written to surplus as regards policyholders and premiums in course of collection to surplus as regards policyholders ratios were not computed due to the fact that the Company has been in runoff since 2002 and therefore, those ratios would not be relevant.

The underwriting ratios presented below are on an earned/incurred basis and encompass the four-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$(57,870,339)	(6,334.08)%
Other underwriting expenses incurred	29,800,117	3,261.71
Net underwriting loss	28,983,856	3,172.37
Premiums earned	$ 913,634	100.00%

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2010:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$398,672,616	$0	$398,672,616
Common stocks	1,474,410	0	1,474,410
Cash, cash equivalents and short-term investments	22,171,850	0	22,171,850
Other invested assets	6,354,454	0	6,354,454
Receivables for securities	239,625	0	239,625
Investment income due and accrued	4,596,157	0	4,596,157
Uncollected premiums and agents' balances in the course of collection	1,454,248	932,657	521,591
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,548,710	433,517	1,115,193
Accrued retrospective premiums	502,307	0	502,307
Amounts recoverable from reinsurers	10,822,990	0	10,822,990
Funds held by or deposited with reinsured companies	1,387,598	0	1,387,598
Electronic data processing equipment and software	88,897	0	88,897
Furniture and equipment, including health care delivery assets	76,892	76,892	0
Aggregate write-ins for other than invested assets	2,238,321	1,688,315	550,006
Total assets	$451,629,075	$3,131,381	$448,497,694

Liabilities, Surplus and Other Funds

Liabilities

Losses and Loss Adjustment Expenses		$251,205,791
Reinsurance payable on paid losses and loss adjustment expenses		16,915,740
Commissions payable, contingent commissions and other similar charges		1,866,556
Other expenses (excluding taxes, licenses and fees)		4,687,491
Taxes, licenses and fees (excluding federal and foreign income taxes)		37,373
Current federal and foreign income taxes		19,887
Ceded reinsurance premiums payable (net of ceding commissions)		530,273
Funds held by company under reinsurance treaties		101,972
Amounts withheld or retained by company for account of others		19,690
Provision for reinsurance		10,463,215
Payable to parent, subsidiaries and affiliates		126,693
Payable for securities		202,250
Total liabilities		$286,176,931
Surplus and Other Funds		
Common capital stock	$ 4,200,000	
Gross paid in and contributed surplus	460,169,868	
Unassigned funds (surplus)	(302,049,105)	
Surplus as regards policyholders		162,320,763
Total liabilities, surplus and other funds		$448,497,694

NOTE: The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2007 through 2010. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders increased $138,161,456 during the four-year examination period January 1, 2007 through December 31, 2010, detailed as follows:

Underwriting Income		
Premiums earned		$ 913,634
Deductions:		
Losses and loss adjustment expenses incurred	$ (57,870,339)	
Other underwriting expenses incurred	29,800,117	
Total underwriting deductions		(28,070,222)
Net underwriting gain or (loss)		$28,983,856
Investment Income		
Net investment income earned	$97,864,518	
Net realized capital gain or (loss)	(15,851,536)	
Net investment gain or (loss)		82,012,982
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (635,513)	
Other income	843,777	
Interest on funds held	(718,787)	
Gain/(loss) on foreign exchange	19,328	
Interest on federal income tax refund	2,747,426	
Interest from arbitration	629,518	
Total other income		2,885,749
Net income before federal and foreign income taxes		$113,882,587
Federal and foreign income taxes incurred		59,400
Net income		$113,823,187

C. Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2006			$24,159,307
Net income	$113,823,188		
Net transfers (to) from protected cell accounts			
Net unrealized capital gains or (losses)		$ 3,195,304	
Change in net unrealized foreign exchange capital gain (loss)			
Change in net deferred income tax		255,156,281	
Change in nonadmitted assets	267,073,222		
Change in provision for reinsurance	11,789,360		
Cumulative effect of changes in accounting principles	1,529,395		
Unrealized currency translation	82,155		
Interest income from trust funds – prior period adjustment	2,215,721	0	
Total gains and losses	$396,513,041	$258,351,585	
Net increase (decrease) in surplus			138,161,456
Surplus as regards policyholders per report on examination as of December 31, 2010			$162,320,763

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $251,205,791 is the same as reported by the Company as of December 31, 2010. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained six recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A	Surplus Impairment	1, 16, 20

The prior examination had determined that as of December 31, 2006 the Company's required to be maintained surplus of $35,000,000 was impaired in the amount of $10,840,693. It is noted that the examination non-admitted $15,234,349 of the Company's investment in its insurance subsidiary, Constitution Insurance Company ("CIC"). This amount was in excess of the limits prescribed in Section 1408(b) of the New York Insurance Law.

Subsequent to the examination date the Company redeemed 3,690,291 shares of its CIC shares for $30,407,998. The share redemption, if recognized at the examination date, would have eliminated the Section 1408(b) penalty and the Company's surplus impairment that existed as of December 31, 2006.

B. Reinsurance Recoverables — 11

It was recommended that the Company carefully monitor its reinsurance collectibles and write-off all recoverables that are of dubious value.

The Company has complied with this recommendation.

C. Funds Held by or Deposited with Reinsurance Companies

i. It was recommended that the Company properly classify the funds held in its name as invested assets and report them as a restricted asset on Schedule E of the annual statement. — 18

The Company has complied with this recommendation.

ii. It was recommended that the Company reflect all of the unrecorded investment income from previous years as an adjustment to surplus. The Company subsequently complied with this recommendation. — 18

The Company has complied with this recommendation.

iii. It was recommended that in the future the Company reflect all of the investment income earned on these funds through its income statement. — 18

The Company has complied with this recommendation.

ITEM		PAGE NO.
D.	Adjusting and Other Unpaid Expenses	20
	Given the run-off status of the Company, it was recommended that the Company closely monitor its adjusting and other unpaid expense reserve, referred to in the text as the unallocated loss adjustment expense reserve, and make modifications, where appropriate.	
	The reserve for Adjusting and other expenses was found to be adequate in the current examination.	
E.	Provision For Reinsurance	20
	It was recommended that the Company exercise greater care and ensure that all collateral offsets reducing the provision for reinsurance are accurate and appropriate.	
	The Company has complied with this recommendation.	

6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

ITEM		PAGE NO.
A	Reinsurance Recoverables	
	It is recommended that the Company continue to carefully monitor its reinsurance collectibles and write-off all recoverables that are of doubtful value. This recommendation is based on the materiality of the risk involved in this area rather than on any past failure of the management to properly reflect its reinsurance recoverables.	8

Respectfully submitted,

/s/
Moses Egbon, C.F.E.
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

MOSES EGBON, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Moses Egbon

Subscribed and sworn to before me

this__________ day of ___________________, 2012.

Appointment No. 30728

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, James J. Wrynn *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Moses Egbon

as proper person to examine into the affairs of the

GLOBAL REINSURANCE CORPORATION OF AMERICA

and to make a report to me in writing of the condition of the said

Corporation

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 14th *day of* June, *2011*

JAMES J. WRYNN
Superintendent of Insurance