

GEORGE S. CANELLOS  
REGIONAL DIRECTOR

Attorney for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION  
New York Regional Office  
3 World Financial Center  
New York, NY 10281-1022  
(212) 336-0175



UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

*Plaintiff,*

v.

GENERAL RE CORPORATION,

*Defendant.*

10 Civ. \_\_\_\_\_ ( )

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission"), for its complaint against Defendant General Re Corporation ("Gen Re"), alleges as follows:

**SUMMARY OF ALLEGATIONS**

1. This action arises from Gen Re's involvement in separate schemes with American International Group, Inc. ("AIG") and Prudential Financial, Inc. ("Prudential") to use sham transactions to manipulate those companies' financial statements. Gen Re knowingly provided substantial assistance to both AIG and Prudential in connection with their own violations of the books and records and internal control provisions of the federal securities laws, Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act").

2. **The Sham Reinsurance Transactions with AIG.** In 2000, after analysts criticized AIG for its declining loss reserves and investors punished the stock, a foreign

subsidiary of Gen Re entered into two sham reinsurance transactions with AIG. By accounting for those transactions improperly as real reinsurance, AIG falsely reported increases to both loss reserves and premiums written. These transactions made it appear as though AIG had increased its loss reserves in the fourth quarter of 2000 and first quarter of 2001 by a total of \$500 million, which was not true. These two key performance measures remained inflated in AIG's financial statements until AIG issued a restatement in 2005. The transactions had no economic substance, amounting to round trips of cash, but they were designed to, and did, have a specific and false accounting effect. Without the phony loss reserves that Gen Re helped AIG add to its balance sheet, AIG's reported loss reserves would have been \$250 million less in the fourth quarter of 2000 and an additional \$250 million less in the first quarter of 2001. This false financial information was reported in AIG's periodic filings until AIG's 2005 restatement, which restated AIG's financial statements through December 31, 2004.

3. **The Sham Reinsurance Transactions with Prudential.** Gen Re entered into a series of sham reinsurance contracts with Prudential's property and casualty division from 1997 to 2002 that had no economic substance or purpose other than to allow Prudential to build up and then draw down on an off-balance sheet asset, or "finite bank," parked with Gen Re. As a result of the sham transactions, Prudential improperly recognized over \$200 million in revenues in 2000, 2001, and 2002. Gen Re received fees totaling \$8.1 million for structuring and executing the scheme with Prudential.

### VIOLATIONS

4. By its conduct, Gen Re aided and abetted AIG's and Prudential's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78(m)(b)(2)(A) and 78(m)(b)(2)(B)].

## JURISDICTION AND VENUE

5. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)] seeking a final judgment:

(i) restraining and permanently enjoining Gen Re from aiding and abetting violations of certain specified provisions of the federal securities laws; and (ii) requiring Gen Re to disgorge any ill-gotten gains.

6. This Court has jurisdiction over this action pursuant to Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

7. Venue lies in the Southern District of New York, pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Defendant, directly or indirectly, singly or in concert, has made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged in this complaint. Certain of these transactions, acts, practices, and courses of business occurred in the Southern District of New York.

## THE DEFENDANT

8. **General Re Corporation** is a Connecticut corporation with its principal corporate offices located in Stamford, Connecticut. Gen Re became a wholly-owned subsidiary of Berkshire Hathaway Inc. on December 21, 1998. Berkshire Hathaway's Class A and Class B common stock are registered with the Commission pursuant to Section 12(b) of the Exchange Act.

9. On February 25, 2008, a jury in a criminal case filed in the District of Connecticut returned a guilty verdict on sixteen felony counts against four former Gen Re senior executives and one former AIG senior executive with multiple counts of conspiracy to commit securities

fraud, securities fraud, causing false statements to be made to the SEC, wire fraud, and mail fraud, in connection with the transaction between Gen Re and AIG described in this complaint. The court subsequently sentenced all these defendants to between one and four years in prison. Two other former Gen Re senior executives entered guilty pleas for their roles in the scheme with AIG and the court sentenced both of them to two years of supervised release. In addition, in civil actions filed by the Commission based on the same, this Court has entered consent judgments against the six former Gen Re senior executives and the former AIG senior executive for their roles in the transactions between AIG and Gen Re described in this complaint.

#### **OTHER RELEVANT ENTITIES**

10. **AIG**, a Delaware corporation, is a holding company that, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIG's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange. On February 9, 2006, the Commission filed a complaint against AIG in this Court alleging, partly in connection with the conduct alleged in this complaint, that AIG violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5]. Without admitting or denying the allegations of that complaint, AIG consented to a final judgment that, among other things, permanently enjoined it from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5]. The Court entered the consent judgment on February 17, 2006.

11. In addition, on August 6, 2009, the Commission filed a complaint in this Court against AIG's former chairman and former chief financial officer in connection with some of the same conduct described in this complaint, alleging among other things that the former chairman

and CFO were responsible for material misstatements that enabled AIG to create the false impression that the company consistently met or exceeded key earnings and growth targets. Without admitting or denying the allegations in that complaint, AIG's former chairman consented to a judgment that, among other things, permanently enjoined him from violating Section 10(b) of the Exchange Act and Rule 10b-5 and from controlling any person who violates Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13. Also without admitting or denying the allegations in that complaint, AIG's former chief financial officer consented to a judgment that, among other things, permanently enjoined him from violating Section 17(a) of the Securities Act of 1933, and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13a-14, 13b2-1, and 13b2-2, and from controlling any person who violates Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13. The Court entered the consent judgments on August 7, 2009.

12. **Prudential** is a New Jersey corporation with its principal executive office in Newark, New Jersey. Since December 13, 2001, Prudential's securities have been registered with the Commission pursuant to Section 12(b) of the Exchange Act and Prudential's common stock has been traded on the New York Stock Exchange. Prudential is the successor to the Prudential Insurance Company of America, which converted from a mutual life insurance company owned by its policy holders to a public stock company on December 18, 2001. On August 6, 2008, the Commission filed a complaint against Prudential in the U.S. District Court for the District of New Jersey alleging that it violated the financial reporting, books and records, and internal control provisions of the securities laws, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11 and 13a-13, in connection with some of the same conduct described in this complaint. Without admitting or denying the allegations in

that complaint, Prudential consented to a judgment permanently enjoining it from violating Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11 and 13a-13. The court entered the consent judgment on September 4, 2008.

## FACTS

### GEN RE'S SHAM REINSURANCE TRANSACTIONS WITH AIG

13. Gen Re structured two phony reinsurance transactions with AIG that had no economic substance. Gen Re knowingly designed the transactions specifically for the purpose of aiding AIG in manipulating its financial statements. Gen Re was aware of AIG's concerns about analysts' criticisms of AIG's declining reserves, knew that AIG wanted a risk-free transaction with Gen Re, and participated substantially in structuring the transactions and effecting undisclosed side agreements to help AIG achieve its improper purpose of adding phony loss reserves to its financial statements without incurring any actual risk. Moreover, Gen Re created a sham paper trail to help AIG disguise the true nature of the transactions.

14. Specifically, Gen Re and AIG fashioned two contracts between National Union Fire Insurance Company of Pittsburgh, PA ("National Union"), an AIG subsidiary, and Cologne Re Dublin ("CRD"), a Dublin, Ireland-based subsidiary of a Gen Re subsidiary. These purportedly were retrocession contracts, or contracts in which a reinsurer ceded to another reinsurer all or part of a reinsured risk it previously assumed – in other words, reinsurance of reinsurance.

15. Concerned about analysts' reaction to AIG's declining reserves and the resultant negative impact on AIG's stock price, on or about October 31, 2000, AIG's then chairman called Gen Re's then chief executive officer to solicit Gen Re's help in structuring a transaction between AIG and Gen Re that would transfer \$200 million to \$500 million of "loss reserves" to

AIG by year end through a reinsurance arrangement between AIG and Gen Re. In conversations with Gen Re's CEO, AIG's chairman made clear that, while he was looking to increase AIG's loss reserves, the transaction he was contemplating was one that would *not* require AIG to take on any actual risk.

16. Gen Re's chief executive officer understood that what the AIG chairman was describing was not a bona fide reinsurance transaction, which would have required that AIG assume an actual risk from Gen Re, but rather a transaction that would only look like reinsurance for AIG's accounting purposes.

17. AIG was one of Gen Re's largest clients and Gen Re's senior management at the time was eager to accommodate AIG's chairman. Hence, Gen Re and its senior management went to considerable lengths to aid AIG by concealing the true nature of the transactions.

18. Gen Re understood that the sole purpose of the transactions was to manipulate AIG's financial statements. Gen Re and its senior management were aware that the true purpose of the transactions was to permit AIG to record and report phony loss reserves to calm analysts' criticism of AIG's reduction in loss reserves in the third quarter of 2000. Nevertheless, they knowingly took steps to help AIG accomplish its improper purpose. To this end, AIG and Gen Re senior executives concocted a phony paper trail to create the false appearance that Gen Re had solicited the reinsurance from AIG when in fact AIG's chairman had solicited it from Gen Re, and executed numerous fictitious agreements and other documents necessary to give the appearance that AIG's books and records reflected the purported agreements between the parties.

19. The contracts ultimately agreed upon showed reinsurance transactions that appeared, falsely, to transfer risk to AIG. On the face of the contracts National Union appeared to assume \$100 million of risk over and above the \$500 million in premiums CRD was obligated

to pay, but this extra \$100 million of risk was pure fiction added to make it appear that the contracts transferred risk to National Union. In fact, National Union assumed no risk and CRD incurred no premium liability. Of the \$500 million in premiums set forth in the contracts, \$490 million was on a “funds withheld” basis (*i.e.*, the money was never paid to National Union but was retained by CRD). CRD was supposed to pay the remaining \$10 million to National Union according to the contracts, but AIG “prefunded” the \$10 million to CRD in what amounted to a round trip of cash in a side deal that was not reflected in the contracts.

20. The contracts became the vehicle for improperly adding loss reserves to AIG’s financial statements. By accounting for the contracts as if they were real reinsurance, AIG inflated its loss reserves by \$250 million in 2000 and an additional \$250 million in 2001, and its premiums by \$250 million in both 2000 and 2001. Without the phony loss reserves added to AIG’s balance sheet, AIG’s reported loss reserves would have been \$250 million less in the fourth quarter of 2000 and \$500 million less in the first quarter of 2001. In other words, but for the phony loss reserves, AIG would have reported declining loss reserves for three consecutive quarters, including the decline in the third quarter of 2000 that prompted AIG’s CEO to initiate the transactions with Gen Re.

21. On February 8, 2001 and April 26, 2001, AIG issued fourth quarter 2000 and first quarter 2001 earnings releases, respectively. These releases reflected the impact of the two Gen Re contracts, and were materially inaccurate because the transactions that resulted in the reported increase in reserves did not transfer risk to AIG. The deal AIG and Gen Re struck achieved its intended purpose when markets analysts reacted favorably to the increased reserves.

22. The sham loss reserves remained in AIG’s periodic reports filed with the Commission until AIG’s 2005 restatement which restated AIG’s financial statements through

December 31, 2004. The first contract was terminated in November 2004, thus decreasing AIG's loss reserves by \$250 million. The restatement decreased AIG's loss reserves by the remaining \$250 million by not treating the contract as reinsurance. The second contract was eventually cancelled by Gen Re on August 1, 2005.

23. Materially inflated loss reserve amounts appeared in AIG's Forms 10-K for the years ended December 31, 2000, December 31, 2001, December 31, 2002, and December 31, 2003, and in AIG's Forms 10-Q for the quarters ended March 31, 2001, June 30, 2001, September 30, 2001, March 31, 2002, June 30, 2002, September 30, 2002, March 31, 2003 (and a subsequent amended Form 10-Q for this quarter), June 30, 2003, September 30, 2003, March 31, 2004, June 30, 2004, and September 30, 2004.

24. On March 30, 2005, AIG issued a press release announcing a delay in the filing of AIG's 2004 Form 10-K. In the press release, AIG disclosed that an internal review of AIG's books and records was being conducted that included issues arising from pending regulatory investigations. The release also discussed the AIG/Gen Re transactions. It stated that "the documentation [for the AIG/Gen Re transactions] was improper and, in light of the lack of evidence of risk transfer," the transactions should not have been accounted for as reinsurance. As a result, AIG stated it would adjust its financial statements to recharacterize the transactions as deposits, effectively reversing the reserves that AIG had posted as a result of the AIG/Gen Re transactions.

25. On May 31, 2005, AIG announced that it had completed its internal review and filed its 2004 Form 10-K. The Form 10-K included a restatement of its financial statements for the years ended December 31, 2000, 2001, 2002 and 2003, and selected quarterly information for the quarters ended March 31, June 30 and September 30, 2003 and 2004, and the quarter ended

December 31, 2003. As part of the restatement, AIG amended its periodic quarterly filings on Form 10-Q for the periods ended March 31, 2003 and 2004 in a 10-Q/A filed on June 28, 2005; for the periods ended June 30, 2003 and 2004 on a 10-Q/A filed on August 9, 2005 and for the period ended September 30, 2004 in a 10-Q filed on November 14, 2005.

26. AIG also restated its accounting pertaining to the AIG/Gen Re transactions. AIG concluded in the 2004 Form 10-K that “the transaction[s] were] done to accomplish a desired accounting result and did not entail sufficient qualifying risk transfer. As a result, AIG has determined that the transaction[s] should not have been recorded as insurance. AIG’s restated financial statements recharacterize the transaction[s] as [] deposit[s] rather than as insurance.”

#### **GEN RE’S SHAM REINSURANCE TRANSACTIONS WITH PRUDENTIAL**

27. Beginning in the fourth quarter of 1997, Gen Re entered into an arrangement with Prudential’s property and casualty insurance division, Prupac, for the express purpose of funding an off-balance sheet asset, which the parties generally referred to as a “finite bank,” “bank,” or “pot.” The finite bank was available to offset losses in future periods in the event that Prudential incurred large losses, or to otherwise boost Prudential’s earnings. Although Prupac’s primary purpose in entering into the arrangement was initially to improve its results for 1998, over time the benefits of continuing to build the bank and defer drawing down on it became apparent. As a result, the bank was built up primarily in 1997, 1998, and 1999, and drawn down in 2000, 2001, and 2002, when the parties entered into purported reinsurance contracts structured so as to enable Prupac to recover under them and record over \$200 million in income for those years.

28. In total, the five-year relationship between Gen Re and Prudential involved approximately twenty-two supposedly unrelated reinsurance contracts, pursuant to which Prupac

paid Gen Re \$197 million in purported premiums and received back \$218 million in purported reinsurance recoveries, with the difference accounted for by interest received and fees paid.

29. The terms of the individual reinsurance contracts varied widely. In general, the parties set the loss-ratio trigger higher in the contracts for 1997, 1998, and 1999 to eliminate the risk that Gen Re would have to pay under those contracts and set it lower in the contracts for 2000, 2001, and 2002 to ensure that those policies did in fact pay off for Prupac.

30. The agreement to build a finite bank and protect each party against the risk of loss was not reflected in the written reinsurance contracts but rather took the form of an oral side agreement. Under the terms of the side agreement, all of the money Prupac paid to Gen Re under the contracts – or “ceded premium” – was to be repaid to Prupac in the future, plus interest and less fees to Gen Re, in the form of purported reinsurance recoveries. Although Gen Re collected approximately \$8.1 million in fees over the course of the relationship, the written reinsurance contracts did not provide for such fees.

31. In the early years of the relationship before the amount in the finite bank was sufficient to cover Gen Re’s apparent exposure on the reinsurance contracts, the oral side agreement also provided that Gen Re was protected against loss on the contracts. The parties implemented this agreement primarily by entering into the purported reinsurance agreements at or near the end of the coverage period and setting loss ratio triggers so high that there would not be recoveries under the contract in excess of the amount in the finite bank. Moreover, Prupac executives and Gen Re orally agreed that, in the event Gen Re was required to pay recoveries in excess of the amount in the bank, Prupac would repay Gen Re.

32. The terms of the side agreement were set forth in a presentation Gen Re made to Prupac executives just before Gen Re and Prupac entered into the first contract. The presentation

clearly described the true purpose of the contracts, explaining that the arrangement would enable Prupac to “[d]efer excess asset accruals until Prupac [chose] to trigger recognition.” Although the presentation acknowledged that a disadvantage of the proposed arrangement was “[h]andshake issues,” it stated that Gen Re was “[c]ommit[ed] to handshakes.”

33. The specific terms of the side agreement were set forth in a Gen Re slide in the presentation titled “Understandings,” which stated that: (i) Gen Re would collect a fee of 4.5% (later reduced to 4.0%) on payments made by Prupac; (ii) Gen Re would credit Prupac with interest on the amounts deposited with Gen Re at the one-year Treasury Bill rate; and (iii) there would be “reasonable amortization of deficit,” meaning that Prupac would pay Gen Re back within a reasonable time should Gen Re suffer a loss in the early part of the relationship. These terms were further emphasized in another slide – titled “Experience Account Balance” – which described the mechanics of the experience balance account calculation.

34. The experience account balance was a meticulous accounting of the premiums paid by Prupac, minus Gen Re’s fee, plus interest, and less any ceded losses, netting to an “ending cash balance.” The calculation was maintained by Gen Re and periodically shared with certain Prupac executives, and it was the basis for setting the terms of the individual contracts.

35. As a result of the oral side agreement, over the course of the relationship, Prupac recovered every payment it made to Gen Re, plus interest, less Gen Re’s fee. Despite the fact that Prupac’s recoveries were thus the return in a round-trip of cash, Prupac characterized the repayments as “reinsurance recoveries” and treated them as income on its financial statements. Prupac’s financial statements were consolidated with Prudential’s financial statements.

36. In 1997, Prupac had income in excess of internal financial targets. Accordingly, certain Prupac executives conceived of the fourth quarter 1997 (“Q4 97”) and full-year 1998

contracts – and the attendant side agreement – as a way to put away \$50 million in 1997 that would be available to Prupac to achieve certain of its internal financial targets in 1998.

37. Gen Re took no risk on the Q4 97 contract. The risk of loss was limited because no agreement was reached until the final days of the coverage period. When they agreed to the substantive terms, the parties knew with a high degree of certainty that Prupac's loss ratio for the quarter would not trigger a recovery, as reflected in a December 16, 1997 internal email among high-level executives of Gen Re, which said "1997 is expected to have no underwriting loss, since the year is almost over." Moreover, the parties had agreed that Gen Re would return the premium payments to Prupac in future periods. The Q4 97 contract was thus a riskless arrangement, whose purpose was to fund the so-called experience account – or bank – for future periods.

38. In order to achieve Prupac's internal financial targets, it was crucial that Prudential's independent auditors agree that the Q4 97 and full-year 1998 contracts could be accounted for as separate reinsurance contracts and that the purported \$50 million premium for the Q4 97 contract could be fully expensed in 1997. To help Prudential do this, Gen Re provided the support Prupac needed: a letter falsely stating that the deal was reached in September 1997. This letter from Gen Re was provided to the auditors, who treated it as evidence "that the terms of the 1997 contract were substantially agreed to prior to October 1, 1997." In fact, the agreement was reached no earlier than December 22, 1997.

39. Because the Q4 97 and full-year 1998 contracts were in fact linked and subject to the oral side agreement, they were not in fact reinsurance and were not entitled to reinsurance accounting. Instead, they were simply a mechanism by which Prupac put away \$50 million in one period for use in future periods. Accordingly, under GAAP, Prupac should not have treated

as expense the amounts it paid Gen Re in the early years of the arrangement and should not have treated as income the amounts it received back from Gen Re in the later years.

40. In the last six months of 1998, Prupac entered into a supplemental contract with Gen Re whereby it paid \$40 million in premium for another \$40 million of coverage – in addition to the \$80 million already in place. Although Gen Re still had a theoretical risk of losing \$28 million on the combined contracts, the parties did not expect Prupac to actually make any claims under them and, even if it did, under the oral agreement between them Prupac would pay Gen Re back for any losses it incurred.

41. Through 1998 and 1999 Gen Re continued to accept Prudential's "premium" payments, which functioned as additional deposits into the bank. Throughout much of 1999 it appeared that Prupac would need to take back a large portion of the bank to meet aggressive income targets imposed on it by Prudential. However, Gen Re advised Prupac executives against taking back the bank at that time, arguing that Prudential could use the bank to buffer volatility in future periods.

42. After 1999, the bank was fully funded and Prupac needed only to decide, at its discretion, when to draw down on the bank – in the form of purported reinsurance recoveries. These recoveries were recorded as income on Prudential's income statements.

In 2000, 2001, and 2002, Prupac drew down on the bank and eventually recovered every payment it had made to Gen Re, plus interest, less Gen Re's fee.

43. On December 12, 2001, Prudential became a public company, and on March 26, 2002, Prudential filed its Form 10-K containing its financial statements for the year ended December 31, 2001. In its consolidated income statements for the years ended December 31, 2000 and 2001, Prudential improperly included as income recoveries of \$97 million in 2000 and

\$80 million in 2001 from Prupac's reinsurance policies with Gen Re. In this filing, Prudential also improperly characterized the recoveries as reinsurance proceeds, and identified the source of the income as stop loss agreements. The net effect of its improper accounting for the recoveries from Gen Re was to overstate Prudential's pre-tax income for 2000 by \$57 million, or 9%, and to understate Prudential's pre-tax loss for 2001 by \$75 million, or 25%.

44. Prudential also filed Form 10-Qs containing its consolidated financial statements with inaccurate pretax income or losses for the first three quarters of 2002 on May 15, August 14 and November 14, respectively. Those amounts improperly included income from Prupac's reinsurance policies with Gen Re of \$20 million, \$15 million and \$7 million, respectively. As a result, Prudential's first quarter income was overstated by \$19 million, or 8%, its second quarter pre-tax loss was understated by \$14 million, or 11%, and its third quarter pre-tax income was overstated by \$6 million, or 5%.

45. On March 14, 2003, Prudential filed its Form 10-K containing its financial statements for the year ended December 31, 2002. In its consolidated income statement, Prudential reported pre-tax income of \$64 million for the year ended December 31, 2002. This figure improperly included as income a \$41 million recovery from Prupac's reinsurance policies with Gen Re and thus was overstated by, on a net basis, \$26 million or 146%.

46. Inaccurate financial information was also contained in earnings releases contained in Forms 8-K Prudential filed in 2001 and 2002, including Forms 8-K filed on February 13, 2002; May 7, 2002; August 6, 2002; November 5, 2002; and February 11, 2003.

47. In all of the above filings, Prudential improperly treated the recoveries from Gen Re as income, characterized the recoveries as reinsurance proceeds, and identified the source of the income as stop loss agreements.

**FIRST CLAIM FOR RELIEF**

**Aiding and Abetting Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act**

48. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 47.

49. Gen Re aided and abetted AIG's and Prudential's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, whereby AIG and Prudential did not:

- a. make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of its assets; and
- b. devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:
  - i. transactions were executed in accordance with management's general or specific authorization;
  - ii. transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets;
  - iii. access to assets was permitted only in accordance with management's general or specific authorization; and
  - iv. the recorded accountability for assets was compared with the existing assets at reasonable intervals and appropriate action was taken with respect to any differences.

50. By reason of the foregoing, Gen Re is liable for aiding and abetting AIG's and Prudential's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

**PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests a Final Judgment:

**I.**

Permanently restraining and enjoining defendant Gen Re, its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from, directly or indirectly, aiding and abetting any violation Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(A) (B)].

**II.**

Ordering defendant Gen Re to disgorge any ill-gotten gains from the conduct alleged in this complaint, plus prejudgment interest thereon.

**III.**

Granting such other and further relief as to this Court seems just and proper.

Dated: New York, New York  
January 20, 2010

By:   
George S. Canellos

Regional Director  
Attorney for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION  
3 World Financial Center  
New York, NY 10281-1022  
(212) 336-0175

Of Counsel:

Andrew M. Calamari  
Robert J. Keyes  
Ken C. Joseph  
Valerie Szczepanik  
Michael D. Paley  
Eduardo A. Santiago-Acevedo  
Linda L. Arnold  
Peter Altenbach