

FILED *ry*

FEB 24 2011

Department of Insurance  
State of Idaho

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE  
STATE OF IDAHO**

In the Matter of:

AMERICAN INTERNATIONAL GROUP, INC.,  
NAIC Group No. 0012,

and its affiliated companies writing worker's  
compensation coverage, namely:

AIU INSURANCE COMPANY,  
NAIC No. 19399,  
Idaho Certificate of Authority No. 442;

AMERICAN HOME ASSURANCE  
COMPANY,  
NAIC No. 19380,  
Idaho Certificate of Authority No. 221;

CHARTIS CASUALTY COMPANY,  
NAIC No. 40258,  
Idaho Certificate of Authority No. 2569;

CHARTIS PROPERTY CASUALTY  
COMPANY,  
NAIC No. 19402,  
Idaho Certificate of Authority No. 242;

COMMERCE AND INDUSTRY  
INSURANCE COMPANY,  
NAIC No. 19410,  
Idaho Certificate of Authority No. 695;

Docket No. 18-2661-11

**CONSENT ORDER**

GRANITE STATE INSURANCE  
COMPANY,  
NAIC No. 23809,  
Idaho Certificate of Authority No. 291;

ILLINOIS NATIONAL INSURANCE CO.,  
NAIC No. 23817,  
Idaho Certificate of Authority No. 2594;

LANDMARK INSURANCE COMPANY,  
NAIC No. 35637,  
Idaho Certificate of Authority No. 1981;

NATIONAL UNION FIRE INSURANCE  
COMPANY OF PITTSBURGH, PA.,  
NAIC No. 19445,  
Idaho Certificate of Authority No. 328;

NEW HAMPSHIRE INSURANCE  
COMPANY,  
NAIC No. 23841,  
Idaho Certificate of Authority No. 333;

THE INSURANCE COMPANY OF THE  
STATE OF PENNSYLVANIA,  
NAIC No. 19429,  
Idaho Certificate of Authority No. 308.

### **CONSENT ORDER**

THIS CAUSE came on for consideration and final agency action before the Director of the Idaho Department of Insurance (hereinafter the "Director"). Upon consideration of the record and being otherwise fully apprised of the premises, the Director of the Department hereby finds:

1. AIU INSURANCE COMPANY, a New York domiciled insurance company, holds Idaho Certificate of Authority No. 442 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and AIU Insurance Company.

2. AMERICAN HOME ASSURANCE COMPANY, a New York domiciled

insurance company, holds Idaho Certificate of Authority No. 221 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and American Home Assurance Company.

3. CHARTIS CASUALTY COMPANY, a Pennsylvania domiciled insurance company, holds Idaho Certificate of Authority No. 2569 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and Chartis Casualty Company.

4. CHARTIS PROPERTY CASUALTY COMPANY, a Pennsylvania domiciled insurance company, holds Idaho Certificate of Authority No. 242 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and Chartis Property Casualty Company.

5. COMMERCE AND INDUSTRY INSURANCE COMPANY, a New York domiciled insurance company, holds Idaho Certificate of Authority No. 695 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and Commerce and Industry Insurance Company.

6. GRANITE STATE INSURANCE COMPANY, a Pennsylvania domiciled insurance company, holds Idaho Certificate of Authority No. 291 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and Granite State Insurance Company.

7. ILLINOIS NATIONAL INSURANCE CO., an Illinois domiciled insurance company, holds Idaho Certificate of Authority No. 2594 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and Illinois National Insurance Co.

8. LANDMARK INSURANCE COMPANY, a California domiciled insurance company, holds Idaho Certificate of Authority No. 1981 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and Landmark Insurance Company.

9. NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA., a Pennsylvania domiciled insurance company, holds Idaho Certificate of Authority No. 328 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and National Union Fire Insurance Company of Pittsburgh, Pa.

10. NEW HAMPSHIRE INSURANCE COMPANY, a Pennsylvania domiciled insurance company, holds Idaho Certificate of Authority No. 333 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and New Hampshire Insurance Company.

11. THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA, a Pennsylvania domiciled insurance company, holds Idaho Certificate of Authority No. 308 and is licensed to transact insurance in this state. Accordingly, the Director has jurisdiction over the subject matter of this proceeding and the Insurance Company of The State of Pennsylvania.

12. The forenamed companies are all affiliated companies of AMERICAN INTERNATIONAL GROUP, INC., NAIC Group No. 0012, writing worker's compensation coverage. AMERICAN INTERNATIONAL GROUP, INC., and the affiliated companies are hereinafter collectively referred to as the "COMPANY."

13. The Department of Insurance of the State of Delaware, the Office of Insurance Regulation of the State of Florida, the Department of Insurance of the State of Indiana, the Division of Insurance of the Commonwealth of Massachusetts, the Department of Commerce of



the State of Minnesota, the Insurance Department of the State of New York, the Insurance Department of the Commonwealth of Pennsylvania, and the Division of Insurance Regulation of the State of Rhode Island (hereinafter collectively referred to as the “Lead Regulators”) were the Lead Regulators in a Multistate Targeted Market Conduct Examination of the Company’s writing and financial reporting of workers compensation insurance and the effect that had on its writing and reporting of other lines of insurance. The Lead Regulators and the Company engaged in discussions regarding regulatory concerns raised by the examination, the reallocation of underreported workers compensation premium, the remediation of past premium underreporting, and the need for an ongoing compliance review to ensure that the Company writes and reports workers compensation insurance in compliance with applicable laws.

14. A proposed regulatory agreement has been presented to the Director, the terms of which are set forth in the Regulatory Settlement Agreement (the “Agreement”) attached as Exhibit A to the Report of the Multistate Targeted Market Conduct Examination, the latter of which is attached to this Consent Order as Exhibit 1 and incorporated herein. The Agreement was entered into by and between the Company and the Lead Regulators on December 17, 2010.

15. The Company has cooperated fully throughout the examination and believes the settlement to be in its best interest.

16. In addition to having signed a signature page on the last page of the Agreement entitled “Participating Regulator Adoption” showing adoption of the Agreement, the Director of the Department wishes to memorialize the Agreement with this Consent Order. This Consent Order is intended to be within the definition of an “Applicable Consent Order” as defined in Paragraph I.2.a. of the Agreement, and, as such, the Company’s entry into the Agreement includes consent to the entry of the Consent Order. Further, the Department represents that the

Company has indicated in writing its consent to entry of this order and waived its right to a hearing.

17. Pursuant to the terms of the Agreement, the Company agrees to pay a fine and penalty consisting of a cash payment in the amount of One Hundred Million Dollars (\$100,000,000), to be allocated and distributed as set forth in the “Fines and Penalties Schedule” attached to the Agreement. The Company shall also file restated Page 14s with each participating state regulator reallocating approximately \$2.1 billion of workers compensation premiums as set forth in the “Premium Reallocation Schedule” attached to the Agreement, which shall be used as the basis for the payment of additional premium taxes and assessments as more fully set forth in the Agreement. The Company shall also adhere to a compliance plan, which plan is confidential and thereby redacted from the Agreement attached as part of Exhibit 1 to this order, and the Company shall be subject to periodic examination to ensure its compliance, as more fully set forth in the Agreement.

18. After carefully considering the recommendations of the parties and the terms of the Agreement, the Director signed the signature page to the Agreement and **HEREBY FURTHER ORDERS:**

The Agreement attached as Exhibit A to the Multistate Targeted Market Conduct Examination, which is attached to this Consent Order as Exhibit 1, is hereby approved, adopted, and fully incorporated herein by reference. The Company shall initiate compliance with all terms and conditions of the Agreement in accordance with its provisions.

This is a final order of the agency, which order is effective immediately, recognizing that the Agreement is not completely effective until and upon satisfaction of the conditions constituting the Final Effective Date defined on pages 11 and 12 of the Agreement.

## NOTIFICATION OF RIGHTS

This is a final order of the agency. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The agency will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See* Section 67-5246(4), Idaho Code.

Pursuant to Sections 67-5270 and 67-5272, Idaho Code, any party aggrieved by this final order or orders previously issued in this case may appeal this final order and all previously issued orders in this case to district court by filing a petition in the district court of the county in which:

- i. A hearing was held,
- ii. The final agency action was taken,
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho, or
- iv. The real property or personal property that was the subject of the agency action is located.

An appeal must be filed within twenty-eight (28) days of (a) the service date of this final order, (b) an order denying petition for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See* Section 67-5273, Idaho Code. The filing of an appeal to district court does not itself stay the effectiveness or enforcement of the order under appeal.

DATED this 23<sup>RD</sup> day of February 2011.

  
\_\_\_\_\_  
WILLIAM W. DEAL, Director  
Idaho Department of Insurance

### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have, on this 24th day of February 2011, caused a true and correct copy of the foregoing order to be served upon the following by the designated means:

American International Group, Inc. 180 Maiden Lane New York, NY 10038	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
AIU Insurance Company 175 Water Street, 24 <sup>th</sup> Floor New York, NY 10038	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Illinois National Insurance Co. 300 South Riverside Plaza, Suite 2100 Chicago, IL 60606-6613	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Landmark Insurance Company 100 Summer Street Boston, MA 02110	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Delaware Department of Insurance Karen Weldin Stewart, Commissioner 841 Silver Lake Blvd. Dover, DE 19904	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Florida Office of Insurance Regulation Kevin McCarty, Commissioner 200 East Gaines Street Tallahassee, FL 32399-0305	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Indiana Department of Insurance Stephen Robertson, Commissioner 311 West Washington Street, Suite 300 Indianapolis, IN 46204	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile



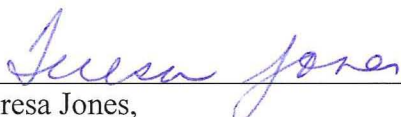
Massachusetts Division of Insurance Joseph G. Murphy, Commissioner 1000 Washington Street, Suite 810 Boston, MA 02118-6200	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Minnesota Department of Commerce Michael Rothman, Commissioner 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
New York State Insurance Department James J. Wrynn, Superintendent One Commerce Plaza Albany, NY 12257	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Pennsylvania Insurance Department Michael Consedine, Acting Commissioner 1326 Strawberry Square Harrisburg, PA 17120	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
Rhode Island Department of Commerce Joseph Torti III, Superintendent 1511 Pontiac Avenue, Building 69-2 Cranston, RI 02920	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile
J. David Leslie, Examiner Rackemann, Sawyer & Brewster 160 Federal Street Boston, MA 02110-1700 <a href="mailto:dleslie@rackemann.com">dleslie@rackemann.com</a>	<input checked="" type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile <input checked="" type="checkbox"/> email
Thomas A. Donovan Deputy Attorney General Idaho Department of Insurance 700 W. State Street, 3 <sup>rd</sup> Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> first class mail <input type="checkbox"/> certified mail <input checked="" type="checkbox"/> hand delivery <input type="checkbox"/> via facsimile

*Service on the following eight companies, all of which share the same mailing address, is made by serving one copy of the foregoing order addressed as follows:*

American Home Assurance Company, et al.  
175 Water Street, 18<sup>th</sup> Floor  
New York, NY 10038

☒ first class mail  
☐ certified mail  
☐ hand delivery  
☐ via facsimile

- American Home Assurance Company
- Chartis Casualty Company
- Chartis Property Casualty Company
- Commerce and Industry Insurance Company
- Granite State Insurance Company
- National Union Fire Insurance Company of Pittsburgh, Pa.
- New Hampshire Insurance Company
- The Insurance Company of The State of Pennsylvania

  
Teresa Jones,  
Assistant to the Director

**EXHIBIT 1**  
**to Consent Order**

**Report of the**  
**Multistate Targeted Market Conduct Examination**

for the

**Delaware Department of Insurance**

**Florida Office of Insurance Regulation**

**Indiana Department of Insurance**

**Massachusetts Division of Insurance**

**Minnesota Department of Commerce**

**New York Insurance Department**

**Pennsylvania Insurance Department**

**Rhode Island Division of Insurance**

and

**Other Participating Jurisdictions:** Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Vermont, Washington, West Virginia, Wisconsin and Wyoming

of

**American International Group, Inc.**

**180 Maiden Lane  
New York, New York 10038  
NAIC Group # 0012**

**AIU Insurance Company NAIC #19399  
American Home Assurance Company NAIC #19380  
Chartis Casualty Company NAIC #40258  
Chartis Property Casualty Company NAIC #19402  
Commerce and Industry Insurance Company NAIC #19410  
Granite State Insurance Company NAIC #23809  
Illinois National Insurance Co. NAIC #23817  
Landmark Insurance Company NAIC #35637  
National Union Fire Insurance Company of Pittsburgh, Pa. NAIC #19445  
New Hampshire Insurance Company NAIC #23841  
The Insurance Company of the State of Pennsylvania NAIC #19429**

**December 20, 2010**



## **CONTENTS**

	<u>Page No.</u>
<b>Letter to Commissioners and Superintendents</b>	<b>1</b>
<b>Foreword</b>	<b>2</b>
<b>Profile of Companies</b>	<b>3</b>
<b>Examination Purpose, Scope, Structure, and Results</b>	<b>3</b>
<u>The Rating and Forms Review</u>	<b>4</b>
1. <i>Use of Unfiled Rating Plans</i>	<b>5</b>
2. <i>Use of Unfiled Forms</i>	<b>6</b>
3. <i>Indications of Intentionality</i>	<b>6</b>
<u>The Premium Reporting Review</u>	<b>7</b>
1. <i>Misreporting of workers compensation premium             by line of business</i>	<b>7</b>
2. <i>Misreporting of workers compensation             premium by state</i>	<b>7</b>
3. <i>Deferred reporting of workers compensation premium</i>	<b>7</b>
4. <i>The Company did not remediate known misreporting</i>	<b>7</b>
<b>Plan of Remediation</b>	<b>8</b>
<b>Report Submission</b>	<b>10</b>
<b>Acknowledgment</b>	<b>11</b>

# RACKEMANN SAWYER & BREWSTER

PROFESSIONAL CORPORATION  
COUNSELLORS AT LAW

Established 1886

December 20, 2010

Karen Weldin Stewart, Commissioner  
Department of Insurance  
State of Delaware  
841 Silver Lake Blvd.  
Dover, DE 19904

Kevin McCarty, Commissioner  
Office of Insurance Regulation  
State of Florida  
200 East Gaines Street  
Tallahassee, FL 32399-0305

Stephen Robertson, Commissioner  
Department of Insurance  
State of Indiana  
311 West Washington Street, Ste. 300  
Indianapolis, IN 46204

Joseph G. Murphy, Commissioner  
Division of Insurance  
Office of Consumer Affairs & Business  
Commonwealth of Massachusetts  
1000 Washington St, Ste. 810  
Boston, MA 02118-6200

Glenn Wilson, Commissioner  
Department of Commerce  
State Of Minnesota  
85 7th Place East, Ste. 500  
St. Paul, MN 55101

James J. Wrynn, Superintendent  
Insurance Department  
State of New York  
25 Beaver Street  
New York, NY 10004-2319

Robert L. Pratter, Acting Commissioner  
Insurance Department  
Commonwealth Of Pennsylvania  
1326 Strawberry Square  
Harrisburg, PA 17120

Joseph Torti III, Superintendent  
Division of Insurance  
Department of Business Regulation  
State of Rhode Island  
1511 Pontiac Avenue, Building 69-2  
Cranston, RI 02920

Dear Commissioners Stewart, McCarty, Robertson, Murphy, Wilson, and Pratter and  
Superintendents Wrynn and Torti:

Pursuant to the authority granted by 18 DELAWARE CODE, title 18, § 318, FLORIDA STATUTES § 624.316, INDIANA CODE § 27-1-3.1-8, MASSACHUSETTS GENERAL LAWS chapter 175, § 4, MINNESOTA STATUTES § 60A.031, NEW YORK INSURANCE LAW § 309, 40 PENNSYLVANIA STATUTES § 323.3, and RHODE ISLAND GENERAL LAWS § 37-13.1-3 (the “Examination Statutes”), and in accordance with the *NAIC Market Regulation Handbook* (“*Handbook*”) and your instructions, a multistate targeted market conduct examination has been conducted of the writing and financial reporting of workers compensation insurance by:

**American International Group, Inc.  
and its affiliated companies  
(collectively, the “Company”)**

The report of examination is herewith respectfully submitted.

160 Federal Street  
Boston, MA 02110-1700  
TEL 617 542 2300  
FAX 617 542 7437

[www.rackemann.com](http://www.rackemann.com)

## **Foreword**

This report on the multistate targeted market conduct examination of the Company is provided pursuant to the *Handbook* and is made by exception. Additional practices, procedures, and files subject to review during the examination were omitted from the report if no improprieties were noted.

The Company was informed on January 28, 2008 that a Multistate Targeted Workers Compensation Market Conduct Examination (the “Examination”) had been called respecting the Company’s writing and financial reporting of workers compensation insurance. The Examination was conducted under the authority of the Examination Statutes. The Lead States in the Examination (as defined in the *Handbook*) are Delaware, Florida, Indiana, Massachusetts, Minnesota, New York, Pennsylvania, and Rhode Island (“Lead States”). The remaining forty-two states and the District of Columbia are Participating States in the Examination (as defined in the *Handbook*) (“Participating States”).

The Examination was called in response to a 2005 investigation by the New York Attorney General (initially relating to other topics) during which concerns relating to the Company’s practices in the writing and reporting of workers compensation insurance arose. The New York Attorney General and Superintendent of Insurance investigated those issues which then gave rise to a number of additional individual state examinations. The Market Analysis Working Group of the National Association of Insurance Commissioners then unanimously endorsed the commencement of this multistate examination.

### **Profile of the Companies**

American International Group, Inc. is the parent company in an insurance holding company system which includes insurance companies and other entities doing business in all the states of the United States, and the District of Columbia. The parent company is a publicly traded company. Workers compensation insurance, general liability insurance, and commercial automobile insurance are among the lines of business that members of the holding company system are authorized to write. The Company operates its U.S. property-casualty insurance business principally through Divisions, and management of these entities is integrated at the holding company level.

The Company wrote relatively little workers compensation insurance in the years prior to 1976. Beginning in the late-1970s the Company established two Divisions (50 and 55) for the purpose of writing workers compensation, general liability, and commercial automobile coverage for large and “jumbo” risks. Administration of these Divisions, originally separate, was merged in the mid-1980s under the management of AIG Risk Management, Inc. (“AIGRM”). By 1996, growth in the AIGRM-managed entities had allowed the Company to expand its market share from a small position in 1976 to being among the very largest writers of workers compensation insurance.

### **Examination Purpose, Scope, Structure, and Results**

The purpose of the Examination was to determine if the Company’s writing and financial reporting of workers compensation insurance was in compliance with applicable law. The Examination’s scope included all U.S. jurisdictions and all periods in which the Company wrote workers compensation insurance.



The Examination benefited greatly from the work undertaken by the previous state examinations conducted by Indiana, Minnesota, and Rhode Island as well as the work of the New York Insurance Department and New York Attorney General. Initially, the Examiners reviewed materials produced by the Company to these previous investigators including “whistleblower” documents, corporate level memoranda and correspondence, premium and loss databases, as well as files for a number of large policyholders that had been requested by individual state examiners. In consideration of these materials, the Examiners determined that a two-track approach would be appropriate and therefore divided the Examination into a Rating and Forms Review and a Premium Reporting Review.

#### The Rating and Forms Review

The Rating and Forms Review examined the Company’s compliance with applicable rating and forms statutes by means of a random sample review. Divisions within the Company historically operated independently so the Examiners treated each Division as a separate population for sampling purposes. Statutes enacted in the majority of states liberalized rating regulation in the early to mid-1990s so, for purposes of the historical Rating and Forms Review, the Examiners limited the population to policy years prior to 1996. Further, the purpose of the review was to generate qualitative conclusions as to the Company’s practices rather than quantifying error rates so statistical credibility was not the controlling factor in determining sample size.

The Examiners randomly selected one hundred “contracts” for review from the two AIGRM-managed Divisions, 50 and 55, about which internal “whistleblowers” had made

allegations.<sup>1</sup> Thereafter, the Examiners also selected a total of fifty additional contracts<sup>2</sup> for review from the Company's largest workers compensation operations not managed by AIGRM for which accessible records presently exist.<sup>3</sup> (The results of review of these fifty accounts were not credible and therefore not included in determining error rates.) Considering the targeted nature of the Examination, the Examiners reviewed the selected contracts against the standards set forth in the *Handbook* for underwriting and rating reviews. See e.g. Standard 1 ("The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan"); Standard 5 ("All forms, including contracts, riders, endorsement forms and certificates are filed with the insurance department, if applicable"). Within Divisions 50 and 55 the Examiners found a broad pattern of noncompliance with both rating and forms statutes.

General areas of concern include the following:

1. *Use of Unfiled Rating Plans.* The Examiners reviewed many contracts in which the AIGRM-managed entities: rated workers compensation coverage on a "cost plus" model that generated different premiums than would have been produced by filed rating plans; established unfiled 'self-insured retentions' and unfiled deductible plans that generated lower premiums than would have been produced by filed rating plans; and priced portions of workers compensation,

---

<sup>1</sup> In AIGRM's parlance, an "account" refers to the overall relationship with the insured across multiple policy years. A "contract" generally refers to all coverage written for an insured in a single policy year and may include multiple policies and lines of business.

<sup>2</sup> Records in those Divisions not managed by AIGRM were organized on a policy basis rather than by "contract". To maintain consistency between samples, the Examiners therefore randomly selected individual policies in these Divisions and requested that the Company produce records for the selected policies and all other policies written by the Company for the relevant insured in the same policy year.

<sup>3</sup> Active operations in certain of the large non-AIGRM-managed Divisions ceased prior to the advent of electronic record keeping. The Company reported that when such records were no longer needed for business purposes they were not retained. The Examiners concluded that this practice was consistent with industry standards and did not raise concerns.

general liability, and commercial automobile coverage on a combined basis in the absence of a filed rating plan providing for such pricing.<sup>4</sup> In the vast majority of cases this lead to policyholders being charged less than provided by the filed rating plan. Over 90% of the contracts where the Company produced records sufficient for the Examiners to draw a conclusion regarding compliance with the rating laws reflected non-compliance.<sup>5</sup>

2. *Use of Unfiled Forms.* While the AIGRM-managed entities generally used filed forms in the writing of workers compensation coverage, in most instances these forms were superseded and ostensibly controlled by unfiled agreements described as, among other things, “Indemnity Agreements”, “Policy & Funding Schedules”, and “Premium Deferral Agreements.” The agreements reviewed altered and were inconsistent with the terms contained in filed forms such that some portion of the “deal” with insureds was contained in these unfiled agreements. Over 90% of those contracts where the Company produced records sufficient for the Examiners to draw a conclusion regarding compliance with the forms laws reflected non-compliance.<sup>6</sup>

3. *Indications of Intentionality.* The materials in policyholder-specific files and in corporate-level documents suggests that the use of unfiled rating plans and unfiled forms was a determined business strategy.

---

<sup>4</sup> The Company provided documents to support its position that the use of such programs was widespread in the industry during the relevant time period but that assertion was not tested since it was beyond the bounds of this examination.

<sup>5</sup> A significant number (well beyond the error rate threshold set forth in the *Handbook*) of contracts for which conclusions could be drawn regarding rating compliance also exhibited noncompliance with forms laws.

<sup>6</sup> Of those contracts for which conclusions could be drawn regarding forms compliance, a significant number (well beyond the error rate threshold set forth in the *Handbook*) also demonstrated non-compliance with rating laws.

### The Premium Reporting Review

The Premium Reporting Review examined the accuracy of the Company's internal recording and external reporting of workers compensation premium. In connection with this process, the firm of Merlinos & Associates, Inc. ("Merlinos") was retained as actuarial consultant. With Merlinos' assistance, the Examiners initially reviewed the Company's electronic premium and loss, corporate, and policyholder-specific records and concluded that the AIGRM-managed entities had misreported their workers compensation premium. General areas of concern included the following:

1. *Misreporting of workers compensation premium by line of business.* The AIGRM-managed entities misreported \$2.12 billion of premium collected in respect of workers compensation coverage as general or commercial automobile liability premium. This resulted in the avoidance of premium-based obligations in the workers compensation line of business.
2. *Misreporting of workers compensation premium by state.* Records reviewed by the Examiners show that the Company misreported workers compensation premium by state. This misreporting occurred as a necessary result of misreporting premium by line of business.<sup>7</sup>
3. *Deferred reporting of workers compensation premium.* Frequently, the AIGRM-managed entities deferred recognition and reporting of written premium.
4. *The Company did not remediate known misreporting.* The Company's then chief executive officer and chief financial officer, among other senior managers, received direct written notice of premium misreporting by the AIGRM-managed entities from "whistleblowers".

---

<sup>7</sup> The geographical footprint of an insured's premium varies by line of business because general liability premium is often reported to the state of an insured's residence or principle place of business, commercial automobile liability premium is generally reported to the state in which vehicles are garaged, and workers compensation premium is generally reported to the states where workers are employed.



The AIGRM-managed entities continued to misreport premium, and the Company did not correct its prior financial statements.

During the course of this Examination, the AIG holding company suffered significant losses and the United States responded by providing it with substantial financial assistance; consequently, the United States Treasury controls preferred stock with voting and dividend rights to approximately 79.8% of the AIG holding company's common stock. Its Board of Directors and senior management have been changed. In recognition that the United States is now the principal shareholder of the AIG holding company and that taxpayer funds were used to effectuate this arrangement, the insurance regulatory consequences, based on the findings of this Examination, have been significantly moderated.

### **Plan of Remediation**

The Examiners shared the foregoing results with the Company and sought to reach agreement on methods to correct the Company's premium misreporting. The Examiners determined that efforts to actually re-rate the policies of insurance written would be futile due to the large number of policyholders, the many years involved, the age of the required records, the absence of exposure data, and the range of discretionary underwriting decisions legitimately available during the period. Instead, the focus was placed on an effort to generate a principled, transparent, and reasonable premium reallocation methodology. As a result, the Examiners and the Company have agreed upon a methodology which reallocates approximately \$2.12 billion in premium from the general and commercial automobile liability lines of business to workers compensation for the calendar years 1985 to present. Table 1 below shows the agreed-upon reallocation and the net misreporting of workers compensation premium by the Company in each state.

Table 1

**Premium Reallocation Results**

**\$2.12 Billion Reallocation**

(Figures in millions unless otherwise noted)

State	WC Premium	AL/GL Premium	Total
AK	\$ 4.2	\$ (5.0)	\$ (0.8)
AL	\$ 36.0	\$ (32.2)	\$ 3.8
AR	\$ 23.3	\$ (16.0)	\$ 7.4
AZ	\$ 48.1	\$ (45.1)	\$ 3.0
CA	\$ 350.8	\$ (297.3)	\$ 53.5
CO	\$ 21.4	\$ (21.4)	\$ 2.9 k
CT	\$ 23.9	\$ (42.6)	\$ (18.8)
DC	\$ 3.1	\$ (7.1)	\$ (4.1)
DE	\$ 9.1	\$ (13.6)	\$ (4.5)
FL	\$ 102.8	\$ (69.4)	\$ 33.4
GA	\$ 38.6	\$ (31.0)	\$ 7.6
HI	\$ 8.4	\$ (10.9)	\$ (2.5)
IA	\$ 19.3	\$ (12.5)	\$ 6.8
ID	\$ 12.6	\$ (9.9)	\$ 2.7
IL	\$ 84.4	\$ (92.4)	\$ (8.1)
IN	\$ 22.6	\$ (31.0)	\$ (8.4)
KS	\$ 12.6	\$ (14.2)	\$ (1.6)

State	WC Premium	AL/GL Premium	Total
KY	\$ 17.0	\$ (13.6)	\$ 3.4
LA	\$ 51.1	\$ (42.8)	\$ 8.3
MA	\$ 54.7	\$ (67.2)	\$ (12.5)
MD	\$ 45.4	\$ (37.4)	\$ 8.0
ME	\$ 8.8	\$ (8.2)	\$ 0.6
MI	\$ 72.9	\$ (69.4)	\$ 3.5
MN	\$ 26.4	\$ (25.0)	\$ 1.4
MO	\$ 23.3	\$ (42.3)	\$ (19.0)
MS	\$ 13.6	\$ (12.9)	\$ 0.7
MT	\$ 6.8	\$ (4.1)	\$ 2.7
NC	\$ 29.8	\$ (32.1)	\$ (2.2)
ND	\$ -	\$ (1.1)	\$ (1.1)
NE	\$ 7.5	\$ (10.1)	\$ (2.6)
NH	\$ 7.9	\$ (12.5)	\$ (4.7)
NJ	\$ 74.8	\$ (96.5)	\$ (21.7)
NM	\$ 14.2	\$ (14.1)	\$ 0.1
NV	\$ -	\$ (5.7)	\$ (5.7)

State	WC Premium	AL/GL Premium	Total
NY	\$ 174.5	\$ (269.2)	\$ (94.7)
OH	\$ -	\$ (44.8)	\$ (44.8)
OK	\$ 58.5	\$ (48.0)	\$ 10.5
OR	\$ 25.2	\$ (22.3)	\$ 2.9
PA	\$ 172.6	\$ (138.2)	\$ 34.3
RI	\$ 25.4	\$ (13.7)	\$ 11.6
SC	\$ 12.1	\$ (11.5)	\$ 0.6
SD	\$ (3.2)	\$ (2.3)	\$ (5.5)
TN	\$ 28.7	\$ (25.4)	\$ 3.4
TX	\$ 287.3	\$ (187.5)	\$ 99.8
UT	\$ 7.8	\$ (12.0)	\$ (4.2)
VA	\$ 25.6	\$ (32.9)	\$ (7.4)
VT	\$ 10.9	\$ (10.7)	\$ 0.2
WA	\$ -	\$ (14.0)	\$ (14.0)
WI	\$ 20.7	\$ (35.5)	\$ (14.7)
WV	\$ -	\$ (4.5)	\$ (4.5)
WY	\$ -	\$ (2.1)	\$ (2.1)

In connection with the agreed premium reallocation, the Company will file amended financial reports (restated Annual Statement Page 14s) on a consolidated basis with the Lead States and Participating States. It will pay the resulting additional premium taxes and assessments to the affected states (after reflecting actual premium taxes previously paid), together with interest on those premium taxes and assessments, if any. This payment will be approximately \$46.5 million.

Aided by the efforts of the Lead States, the Company is presently seeking to reach agreement with the residual markets and guaranty funds impacted by the misreporting of premium. In addition, the Lead States and the Company have entered into a Regulatory Settlement Agreement (“RSA”) which is attached as Exhibit A.

Pursuant to the RSA, the Company will pay a \$100 million fine, which will be allocated among the states as set forth in the table attached to the RSA and will enter into a Compliance Plan, also attached to the RSA, to be monitored by the Lead States.

As set forth in the Compliance Plan attached to the RSA, a Compliance Plan Examination of the Company will be conducted twenty-four months after the final effective date of the RSA based upon a review of the Company's practices during the twelve month's prior to the Compliance Plan Examination in comparison to the Compliance Plan. If the examination reveals that the Company is not in material compliance with the Compliance Plan, a fine of up to \$150 million may be imposed.

### **Report Submission**

The report of examination in herewith respectfully submitted,

Sincerely,



J. David Leslie  
Examiner-in-Charge  
*Rackemann, Sawyer & Brewster, P.C.*

**Examiners:**

*Rackemann, Sawyer, & Brewster, P.C.*

Eric A. Smith, Esq.  
Ronald S. Duby, Esq.  
Margaret L. Hayes, Esq.  
Stuart T. Leslie, Esq.  
Gareth I. Orsmond, Esq.

*Merlinos & Associates, Inc.*

Matthew P. Merlino, FCAS, MAAA  
Rebecca Freitag, FCAS, MAAA  
Michael Soloman, FCAS, MAAA

### **Acknowledgement**

The assistance of Michael Lamb, a consulting actuary, and examiners from HuffThomas who were retained in the course of the individual state examinations and assisted in the Examination is hereby acknowledged with appreciation.



**Exhibit A**

**Regulatory Settlement Agreement**

# REGULATORY SETTLEMENT AGREEMENT

## Preamble

This Regulatory Settlement Agreement (“Agreement”) is entered into this 17th day of December, 2010, by and between American International Group, Inc., and its affiliated insurers writing workers compensation coverage (the “Company”), and the Department of Insurance of the State of Delaware, the Office of Insurance Regulation of the State of Florida, the Department of Insurance of the State of Indiana, the Division of Insurance of the Commonwealth of Massachusetts, the Department of Commerce of the State of Minnesota, the Insurance Department of the State of New York, the Insurance Department of the Commonwealth of Pennsylvania, the Division of Insurance Regulation of the State of Rhode Island (collectively the “Lead Regulators”) and the insurance regulatory departments, divisions, or offices of each of the remaining States and the District of Columbia that adopt, agree to, and approve this Agreement (the “Participating Regulators”).

### **A. Recitals**

1. The Company maintains its home office in New York, New York, and its affiliated insurance companies are principally domiciled in the State of Delaware, the Commonwealth of Pennsylvania, and the State of New York. At all relevant times, at least one of the Company’s affiliated insurance companies has been licensed to write workers compensation insurance, general liability insurance, and commercial automobile liability insurance in each of those states where such licenses are granted and in the District of Columbia.
2. On January 28, 2008, the Company was notified that a Multistate Targeted Workers Compensation Market Conduct Examination had been initiated concerning the

Company's writing and financial reporting of workers compensation insurance (the "Examination"). The Lead States in the Examination are Delaware, Florida, Indiana, Massachusetts, Minnesota, New York, Pennsylvania, and Rhode Island ("Lead States"). All other forty-two states and the District of Columbia (the "Participating States") participated in the Examination.

3. The Examination built on the work of previous examinations and investigations by other states, including the investigation by the New York Attorney General culminating in the agreement entitled "Agreement Between the Attorney General of the State of New York and American International Group, Inc. and its subsidiaries (collectively "AIG")" dated January 18, 2006 (the "New York Agreement"). The Examination also built on the work of the National Association of Insurance Commissioner's ("NAIC") Market Analysis Working Group and examinations initiated by Indiana, Minnesota and Rhode Island.

4. The Examiner-in-Charge of the Examination has now completed review of the Company's writing and financial reporting of workers compensation insurance and the effect that had on its writing and reporting of other lines of insurance. A draft examination report ("Examination Report") concerning the findings of the Examination has been provided to the Company and the Company has been given an opportunity to comment thereon. The final Examination Report will be released concurrently with the execution of this Agreement by the Company and the Lead Regulators.

5. Following the Examiner-in-Charge's preliminary findings and through the conclusion of the Examination, the Lead States engaged in discussions with the Company with respect to regulatory concerns raised by the Examination, the reallocation of underreported workers compensation premium, the remediation of past premium underreporting, and the need

for an ongoing compliance review to ensure that the Company writes and reports workers compensation insurance in compliance with applicable laws.

6. In September of 2008 the AIG holding company suffered significant losses and the United States responded by providing it with substantial financial assistance; consequently, the United States Treasury controls preferred stock with voting and dividend rights to approximately 79.8% of the Company's common stock. The Company's senior management team has changed dramatically.

7. AIG's current Chief Executive Officer and its Board of Directors have pledged their commitment to the terms and principles expressed in the Compliance Plan attached hereto. Recognition of the events described above, and management's and the Board's commitment to a "culture of compliance" have materially impacted the judgment of the Lead Regulators and Participating Regulators in choosing to enter this Agreement. The Company has cooperated fully with the Examiner-in-Charge throughout the Examination.

8. In view of the foregoing facts and circumstances, the Lead Regulators and the Participating Regulators find it to be in the public interest and are willing to accept this Agreement to settle all insurance regulatory matters within the scope of the Examination as set forth in the January 28, 2008 letter notifying the Company of the Examination (which scope has not changed) and the Examination Report (the "Scope of the Examination"). The Company believes that such a settlement is in its best interest.

**B. Location of Definitions**

The terms listed below are defined within the Agreement. For convenience, those definitions can be found as referenced below.

1. "Agreement" is defined in the preamble paragraph.
2. "AIG" is defined in paragraph A.3.

3. “Applicable Consent Order” is defined in paragraph I.2.a.
4. “Class Action” is defined in paragraph H.1.b.
5. “Company” is defined in the preamble paragraph.
6. “Compliance Plan Examination Report” is defined in paragraph F.1.
7. “Compliance Plan” is defined in paragraph E.1.
8. “Compliance Plan Examination” is defined in paragraph E.2.
9. “Conditional Effective Date” is defined in paragraph C.1.
10. “Conditional Fine Amount” is defined in paragraph F.3.
11. “Error Rate Threshold” is defined in paragraph F.2.
12. “Escrow Agreement” is defined in paragraph C.4.
13. “Examination” is defined in paragraph A.2.
14. “Examination Report” is defined in paragraph A.4.
15. “Final Effective Date” is defined in paragraph H.1.
16. “Fines and Penalties Fund” is defined in paragraph C.4.
17. “Fines and Penalties Schedule” is defined in paragraph C.4.
18. “Lead Regulators” is defined in the preamble paragraph.
19. “Lead States” is defined in paragraph A.2.
20. “Litigations” is defined in paragraph H.1.b.
21. “Market Regulation Handbook” is defined in paragraph E.3.
22. “Monitoring Period” is defined in paragraph E.1.
23. “NAIC” is defined in paragraph A.3.
24. “New York Agreement” is defined in paragraph A.3.
25. “New York Agreement Amendment” is defined in paragraph C.3.
26. “Opt-in Date” is defined in paragraph C.5.
27. “Participating Regulators” is defined in the preamble paragraph.
28. “Participating States” is defined in paragraph A.2.
29. “Premium Reallocation Schedule” is defined in paragraph D.1.
30. “Premium Taxes and Assessments Amount” is defined in paragraph D.2.
31. “Premium Taxes and Assessments Fund” is defined in paragraph D.4.
32. “Premium Taxes and Assessments Schedule” is defined in paragraph D.4.
33. “Regulatory Penalty” is defined in paragraph C.1.

34. “Scope of the Examination” is defined in paragraph A.8.

35. “Termination Date” is defined in paragraph H.3.

**C. Regulatory Penalty**

1. In consideration of the Examination Report and its findings respecting the Company’s practices in the writing and reporting of workers compensation insurance and resulting premium in the period up to the date this Agreement is executed by the Company and all the Lead Regulators (the “Conditional Effective Date”), the Lead Regulators and the Participating Regulators levy, and the Company agrees to pay, a fine and penalty consisting of a cash payment in the amount of One Hundred Million Dollars (\$100,000,000) (the “Regulatory Penalty”).

2. The Regulatory Penalty shall be the sole penalty imposed by the Lead Regulators and Participating Regulators on the Company with respect to any matters within the Scope of the Examination -- the Company’s writing and financial reporting of workers compensation insurance, prior to the Conditional Effective Date.

3. The parties to the New York Agreement intend to execute an amendment providing that the approximately \$340 million fund established thereunder will be used for the purpose of funding the Fines and Penalties Fund and Premium Taxes and Assessments Fund as required hereunder and for payments to resolve the claims of persons asserting damages against the Company with respect to workers compensation residual market facilities (“New York Agreement Amendment”).

4. Within fifteen (15) calendar days of the later to occur of the Conditional Effective Date and the New York Agreement Amendment, the Company shall place the Regulatory Penalty in a mutually acceptable interest-bearing Escrow Account (the “Fines and Penalties Fund”) established to hold the Regulatory Penalty until such time as it may be distributed

hereunder to the Lead Regulators and the Participating Regulators, as allocated in the schedule attached hereto as Exhibit A (the “Fines and Penalties Schedule”). The Fines and Penalties Fund shall be administered pursuant to an Escrow Agreement substantially in the form attached hereto as Exhibit B (the “Escrow Agreement”).

5. If a Participating State does not adopt, agree to, and approve this Agreement by March 1, 2011 (the “Opt-in Date”), the Fines and Penalties Fund shall be reduced on or after March 1, 2001, by the amount allocated to that Participating State’s jurisdiction in the Fines and Penalties Schedule, and the amount by which the Fines and Penalties Fund is so reduced shall be returned to the Company pursuant to the terms of the Escrow Agreement.

6. The amounts set forth in the Fines and Penalties Schedule shall not be distributed to the therein enumerated Lead Regulators and Participating Regulators who adopted, agreed to, and approved this Agreement until the Final Effective Date.

7. If this Agreement is terminated as set forth in Section H below, all amounts in the Fines and Penalties Fund shall be returned to the Company pursuant to the terms of the Escrow Agreement.

**D. Premium Tax and Premium-Based Assessments**

1. By March 1, 2011 the Company shall file with the Lead States and the Participating States restated Page 14s on a consolidated basis reallocating approximately \$2.1 billion of workers compensation premiums to each state and the District of Columbia specifically as set forth in the schedule attached hereto as Exhibit C (the “Premium Reallocation Schedule”).

2. The reallocation set forth in the preceding paragraph shall serve, subject to the Final Effective Date being achieved, as the basis for the payment of additional premium taxes



and assessments. Specifically, in consideration of the premium tax and premium-based assessments that would have been paid had the Company initially reported workers compensation insurance premium in a manner consistent with the Premium Reallocation Schedule, together with interest thereon, the Company agrees to make a cash payment in the total amount of Forty-Six Million Five Hundred Seven Thousand Three Hundred Eighty-Five Dollars (\$46,507,385) (the “Premium Taxes and Assessments Amount”).

3. The Company hereby agrees that the reallocation of premium pursuant to the Premium Reallocation Schedule shall not be used by the Company to assert any credits or offsets or otherwise reduce the Company’s tax and assessment obligations, except as already credited in computing the Premium Taxes and Assessments Amount.

4. Within fifteen (15) calendar days of the later to occur of the Conditional Effective Date and the New York Agreement Amendment, the Company shall place the Premium Taxes and Assessments Amount in an interest-bearing Escrow Account (the “Premium Taxes and Assessments Fund”) established to administer the distribution of the Premium Taxes and Assessments Amount, as allocated in the schedule attached hereto as Exhibit D (the “Premium Taxes and Assessments Schedule”). The Premium Taxes and Assessments Schedule amounts reflect credit for premium taxes and assessments previously paid pursuant to the New York Agreement. The Premium Taxes and Assessments Fund shall be administered pursuant to the Escrow Agreement.

5. If a Participating State does not adopt, agree to, and approve this Agreement by the Opt-in Date, the Premium Taxes and Assessments Fund shall be reduced on or after March 1, 2011, by the amount allocated to that Participating State’s jurisdiction in the Premium Taxes and Assessments Schedule, and the amount by which the Premium Taxes and

Assessments Fund is so reduced shall be returned to the Company pursuant to the terms of the Escrow Agreement.

6. The Premium Taxes and Assessments Fund shall not be distributed to the jurisdictions specified in the Premium Taxes and Assessments Schedule until the Final Effective Date of this Agreement.

7. If this Agreement is terminated as set forth in Section H below, all amounts in the Premium Taxes and Assessments Fund shall be returned to the Company pursuant to the terms of the Escrow Agreement.

**E. The Monitoring Period and the Compliance Plan Examination**

1. A monitoring period will commence as of the Final Effective Date and last for twenty-four (24) months thereafter (the “Monitoring Period”). During the Monitoring Period, the Company will report to the Lead Regulators’ Examiner-in-Charge no less frequently than quarterly the results of its internal audit reviews of performance as fully set forth in the Compliance Plan attached hereto as Exhibit E (the “Compliance Plan”). The Compliance Plan is being provided to the Lead States and Participating States for their review in deciding their participation in this Agreement. However, the Compliance Plan will be maintained as confidential by the Lead Regulators and Participating Regulators to the extent possible pursuant to public record, right-to-know and examination confidentiality statutes, except as otherwise ordered by a court of competent jurisdiction, including that it shall not be publicly disseminated and will be redacted from any versions of the Agreement which are provided to the public. As further detailed in the Compliance Plan, the Examiner-in-Charge will also periodically sample Company accounts.

2. The Lead Regulators, through their Examiner-in-Charge, shall conduct an examination of the Company's writing and financial reporting of workers compensation insurance (the "Compliance Plan Examination") as of the end of the Monitoring Period. The purpose of the Compliance Plan Examination is to evaluate the Company's performance against the Compliance Plan.

3. The Compliance Plan Examination shall be conducted in accordance with the applicable examination statutes and the NAIC's *Market Regulation Handbook* (2010 Edition)(the "Market Regulation Handbook") and which are specified in the protocols set forth in the Compliance Plan.

4. The reasonable costs of the Lead Regulators in monitoring the Company's compliance with the Agreement, in retaining the Examiner-in-Charge and other consultants, and ultimately conducting the Compliance Plan Examination shall be paid by the Company.

5. The Compliance Plan Examination shall be conducted with respect to the Company's policies in force and premium reported during the twelve months prior to the end of the Monitoring Period.

**F. The Compliance Plan Examination Report and Conditional Fine**

1. Upon completion of the Compliance Plan Examination, an examination report (the "Compliance Plan Examination Report") will be issued to the Lead Regulators. The Lead Regulators will submit the Compliance Plan Examination Report to the Participating Regulators.

2. The Company will not be found to be noncompliant with the Compliance Plan unless the ten percent (10%) tolerance level (the "Error Rate Threshold") established by the Market Regulation Handbook and as applied in the Compliance Plan is exceeded.

3. If the Error Rate Threshold is exceeded and in the judgment of the Lead Regulators a penalty is warranted, then the Lead Regulators and Participating Regulators will jointly levy on the Company a fine and penalty consisting of a cash payment in the amount of up to One Hundred and Fifty Million Dollars (\$150,000,000) (the “Conditional Fine Amount”).

4. The Conditional Fine Amount shall be the sole penalty imposed by the Lead Regulators and Participating Regulators on the Company with respect to any insurance regulatory violations identified in the Compliance Plan Examination Report.

**G. Limitations on Remedies and Fines, Enforcement, and Regulatory Authority**

1. Upon disbursement to a Lead Regulator or Participating Regulator of both (a) the portion of the Fines and Penalties Amount to which the regulator’s jurisdiction is entitled pursuant to the Fines and Penalties Schedule, and (b) the portion of the Premium Taxes and Assessments Amount to which the regulator’s jurisdiction is entitled pursuant to the Premium Taxes and Assessments Schedule, the Lead Regulator or Participating Regulator in receipt of such disbursement agrees to the following:

a. During the Monitoring Period and through the Compliance Plan Examination, each Lead Regulator and Participating Regulator and his or her department agrees that it (i) shall not conduct any market conduct examination of the Company relating to the writing or financial reporting of workers compensation insurance; and (ii) shall not, except under the terms set forth in this Agreement, as to events or actions through the Conditional Effective Date, impose a fine or any other sanction on the Company for any of the matters that fall within the Scope of the Examination or are otherwise the subject of this Agreement.

b. The Lead Regulators and Participating Regulators release and discharge the Company with respect to all damages, fines, claims, sanctions, losses, demands or other

liability or redress that each Lead Regulator or Participating Regulator and his or her department could have pursued as a result of the matters falling within the Scope of the Examination.

2. Notwithstanding the foregoing, a Lead Regulator's or Participating Regulator's authority to investigate any assertion of the Company's noncompliance with law applicable to matters not within the Scope of the Examination, and to act thereon, shall not be limited in any way by this Agreement.

3. In addition to the other penalties applicable pursuant to this Agreement, the Lead Regulators and Participating Regulators retain the right (except as provided in paragraphs C.2 and F.4) to impose any regulatory penalty otherwise available by law, including fines, with respect to the Company's willful violation of this Agreement or other violation of law.

4. The Lead Regulators and the Participating Regulators reserve the right to pursue any other remedy or remedies for violations of this Agreement.

5. Except as set forth herein, nothing in this Agreement shall be construed to waive or limit the rights of the Lead Regulators or the Participating Regulators to seek such other remedies or to otherwise waive or limit their continuing regulation of the Company in the normal course.

6. The enforcement of any fine or penalty imposed under this Agreement and findings upon which any such fine or penalty is based shall be subject to judicial review as otherwise provided by law.

#### **H. Effective Dates, and Termination**

1. The "Final Effective Date" shall be the first date on which all of the following have occurred:

a. The chief insurance regulators from at least forty-three (43) of the fifty-one (51) jurisdictions that are Lead States or Participating States adopt, agree to, and approve the Agreement by means of appropriate documentation forwarded to the Lead Regulators, except that a lesser number of adopting jurisdictions may suffice under this paragraph if agreed to in writing by the Lead States and the Company;

b. The United States District Court for the Northern District of Illinois approves a settlement and a dismissal with prejudice of the putative class action captioned *Safeco Insurance Company of America, et al. v. American International Group, Inc., et al.*, No. 09-cv-2026 (the “Putative Class Action”), and the parties to the Putative Class Action and the related civil action captioned *American International Group, Inc., et al. v. ACE INA Holdings, Inc., et al.*, No. 07-cv-2989 (the “Civil Action” and together with the Putative Class Action, the “Litigations”) have exchanged releases pursuant to a settlement agreement and the Civil Action is dismissed with prejudice;

c. The Company has executed a settlement agreement with the state insurance guaranty funds represented collectively by Joseph C. Tanski, Esq., of Nixon Peabody; and

d. Execution of the New York Agreement Amendment.

2. The Lead Regulators shall arrange to deliver this Agreement to each of the Participating States within seven (7) calendar days after the Conditional Effective Date.

3. If the Final Effective Date does not take place on or before June 30, 2011, then this Agreement shall be deemed terminated as of July 1, 2011 (the “Termination Date”) unless prior thereto the Lead Regulators and the Company agree in writing to an extension of both the Final Effective Date and the Termination Date. The Lead Regulators will promptly advise the

Participating Regulators of such an extension. A Participating Regulator may thereupon choose whether to participate hereunder on or before the date of the extended Final Effective Date.

**I. Miscellaneous Provisions**

1. Decision of Lead Regulators. Any decision of the Lead Regulators under the terms of this Agreement means a decision that has been agreed to by all of the Lead Regulators under this Agreement.

2. Representations of Authority.

a. Lead Regulators and Participating Regulators. Each person signing on behalf of a Lead Regulator or Participating Regulator gives his or her express assurance that under applicable state laws, regulations, and judicial rulings, he or she has authority to enter into this Agreement. If a Lead Regulator or Participating Regulator finds that, under applicable state law, regulation, judicial ruling, or procedure, the preparation and execution of a consent order or other document is necessary to carry out the terms of this Agreement (the “Applicable Consent Order”), such Applicable Consent Order shall be prepared by the Lead Regulator or Participating Regulator. For purpose of this Agreement, an Applicable Consent Order shall be satisfactory to the Company if it: (i) incorporates by reference and attaches via exhibit a copy of this Agreement, (ii) expressly adopts and agrees to the provisions of this Agreement, and (iii) includes only those other terms that may be legally required in the state of the applicable Lead Regulator or Participating Regulator.

b. Company. The Company expressly represents and warrants as of the date of its execution of this Agreement that: (i) it is duly organized and validly existing and subsisting under the laws of the state of its organization, it is in good standing in such jurisdiction, and neither the execution, delivery, nor performance of this Agreement will violate any law binding



on the Company; (ii) it has the full right and power to enter into this Agreement on behalf of the Company and to perform all obligations hereunder; and (iii) it has obtained all necessary authorizations, approvals, or consents of any governmental entity required in connection with the execution, delivery, or performance by it of this Agreement.

3. Governing Law and Forum. This Agreement, any disputes which may arise in connection with the interpretation or enforcement of the Agreement, and the rights and obligations of the Parties generally shall be governed by the laws of the Commonwealth of Massachusetts without regard or reference to choice or conflict of law rules. The Company and the Participating Regulators consent to the exclusive jurisdiction of the United States District Court for the District of Massachusetts or, if such jurisdiction is lacking, the Superior Court for Suffolk County, Massachusetts, solely for the purposes of interpreting or enforcing this Agreement and for no other purposes.

4. Interpretation. The section headings herein are intended for reference and shall not by themselves determine the construction or interpretation of this Agreement. Unless the context of this Agreement clearly requires otherwise: (a) references to the plural include the singular, the singular the plural, and the part the whole, (b) references to one gender include all genders, (c) “or” has the inclusive meaning frequently identified with the phrase “and/or,” (d) “including” has the inclusive meaning frequently identified with the phrase “but not limited to” or “without limitation,” (e) references to “hereunder,” “herein”, or “hereof” relate to this Agreement as a whole, and (f) the terms “dollars” and “\$” refer to United States dollars. Any reference herein to any statute, rule, regulation, or agreement, including this Agreement, shall be deemed to include such statute, rule, regulation, or agreement as it may be modified, varied, amended, or supplemented from time to time.

5. Recitals and Schedules. The Preamble, Recitals, and any Schedules to this Agreement are a part of this Agreement as if set forth in full herein.

6. Waiver. Any agreement on the part of any party hereto to any extension or waiver shall be valid only if in writing signed by the party granting such waiver or extension and shall be a one-time waiver or extension only, and any such waiver or extension or any other failure to insist on strict compliance with any duty or obligation herein shall not operate as a waiver or extension of, or estoppel with respect to, any continuing, subsequent, or other failure to comply with this Agreement.

7. Rights and Remedies. Except as otherwise provided in this Agreement, the rights, powers, remedies, and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies, and privileges provided by applicable law.


8. Entire Understanding; Modification. This Agreement represents the entire understanding between the parties with respect to the subject matter hereof and supersedes any and all prior understandings, agreements, plans, and negotiations, whether written or oral, with respect to the subject matter hereof. All modifications to this Agreement must be in writing and signed by each of the parties hereto.

9. Time of the Essence. The parties hereto hereby agree that time shall be of the essence with respect to the performance of this Agreement.

10. Execution in Counterparts. This Agreement may be executed in one or more counterparts, any of which shall be deemed an original and all of which taken together shall constitute one and the same Agreement. Execution and delivery of this Agreement may be evidenced by facsimile transmission.

SIGNATURES FOLLOW ON THE SUBSEQUENT PAGES

**AMERICAN INTERNATIONAL GROUP, INC.,**  
and its Affiliated Insurers Writing Workers Compensation Insurance

By:   
Name: Thomas A. Russo  
Title: EVP, General Counsel  
Date: December 14, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF DELAWARE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_, 2010

**OFFICE OF INSURANCE REGULATION OF THE STATE OF FLORIDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF INDIANA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_, 2010

**DIVISION OF INSURANCE OF THE COMMONWEALTH OF MASSACHUSETTS**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_, 2010

**AMERICAN INTERNATIONAL GROUP, INC.,**  
and its Affiliated Insurers Writing Workers Compensation Insurance

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF DELAWARE**

By: \_\_\_\_\_  
Name: *Karen Woldin Stewart, CIR-MC*  
Title: *Insurance Commissioner*  
Date: December *2*, 2010

**OFFICE OF INSURANCE REGULATION OF THE STATE OF FLORIDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF INDIANA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_\_, 2010

**DIVISION OF INSURANCE OF THE COMMONWEALTH OF MASSACHUSETTS**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_\_, 2010


**AMERICAN INTERNATIONAL GROUP, INC.,  
and its Affiliated Insurers Writing Workers Compensation Insurance**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF DELAWARE**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_\_, 2010

**OFFICE OF INSURANCE REGULATION OF THE STATE OF FLORIDA**

By:  \_\_\_\_\_  
Name: Kevin M. McCarty  
Title: Insurance Commissioner  
Date: December 17<sup>th</sup>, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF INDIANA**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_\_, 2010

**DIVISION OF INSURANCE OF THE COMMONWEALTH OF MASSACHUSETTS**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_\_, 2010

**AMERICAN INTERNATIONAL GROUP, INC.,**  
and its Affiliated Insurers Writing Workers Compensation Insurance

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF DELAWARE**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**OFFICE OF INSURANCE REGULATION OF THE STATE OF FLORIDA**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF INDIANA**

By: Stephen W. Robertson  
Name: Stephen W. Robertson  
Title: Commissioner  
Date: December 10, 2010

**DIVISION OF INSURANCE OF THE COMMONWEALTH OF MASSACHUSETTS**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**AMERICAN INTERNATIONAL GROUP, INC.,**  
and its Affiliated Insurers Writing Workers Compensation Insurance

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF DELAWARE**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

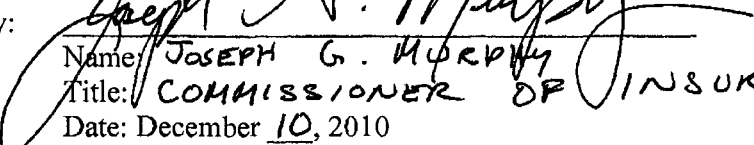
**OFFICE OF INSURANCE REGULATION OF THE STATE OF FLORIDA**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**DEPARTMENT OF INSURANCE OF THE STATE OF INDIANA**


By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**DIVISION OF INSURANCE OF THE COMMONWEALTH OF MASSACHUSETTS**

By:   
Name: JOSEPH G. MURPHY  
Title: COMMISSIONER OF INSURANCE  
Date: December 10, 2010



**DEPARTMENT OF COMMERCE OF THE STATE OF MINNESOTA**

By:   
Name: Glenn Wilson  
Title: Commissioner  
Date: December 9, 2010

**INSURANCE DEPARTMENT OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_, 2010

**INSURANCE DEPARTMENT OF THE COMMONWEALTH OF PENNSYLVANIA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_, 2010

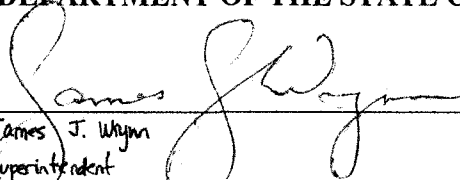
**DIVISION OF INSURANCE REGULATION OF THE STATE OF RHODE ISLAND**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_, 2010

**DEPARTMENT OF COMMERCE OF THE STATE OF MINNESOTA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_\_, 2010

**INSURANCE DEPARTMENT OF THE STATE OF NEW YORK**

By:  \_\_\_\_\_  
Name: James J. Wynn  
Title: Superintendent  
Date: December 9, 2010

**INSURANCE DEPARTMENT OF THE COMMONWEALTH OF PENNSYLVANIA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_\_, 2010

**DIVISION OF INSURANCE REGULATION OF THE STATE OF RHODE ISLAND**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: December \_\_\_\_, 2010

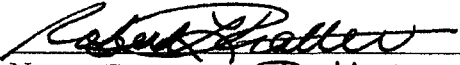
**DEPARTMENT OF COMMERCE OF THE STATE OF MINNESOTA**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_\_, 2010

**INSURANCE DEPARTMENT OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_\_, 2010

**INSURANCE DEPARTMENT OF THE COMMONWEALTH OF PENNSYLVANIA**

By:  \_\_\_\_\_  
Name: Robert L. Pratter  
Title: Acting Insurance Commissioner  
Date: December 8, 2010

**DIVISION OF INSURANCE REGULATION OF THE STATE OF RHODE ISLAND**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_\_, 2010

**DEPARTMENT OF COMMERCE OF THE STATE OF MINNESOTA**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

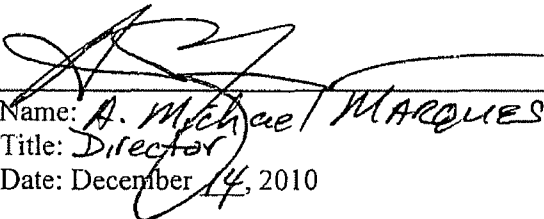
**INSURANCE DEPARTMENT OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**INSURANCE DEPARTMENT OF THE COMMONWEALTH OF PENNSYLVANIA**

By: \_\_\_\_\_  
Name:  
Title:  
Date: December \_\_, 2010

**DIVISION OF INSURANCE REGULATION OF THE STATE OF RHODE ISLAND**

By:  \_\_\_\_\_  
Name: *A. Michael MARQUES*  
Title: *Director*  
Date: December *14*, 2010

### **Table of Exhibits**

Exhibit A	Fines and Penalties Schedule
Exhibit B	Escrow Agreement
Exhibit C	Premium Reallocation Schedule
Exhibit D	Premium Taxes and Assessments Schedule
Exhibit E	Compliance Plan

Exhibit A  
Fines and Penalties Schedule

State	Fine
AK	\$500,000
AL	\$1,603,506
AR	\$1,039,912
AZ	\$2,143,829
CA	\$15,636,008
CO	\$954,691
CT	\$1,063,481
DC	\$500,000
DE	\$1,406,715
FL	\$5,580,894
GA	\$1,719,377
HI	\$500,000
IA	\$859,943
ID	\$563,365
IL	\$3,760,657
IN	\$2,005,217
KS	\$560,263
KY	\$755,896
LA	\$2,278,504
MA	\$3,439,177
MD	\$2,022,805
ME	\$500,000
MI	\$3,246,901
MN	\$2,178,391
MO	\$1,039,309
MS	\$605,869
MT	\$500,000
NC	\$1,329,650
ND	\$500,000
NE	\$500,000
NH	\$500,000
NJ	\$3,334,261
NM	\$632,539
NV	\$500,000
NY	\$1,000,000
OH	\$500,000
OK	\$2,608,379
OR	\$1,123,113
PA	\$8,690,354
RI	\$2,130,703
SC	\$538,507
SD	\$500,000
TN	\$1,280,684
TX	\$12,804,656
UT	\$500,000
VA	\$1,139,060
VT	\$500,000
WA	\$500,000
WI	\$923,388
WV	\$500,000
WY	\$500,000
Total	\$100,000,000

## Exhibit B

DECEMBER 20, 2010 – DRAFT

[Document still being finalized with the Escrow Agent. No material changes are anticipated.]

### ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this “Agreement”) is made and entered into as of \_\_\_\_\_, 2010 (the “Effective Date”) by and among American International Group, Inc., and its affiliated insurers writing workers compensation coverage (“Company”), the Department of Insurance of the State of Delaware, the Office of Insurance Regulation of the State of Florida, the Department of Insurance of the State of Indiana, the Division of Insurance of the Commonwealth of Massachusetts, the Department of Commerce of the State of Minnesota, the Insurance Department of the State of New York, the Insurance Department of the Commonwealth of Pennsylvania, the Division of Insurance Regulation of the State of Rhode Island (collectively the “Lead Regulators”), and \_\_\_\_\_ (the “Escrow Agent”). In addition, the insurance regulatory departments, divisions, or offices of each of the remaining States and the District of Columbia that adopt, agree to, and approve the Settlement Agreement as provided therein by the Opt-in Date (collectively the “Participating Regulators”) (Lead Regulators and Participating Regulators are jointly referred to herein as “Regulators”), shall be third party beneficiaries as set forth herein.

WHEREAS, pursuant to that certain Regulatory Settlement Agreement dated as of December \_\_, 2010, between Company and Regulators (the “Settlement Agreement”), Company agreed to remit certain funds (“Settlement Funds”) to pay certain fines, penalties, and taxes, and to resolve the claims of persons asserting damages against Company with respect to workers compensation residual market facilities.

WHEREAS, the Settlement Agreement provides that the Settlement Funds will be held in a mutually acceptable interest-bearing escrow account with the Escrow Agent and invested in accordance with the investment guidelines set forth herein until applied to pay certain amounts as set forth herein.

WHEREAS, all capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Settlement Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, obligations, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be bound, hereby agree as follows:

1. Appointment of Escrow Agent. Company and Regulators hereby appoint and designate [ ] as Escrow Agent to act in such capacity with respect to the Escrow Account, and [ ] accepts such appointment under the terms and conditions set forth herein and agrees to perform such duties.
2. Establishment of Escrow Fund. Within fifteen (15) calendar days of the later to occur of the Conditional Effective Date and the New York Agreement Amendment, Company shall deposit with the Escrow Agent the sum of One Hundred Million Dollars (\$100,000,000.00) (the

## DECEMBER 20, 2010 – DRAFT

“Fines and Penalties Fund”). In addition, within fifteen (15) calendar days of the later to occur of the Conditional Effective Date and the New York Agreement Amendment, the Company shall deposit with the Escrow Agent the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the “Premium Taxes and Assessments Fund”). The Escrow Agent shall immediately deposit such funds into an interest bearing escrow account (the “Escrow Account”) and shall hold the funds so deposited in the Escrow Account pursuant to the terms hereof. The Fines and Penalties Fund, the Premium Taxes and Assessments Fund, and any investment income earned thereon shall hereinafter be collectively referred to as the “Escrow Fund”. Investment income earned on the funds initially deposited into the Escrow Account and any additional funds deposited by Company pursuant to the Settlement Agreement shall be credited to the Escrow Fund and held in the Escrow Account until disbursed pursuant to the terms of Sections 4 and 5 below. Although the Fines and Penalties Fund and the Premium Taxes and Assessments Fund shall be held in a single Escrow Account, all amounts deposited in and investment income accruing to each such Fund shall be tracked and accounted for separately by the Escrow Agent.

3. Investment of Escrow Fund. During the term of this Escrow Agreement, the Escrow Fund shall be invested and reinvested by the Escrow Agent in conformity with the investment guidelines attached hereto as **Exhibit A**. Escrow Agent shall liquidate any investments in which the Escrow Fund is held to provide the funds necessary to make the payments required under this Escrow Agreement. The Escrow Agent shall have no liability or responsibility whatsoever for any loss resulting from any investment made in compliance with the terms and provisions of this Agreement. Investment gains, earnings, and losses shall not increase or decrease the amount to be remitted to Company, as applicable, pursuant to Sections 4 or 5 below.

4. Disbursement of Escrow Fund to Company.

A. If a Participating State does not adopt, agree to, and approve the Settlement Agreement by December 31, 2010 (the “Opt-in Date”), the Fines and Penalties Fund shall be reduced on January 1, 2011, by the amount allocated to that Participating State’s jurisdiction in the Fines and Penalties Schedule attached to this Agreement as **Exhibit B**. Company shall provide written notice to the Escrow Agent of the amount by which the Fines and Penalties Fund is so reduced, and the amount of such reduction shall be returned to the Company by the Escrow Agent within five (5) business days after the Escrow Agent receives such written notice.

B. If a Participating State does not adopt, agree to, and approve the Settlement Agreement by the Opt-in Date, the Premium Taxes and Assessments Fund shall be reduced on January 1, 2011, by the amount allocated to that Participating State’s jurisdiction in the Premium Taxes and Assessments Schedule attached to this Agreement as **Exhibit C**. Company shall provide written notice to the Escrow Agent of the amount by which the Premium Taxes and Assessments Fund is so reduced, and the amount of such reduction shall be returned to the Company by the Escrow Agent within five (5) business days after the Escrow Agent receives such written notice.

C. If Escrow Agent receives written notice from Company that the Settlement Agreement has been terminated, all amounts in the Escrow Account shall be returned to Company by the Escrow Agent within five (5) business days after the date on which Escrow



## DECEMBER 20, 2010 – DRAFT

Agent received such notice. The Escrow Agent shall return to Company any funds remaining in the Escrow Account upon completion of all distributions required under the Settlement Agreement within five (5) business days after the Escrow Agent receives written notice that all such distributions have been completed.

D. In no event shall the Escrow Agent have any discretionary or subjective decision-making responsibility under this Section 4 upon receipt of written notice from Company.

### 5. Disbursement of Escrow Fund to States.

A. Company and Regulators direct the Escrow Agent to apply the assets in the Escrow Fund in accordance with the terms of this Agreement and as directed by Company in writing solely for the following purposes:

i. To distribute the Fines and Penalties Fund, after taking into account any reduction pursuant to Section 4 above, as allocated in the Fines and Penalties Schedule attached to this Agreement as Exhibit B within three (3) days of receiving written notice from Company to do so;

ii. To distribute the Premium Taxes and Assessments Fund, after taking into account any reduction pursuant to Section 4 above, as allocated in the Premium Taxes and Assessments Schedule attached to this Agreement as Exhibit C within three (3) days of receiving written notice from Company to do so; and

iii. To be returned to the Company in whole or in part upon written instructions from the Company pursuant to Section 4 above.

B. The amounts set forth in the Fines and Penalties Schedule and in the Premium Taxes and Assessments Schedule shall not be distributed until the Escrow Agent receives written notice from Company of the Final Effective Date, and then only with respect to the jurisdictions whose Regulator has adopted, agreed to, and approved the Settlement Agreement. Company shall provide to the Escrow Agent the written notices required under this Section 5 within ten (10) business days of the Final Effective Date.

C. It shall be the obligation of each Regulator to provide to the Escrow Agent in writing the necessary account information, wire instructions, or other information necessary for the Escrow Agent to remit funds to each such Regulator consistent with this Section 5.

D. In no event shall any disbursement be made from the Escrow Account that exceeds the balance of the Escrow Fund. The Escrow Agent is not required to create an overdraft to disburse funds.

E. As long as the Escrow Agent complies with the written notices provided to it by Company, the Escrow Agent is not responsible for verifying that a disbursement made as directed under this Agreement is lawful, authorized, or appropriate under any other document or arrangement, or for the application of any disbursement made from the Account.

## DECEMBER 20, 2010 – DRAFT

F. In no event shall the Escrow Agent have any discretionary or subjective decision-making responsibility under this Section 5 upon receipt of written notice from Company.

6. Fees of Escrow Agent. Escrow Agent shall be entitled to receive from time to time fees in accordance with **Exhibit D**. In accordance with Exhibit D, Escrow Agent will also be entitled to reimbursement for reasonable and documented out-of-pocket expenses, including those of its counsel, incurred by the Escrow Agent in the performance of its duties hereunder and the execution and delivery of this Agreement. All such fees and expenses shall be paid by Company and shall not be deducted from the Escrow Account.

7. Taxation Information.

A. Company agrees to provide Escrow Agent with a certified tax identification number and other forms and documents that the Escrow Agent may reasonably request within thirty (30) days from the Conditional Effective Date.

B. Company understands that if such information is not provided to the Escrow Agent, the Escrow Agent may be required by the Internal Revenue Code, as amended from time to time, to withhold a portion of any interest or other income earned on the investment of moneys or other property held by the Escrow Agent pursuant to this Escrow Agreement.

C. Should the Escrow Agent become liable for the payment of taxes, including withholding taxes relating to any portion of the Escrow Fund and including interest and penalties thereon, held by it pursuant to this Agreement or any payment made hereunder, the party to whom such funds are ultimately disbursed and on whose account the taxes are due agrees to reimburse the Escrow Agent for such taxes, interest, and penalties upon demand. Without limiting the foregoing, the Escrow Agent shall be entitled to deduct such taxes, interest, and penalties from the Escrow Fund at the time of such disbursement.

D. This Section 7 may be amended by the Escrow Agent as necessary and upon written notice to Company and to the Lead Regulators to conform to tax and regulatory requirements and any other changes to the current applicable governmental tax laws. The Escrow Agent's rights under this Section shall survive the termination of this Agreement or the resignation or removal of the Escrow Agent.

8. Authorized Signers; Reliance by Escrow Agent. Company agrees that it shall provide such resolutions or certifications and other documents as may be necessary to establish the Escrow Account with the Escrow Agent. **Exhibit E** contains the names and specimen signatures of those representatives of Company who are authorized to issue notices and instructions to the Escrow Agent and execute required documents under this Agreement ("Authorized Signers"). Exhibit E may be amended from time to time at Company's sole discretion by providing written notice consistent with the requirements of Section 12.

9. Rights and Duties of Escrow Agent.

A. Company and Lead Regulators acknowledge and agree that (i) the duties, responsibilities, and obligations of the Escrow Agent shall be limited to those expressly set forth

## DECEMBER 20, 2010 – DRAFT

in this Agreement, each of which is administrative or ministerial (and shall not be construed to be fiduciary) in nature, and no duties, responsibilities or obligations shall be inferred or implied, (ii) the Escrow Agent shall not be responsible for any of the agreements referred to or described herein (including without limitation the Settlement Agreement), or for determining or compelling compliance therewith, and shall not otherwise be bound thereby, (iii) this Agreement shall constitute the entire agreement of the parties with respect to the subject matter hereto and supersedes all prior oral or written agreements in regard thereto, (iv) the Escrow Agent shall not be required to expend or risk any of its own funds or otherwise incur any financial or other liability in the performance of any of its duties hereunder, and (v) the Escrow Agent shall not be obligated to take any legal or other action hereunder which might in its judgment involve or cause it to incur any expense or liability unless it shall have been furnished with acceptable indemnification.

B. The Escrow Agent will receive, hold and account for assets only as delivered to it in conformance with this Agreement. The Escrow Agent has no responsibility to notify any party of another party's failure to deliver assets to the Escrow Agent or to enforce the delivery of any assets to it.

C. Escrow Agent does not have any interest of any kind in the Escrow Fund and has possession thereof only as escrow holder in accordance with the terms of this Agreement. Escrow Agent acknowledges and agrees that Escrow Agent is not a "holder" of the escrow cash as that term is defined by applicable law, and, as such, Escrow Agent acknowledges and agrees that the Escrow Fund may not be subject to any existing or hereafter filed and perfected security interests in any of the property of Escrow Agent held by any now or hereafter existing creditors of Escrow Agent.

D. In performing its duties hereunder, Escrow Agent shall be entitled to rely upon (i) the accuracy and authenticity of any order, judgment, certification, demand, or judicial or administrative notice of a court of competent jurisdiction, and (ii) any written notice or other document delivered to Escrow Agent in connection herewith reasonably believed by it to be genuine and correct and executed and delivered by an Authorized Signer. Escrow Agent may conclusively presume that a listed Authorized Signer has full power and authority to execute any such written notice or other document and to issue instructions to Escrow Agent on behalf of such party unless written notice to the contrary is delivered to Escrow Agent.

E. Escrow Agent shall not be liable for any claim, loss, or other damage resulting from or related to (i) the performance of the respective obligations or breach of any covenant, representation, warranty, or any other promise or obligation of the Settlement Agreement or this Agreement by any of the parties thereto or hereto (other than Escrow Agent), and (ii) compliance by Escrow Agent with any legal process, subpoena, writs, orders, judgments, and decree of any court of competent jurisdiction, whether or not subsequently vacated, modified, set aside, or reversed.

F. Company and Lead Regulators hereby agree to indemnify, defend and hold harmless Escrow Agent in its capacity as such from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses

(including those of its outside legal counsel), or disbursements of any kind whatsoever which may at any time be imposed upon, incurred by, or asserted against Escrow Agent in its capacity as such in any way relating to or arising out of this Agreement, except to the extent that any such liability results or arises from, or is related to, the bad faith, gross negligence, or willful misconduct of Escrow Agent.

G. Escrow Agent shall not be bound by any agreements among the parties to this Agreement or the Settlement Agreement other than the provisions of this Agreement, unless it executes or otherwise consents in writing to such agreement.

H. So long as Escrow Agent shall have any obligation to pay any amount of the Escrow Fund under this Agreement, Escrow Agent shall maintain proper books of record and account, in which full and correct entries shall be made of all disbursement and investment activities with respect to the Escrow Account. Escrow Agent shall maintain such books of records and account in paper or electronic form during the term of this Agreement and for seven (7) years following the termination of this Agreement. Escrow Agent shall provide Company with access to or copies of all such books of records and account at Company's request.

I. The Escrow Agent shall be under no duty to afford the Escrow Fund any greater degree of care than it gives its own similar property.

10. Reports by the Escrow Agent.

A. The Escrow Agent is not responsible for verifying or authenticating any property, or the value of any property delivered to it, other than cash or such similar funds. The Escrow Agent will report the value of money market mutual funds provided by the Escrow Agent and utilized to the extent permissible under this Agreement. The Escrow Agent will provide market values of the assets in the Escrow Account in its periodic reports for publicly-held or publicly-traded securities, using its normal pricing services. All other assets, if any, will be reported at the cost or value as provided to the Escrow Agent by Company.

B. The Escrow Agent will provide quarterly statements to Company and to the Lead Regulators. Such statements will set forth the holdings, the market values (as set forth above), and the transactions, if any, including purchases, sales, or any other disbursement, and income received.

C. Company has sixty (60) days to object in writing to such reports. If no written notice from Company has been received by the Escrow Agent within this period, an acceptance of such reports shall be deemed to have occurred.

11. Resignation or Removal.

A. The Escrow Agent may resign upon thirty (30) days' written notice to the Company. Upon expiration of the thirty (30) days' written notice, the Escrow Agent is fully released from any further obligation to perform any duties whatsoever imposed on the Escrow Agent hereunder, except for rendering statements until the entirety of the Escrow Fund is transferred out of the Escrow Account.

## DECEMBER 20, 2010 – DRAFT

B. The Escrow Agent may be removed upon thirty (30) days' written notice from Company to the Escrow Agent.

C. In the event of resignation or removal, a successor shall be appointed by Company to receive the Escrow Fund as of the end of the effective date of resignation or removal.

D. In the event Company fails to appoint a successor within the thirty-day period, the Escrow Agent may pay over or otherwise deliver the Escrow Fund to Company and the Lead Regulators jointly.

E. The Escrow Agent is entitled to hold a reserve against final payment of estimated final fees, until such time as the final fees are paid.

12. Notices. All notices or other communications hereunder shall be in writing and shall be deemed given when delivered personally or delivered by private courier (with confirmation of delivery), five (5) business days after deposited in the United States mail, first-class prepaid registered or certified mail (return receipt requested), or when sent by facsimile (with confirmation of transmission) to the following addresses shown in **Exhibit F**. The addresses in Exhibit F may be revised by giving written notice to Company, the Lead Regulators, the Examiner, and the Escrow Agent in a manner specified in this Section 12. Whenever this Agreement calls for notice to be given by one party, then copies of that notice shall be sent to all addressees listed in Exhibit F.

13. Entire Agreement; Conflict. This Agreement sets forth the entire agreement among the parties with respect to the subject matter hereof, and, except to the extent that any provision of this Agreement conflicts with or otherwise contradicts the Settlement Agreement, this Agreement supersedes and replaces any agreement or understanding that may have existed between the parties prior to or contemporaneously with the date hereof in respect of the such subject matter expressly set forth herein. The provisions of this Agreement shall not be construed to enlarge, diminish or otherwise modify the rights and remedies of Company or Regulators under the Settlement Agreement in any manner whatsoever. In the event that any provision of this Agreement conflicts with or otherwise contradicts the Settlement Agreement, the provisions of the Settlement Agreement shall control.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, notwithstanding the conflict of laws principles thereof. The parties designate New York, New York, as the exclusive jurisdiction for any dispute arising hereunder, and agree that any such dispute shall be heard and determined before an appropriate federal or state court located in New York, New York. The parties acknowledge that such courts have the jurisdiction to hear and determine any such dispute, and the parties hereto waive any and all objections that they may have as to personal jurisdiction or venue in any of such courts. THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY PROCEEDING RELATING TO THIS AGREEMENT.

15. Dispute Resolution. In the event of any disagreement among Company and any of the Lead Regulators, or between any of them and any other person or entity, resulting in adverse claims or demands being made with respect to the subject matter of the Agreement, or in the event that the Escrow Agent, in good faith, is in doubt as to any action it should take hereunder, the Escrow Agent may, at its option, refuse to comply with any claims or demands and refuse to take any other action hereunder, so long as such disagreement continues or such doubt exists. In any such event the Escrow Agent shall not be liable in any way or to any person or entity for its failure or refusal to act, and the Escrow Agent shall be entitled to continue to so refuse to act and refrain from acting until (i) the rights of all parties having or claiming an interest in the Escrow Fund or the Escrow Account shall have been fully and finally adjudicated by a court of competent jurisdiction, or all differences and doubts shall have been resolved by agreement among all affected parties, and (ii) the Escrow Agent shall, in the case of adjudication by a court of competent jurisdiction, have received a final order, judgment or decree by such court of competent jurisdiction, which order, judgment or decree is not subject to appeal, and in the case of resolution of differences and doubts by agreement, have received a notice in writing signed by an Authorized Person setting forth in detail the agreement. The Escrow Agent shall have the option, after thirty (30) calendar days' notice to Company of its intention to do so, to file an action in interpleader requiring Company and any other persons or entities to answer and litigate any claims and rights among themselves. The costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Escrow Agent in connection with such proceeding shall be paid by and be the obligation of Company. The rights of the Escrow Agent under this Section 15 are cumulative of all other rights which it may have by law or otherwise.

16. Amendment; Waiver. This Agreement may be amended, modified, or terminated only by written instrument or written instruments signed by the parties hereto. No act, omission or course of dealing shall be deemed to constitute an amendment, modification, or termination hereof. No waiver of any of the obligations or provisions of this Agreement shall be enforceable against any of the parties unless such waiver is executed by each of the parties hereto. Any waiver effected hereby shall not constitute a waiver of any other obligations or provisions of this Agreement.

17. Headings. The headings contained in this Agreement are provided for convenience only and form no part of this Agreement and shall not affect the construction or interpretation of this Agreement.

18. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, including each of their respective estates, trusts, legal, and personal representatives, beneficiaries, successors, heirs, and assigns. No party may assign any of its rights or obligations under this Agreement without the prior written consent of the other parties hereto, and any purported assignment without prior written consent shall be void.

19. Limitation on Damages. Neither Escrow Agent nor any other party hereto shall be liable or responsible to the other for any special, indirect, or consequential losses or damages of any kind whatsoever (including, but not limited to, lost profits, loss of clients or business, or loss of reputation), even if Escrow Agent or the other party, as the case may be, has been advised of the likelihood of such loss or damage and regardless of the form of action.

## DECEMBER 20, 2010 – DRAFT

20. Severability; Validity, Parties in Interest. If any provision of this Agreement, or the application thereof to any person or circumstance is held invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, and to such end the provisions of this Agreement are agreed to be severable. Nothing in this Agreement, express or implied, is intended to confer upon any person not a party to this Agreement, other than the Participating Regulators, any rights or remedies of any nature whatsoever under or by reason of this Agreement. The Participating Regulators are intentional third party beneficiaries to this Agreement and shall have the right to participate in distributions made pursuant to Section 5 of this Agreement.

21. Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement. Execution and delivery of this Agreement may be evidenced by facsimile transmission. This Agreement shall become effective when each party hereto shall have received counterparts thereof signed and delivered (by facsimile or otherwise) by all of the other parties hereto.

22. Representations of the Parties. Each of the parties hereto hereby represents and warrants that as of the date hereof: (a) it has the power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and all such actions have been duly and validly authorized by all necessary proceedings; and (b) this Agreement has been duly authorized, executed, and delivered by it, and constitutes a legal, valid, and binding agreement of it.

23. Exclusive Benefit. This Agreement is for the exclusive benefit of Company, the Regulators, and the Escrow Agent, and their respective successors, and shall not be deemed to give, either expressly or impliedly, any legal or equitable right, remedy, or claim to any other person, entity, or individual whatsoever.

[Signature pages follow.]

DECEMBER 20, 2010 – DRAFT

**AMERICAN INTERNATIONAL GROUP, INC.,**  
and its Affiliated Insurers Writing Workers Compensation Insurance

By: \_\_\_\_\_  
[Name]  
[Title]

**DEPARTMENT OF INSURANCE OF THE STATE OF DELAWARE**

By: \_\_\_\_\_  
[Name]  
[Title]

**OFFICE OF INSURANCE REGULATION OF THE STATE OF FLORIDA**

By: \_\_\_\_\_  
[Name]  
[Title]

**DEPARTMENT OF INSURANCE OF THE STATE OF INDIANA**

By: \_\_\_\_\_  
[Name]  
[Title]

**DIVISION OF INSURANCE OF THE COMMONWEALTH OF MASSACHUSETTS**

By: \_\_\_\_\_



DECEMBER 20, 2010 – DRAFT

[Name]  
[Title]

**DEPARTMENT OF COMMERCE OF THE STATE OF MINNESOTA**

By: \_\_\_\_\_  
[Name]  
[Title]

**INSURANCE DEPARTMENT OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
[Name]  
[Title]

**INSURANCE DEPARTMENT OF THE COMMONWEALTH OF PENNSYLVANIA**

By: \_\_\_\_\_  
[Name]  
[Title]

**DIVISION OF INSURANCE REGULATION OF THE STATE OF RHODE ISLAND**

By: \_\_\_\_\_  
[Name]  
[Title]

DECEMBER 20, 2010 – DRAFT

**[ESCROW AGENT]**

By: \_\_\_\_\_  
[Name]  
[Title]

**Table of Exhibits**

Exhibit A -- Investment Guidelines

Exhibit B -- Fines and Penalties Schedule

Exhibit C -- Premium Taxes and Assessments Schedule

Exhibit D -- Escrow Agent Fees

Exhibit E -- Authorized Signers

Exhibit F -- Notice Addresses for the Parties

**Exhibit A – Investment Guidelines**

The Escrow Agent is hereby directed to invest the Settlement Funds in [name of money market fund or other guidance] or as otherwise directed by the Company with respect to which the daily interest rate is publicly available. The Escrow Agent shall invest the Settlement Funds on the Business Day of deposit provided that it is received on or before 1:00 p.m. (New York City time) on such Business Day. Any Settlement Funds received by the Escrow Agent after 1:00 p.m. (New York City time) shall be treated as if received on the following Business Day. For purposes of this Agreement, “Business Day” shall mean any day that the Escrow Agent is open for business.

Any investment direction contained herein may be executed through an affiliated broker dealer of the Escrow Agent and will be entitled to such usual and customary fee.

Any and all investment income shall be deposited into the Escrow Account and shall become a part of the Escrow Fund.

DECEMBER 20, 2010 – DRAFT

**Exhibit B – Fines and Penalties Schedule**

[Insert from Settlement Agreement]

DECEMBER 20, 2010 – DRAFT

**Exhibit C – Premium Taxes and Assessments Schedule**

[Insert from Settlement Agreement]

**Exhibit D – Escrow Agent Fees**

[List or description of permissible fees, including reimbursement for reasonable and documented out-of-pocket expenses (including those of its counsel) incurred by the Escrow Agent in the performance of its duties under the Agreement.]

DECEMBER 20, 2010 – DRAFT

**Exhibit E – Authorized Signers**

	NAME	SIGNATURE
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____



## DECEMBER 20, 2010 – DRAFT

### **Exhibit F – Notice Addresses for the Parties**

Notices provided pursuant to Section 12 of the Escrow Agreement shall be provided to the following addresses:

[Escrow Agent]  
[address and fax number]

American International Group, Inc.  
[address and fax number]

Department of Insurance of the State of Delaware  
[address and fax number]

Office of Insurance Regulation of the State of Florida  
[address and fax number]

Department of Insurance of the State of Indiana  
[address and fax number]

Division of Insurance of the Commonwealth of Massachusetts  
[address and fax number]

Department of Commerce of the State of Minnesota  
[address and fax number]

Insurance Department of the State of New York  
[address and fax number]

Insurance Department of the Commonwealth of Pennsylvania  
[address and fax number]

Division of Insurance Regulation of the State of Rhode Island  
[address and fax number]

Examiner:  
J. David Leslie  
160 Federal Street  
Boston, MA 02110-1700  
617-542-7437 (FAX)

RSA - Exhibit C - Premium Reallocation Schedule

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total	
AK	(63,082)	639,011	1,626,919	716,094	312,649	667,207	2,135,217	(2,140,348)	71,114	(309,630)	(234,340)	726,129	(162,884)	229,151	(16,033)	79,326	(108,976)	(19,792)	3,901	(36,369)	64,270	(42,199)	73,272	4,210,607	
AL	3,586,470	3,579,754	8,815,176	6,278,243	8,237,217	3,781,714	6,104,294	7,115,710	(4,820,917)	(815,576)	(739,200)	(271,593)	(388,352)	(615,556)	(1,341,938)	205,701	445,015	1,212,184	(630,892)	2,683	(2,956,367)	(1,811,921)	1,007,957	35,978,810	
AR	263,249	841,152	2,647,852	2,566,316	3,692,302	2,504,981	5,002,074	9,749,218	(2,722,006)	575,099	418,007	137,078	219,856	(269,447)	(375,578)	(910,462)	(732,779)	789,422	(579,152)	(10,574)	(24,053)	(2,647)	(198,798)	23,333,108	
AZ	974,755	10,225,875	6,273,659	4,348,470	14,911,647	7,151,893	13,189,721	1,890,069	(2,910,854)	2,921,142	7,991,045	(359,832)	(3,891,571)	118,988	(570,571)	(8,260,803)	259,551	(25,265)	(2,417,006)	384,950	(483,676)	(950,045)	(2,659,739)	48,102,354	
CA	7,188,789	15,457,887	36,444,615	21,720,903	35,498,449	52,536,366	45,555,751	25,584,520	34,767,203	23,856,694	59,265,060	26,025,860	(28,131,844)	17,697,339	4,887,487	(5,196,824)	(11,066,604)	12,037,311	(1,460,624)	4,304,714	(11,475,313)	(5,013,446)	(9,643,970)	350,834,324	
CO	1,937,570	1,293,396	5,763,912	(272,342)	4,927,748	1,773,841	2,595,668	3,921,414	1,099,933	98,981	900,648	(391,446)	(677,490)	680,027	(332,897)	(354,501)	(629,579)	(205,200)	(17,434)	(1,456,337)	(369,915)	(1,377,120)	21,420,960		
CT	1,008,840	2,132,973	3,733,356	3,033,463	2,735,448	5,178,930	2,395,581	5,238,664	1,057,207	(1,123,494)	769,128	1,056,449	474,349	(416,889)	(139,342)	(347,016)	(531,175)	542,452	477,617	(867,140)	(362,274)	(643,650)	(1,521,516)	23,861,960	
DC	834,421	441,723	390,878	(140,100)	416,407	748,154	439,899	1,907,268	658,179	960,469	(422,143)	(1,495,456)	25,779	56,459	(21,898)	(1,213,258)	256,831	1,764	(6,485)	14,274	51,360	(18,204)	(278,129)	3,050,464	
DE	228,158	853,145	1,368,373	1,041,223	(385,522)	3,215,617	2,168,238	4,647,765	658,179	960,469	(422,143)	(1,495,456)	25,779	56,459	(21,898)	(1,213,258)	256,831	1,764	(6,485)	14,274	51,360	(18,204)	(278,129)	3,050,464	
FL	7,369,563	13,564,305	21,648,653	16,111,287	19,698,206	15,816,155	18,866,913	14,552,809	4,647,765	658,179	960,469	(422,143)	(1,495,456)	25,779	56,459	(21,898)	(1,213,258)	256,831	1,764	(6,485)	14,274	51,360	(18,204)	(278,129)	3,050,464
GA	1,731,557	5,393,474	5,781,128	3,236,643	6,975,156	8,662,391	4,412,344	6,074,708	1,526,940	811,281	(1,838,236)	400,467	(760,494)	(1,783,750)	(391,692)	553	(489,970)	439,125	415,184	(837,987)	(255,711)	(8,433,632)	102,784,218		
HI	(6,078)	991,904	333,925	781,398	585,842	339,390	3,358,659	1,927,214	2,943,643	1,719,151	1,065,059	(236,192)	458,581	85,706	(206,678)	70,880	(772,362)	(357,242)	(206,564)	183,905	(97,873)	(214,502)	(480,203)	9,125,704	
ID	676,166	2,147,868	2,447,696	1,663,165	1,898,907	2,465,238	5,823,973	1,945,832	272,200	1,574,500	(488,947)	768,298	334,210	(307,060)	(1,838,236)	400,467	(760,494)	(1,783,750)	(391,692)	553	(489,970)	439,125	415,184	(837,987)	8,433,632
IA	940,101	813,458	2,954,364	2,690,312	5,009,704	964,856	2,789,338	1,945,832	272,200	1,574,500	(488,947)	768,298	334,210	(307,060)	(1,838,236)	400,467	(760,494)	(1,783,750)	(391,692)	553	(489,970)	439,125	415,184	(837,987)	8,433,632
IL	3,658,094	12,387,367	16,126,828	8,761,055	21,912,030	8,386,070	12,826,259	21,862,567	(4,249,400)	848,017	(56,421)	2,620,957	(1,729,606)	(3,701,925)	(9,384,549)	607,783	(434,102)	(2,370,150)	1,210,378	(177,512)	(542,560)	(1,428,201)	(1,473,831)	(5,534,024)	54,729,241
IN	312,492	2,216,852	3,579,825	3,558,311	4,832,948	2,107,924	2,201,569	4,509,519	1,614,792	1,722,962	(2,499,212)	1,646,478	(574,301)	(650,446)	(1,358,129)	(643,238)	393,006	25,974	(170,671)	(719,035)	221,196	23,652	(197,820)	22,554,649	
KS	2,690,322	1,319,869	2,481,651	1,713,829	2,482,804	2,444,396	3,556,384	(497,493)	80,363	1,213,810	577,094	213,713	(1,570,023)	178,457	(477,509)	(2,303,527)	(298,643)	(59,842)	(119,220)	112,135	(903,608)	137,390	12,570,945	14,192,658	
KY	372,882	4,004,470	2,782,574	3,342,221	(5,497,312)	841,987	2,316,892	543,581	479,899	420,962	774,061	(709,535)	(561,830)	59,209	(1,529,740)	39,608	123,627	39,329	16,404	(487,480)	(1,441,655)	(840,969)	16,960,473		
LA	7,657,621	9,042,860	9,608,788	7,403,175	11,396,901	2,461,256	619,308	1,606,065	837,085	3,223,389	(4,379,009)	281,957	(22,181)	22,181	(1,157,344)	2,984,682	(3,875,812)	1,107,444	6,355,584	3,630,318	(649,386)	(1,528,974)	(1,584,692)	51,124,131	
MA	1,197,899	6,143,283	5,965,964	12,453,747	7,696,077	7,091,695	5,834,671	9,453,916	3,138,079	1,852,738	(1,729,606)	(3,701,925)	(9,384,549)	607,783	(434,102)	(2,370,150)	1,210,378	(177,512)	(542,560)	(1,428,201)	(1,473,831)	(5,534,024)	54,729,241		
MD	1,910,066	3,665,505	5,344,382	2,567,945	7,910,755	8,555,785	3,703,568	5,570,996	5,615,566	6,907,252	1,325,905	1,712,968	(504,554)	(391,411)	500,373	(3,353,898)	894,711	(377,001)	(225,048)	(1,090,206)	(448,642)	(59,842)	(119,220)	112,135	12,570,945
ME	309,765	2,269,069	3,772,618	718,064	634,007	461,291	1,408,972	(64,207)	117,653	132,637	(755,165)	(300,404)	(345,740)	(9,340)	43,832	(6,279)	4,028	(69,064)	191,505	(45,500)	(8,836,633)	16,960,473			
MN	667,975	7,655,514	24,585,557	7,295,240	11,472,322	10,744,407	11,504,854	20,430,422	(4,802,278)	(3,614,532)	5,206,099	72,152	(1,560,804)	(5,848,564)	(2,126,590)	(1,164,527)	2,404,355	624,764	(251,667)	(146,901)	(2,395,924)	(178,245)	(4,121,007)	72,852,622	
MO	1,843,641	4,861,038	4,933,492	775,253	3,401,941	3,069,001	1,365,734	7,184,126	1,296,679	1,852,738	(1,729,606)	(3,701,925)	(9,384,549)	607,783	(434,102)	(2,370,150)	1,210,378	(177,512)	(542,560)	(1,428,201)	(1,473,831)	(5,534,024)	54,729,241		
MS	1,459,713	3,375,517	3,577,654	4,023,385	3,609,331	2,639,444	7,551,458	1,154,487	1,999,707	1,946,185	929,070	4,064,431	(3,816,639)	(1,217,507)	(1,480,968)	(4,319,452)	389,728	(713,568)	(294,602)	(973,902)	(623,890)	(121,590)	23,319,257		
MT	1,955,578	4,898,603	1,607,608	2,365,205	1,372,390	328,238	(506,140)	2,04,506	111,325	(528,226)	(24,631)	(386,570)	(89,761)	(28,991)	182,501	(180,954)	541	(967,265)	(249,964)	(1,238,171)	13,594,232	38,885	7,686,077		
NC	1,344,616	702,199	1,456,616	919,121	421,189	320,878	160,780	(381,661)	(3,323,842)	149,761	954,642	3,072,762	(285,440)	147,387	270,064	421,224	20,434	(180,924)	244,483	(123,593)	(1,687,669)	(38,885)	7,686,077		
ND	306,782	1,787,673	4,474,057	3,900,558	7,554,877	4,459,167	2,847,303	2,521,923	598,963	1,731,299	1,369,899	(1,261,764)	(674,479)	169,043	(583,538)	(1,149,933)	(939,241)	2,928,895	883,369	(336,885)	(453,118)	82,795	(383,308)	29,834,138	
NE	1,759,618	706,738	2,136,581	(1,383)	745,930	1,410,884	(351,489)	(607,258)	(354,008)	1,183,395	1,509,239	(767,194)	(650,537)	8,512	793,438	(703,579)	155,135	239,170	29,505	30,392	(69,414)	716,817	(455,267)	7,465,224	
NH	384,690	618,531	463,462	690,538	1,186,475	3,363,658	2,137,853	1,592,437	(77,641)	(81,091)	(14,224)	(64,941)	(197,338)	(257,060)	109,499	(425,051)	(57,222)	11,457	92,345	(153,529)	(106,037)	(1,332,374)	(4,233)	7,880,205	
NJ	5,161,307	18,142,239	6,302,561	5,665,771	11,794,352	11,391,272	12,966,666	12,044,629	17,212,052	3,892,688	(869,449)	(4,965,383)	(1,450,972)	(2,049,920)	(135,392)	(618,284)	(875,401)	242,402	(2,884,496)	330,688	(2,831,161)	(7,332,224)	(6,121,178)	74,812,768	
NM	(308,925)	845,669	3,059,699	2,730,109	8,144,573	3,205,273	(2,946,158)	463,272	674,865	(772,008)	535,491	(133,633)	(911,461)	397,427	364,556	(387,291)	(10,571)	66,267	4,780	(462,397)	(220,139)	(163,095)	14,192,658		
NV	4,495,825	19,302,617	1,879,437	2,058,524	22,027,344	8,211,957	26,726,808	15,840,586	35,768,075	38,044,739	27,294,947	8,490,741	(4,670,109)	6,529,256	(4,093,980)	(9,746,906)	(2,253,594)	591,571	(1,050,766)	900,375	(1,562,789)	(7,545,318)	(12,768,716)	174,470,623	
OH	2,059,232	3,096,945	5,651,532	5,448,663	9,592,479	1,308,663	6,260,484	2,545,255	9,502,705	18,751,716	12,139,255	2,045,420	(4,455,105)	7,259,535	(1,677,958)	(6,391,916)	(1,323,261)	(2,241,662)	(2,458,967)	432,575	(568,022)	1,311,095	(9,762,922)	58,525,741	
OK	1,850,684	2,905,737	4,025,636	4,908,012	2,480,854	581,424	4,345,406	3,072,671	2,937,003	1,977,114	(1,588,139)	2,950,226	(661,188)	(1,821,222)	(7,093)	(1,309,775)	(136,483)	164,762	647,395	(25,956)	(4,753,109)	172,553,001	25,199,945		
PA	8,705,155	15,816,607	28,828,931	20,280,362	16,214,116	29,557,644	26,056,410	33,867,954	28,679,983	3,589,580	3,952,418	(655,070)	(1,223,562)	(12,882,915)	(758,737)	(14,052,887)	(4,562,280)	3,037,917	(984,516)	(467,815)	(2,430,343)	(2,605,951)	(5,410,001)	172,553,001	
RI	555,596	547,613	3,757,459	3,250,248	450,123	6,787,497	3,120,532	8,127,053	1,126,861	730,975	(123,724)	(529,724)	(196,386)	(453,517)	(93,842)	(805,374)	(29,884)	(405,683)	(29,884)	(246,448)	(357,052)	553,208	(317,141)	25,370,242	
SC	7,258	2,725,339	1,198,113	2,935,174	2,891,556	3,651,041	680,825	362,024	(248,737)	84,034	(693,763)	(260,507)	608,701	1											

AIG - General Liability Moving Premium  
Legacy (Average Method) and Pre-Legacy Combined  
Divisions 50 and 55  
Div 50 VA/VT adjusted in Milliman Method  
Adjustment for low loss ratio GL contracts

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total	
AK	(79,969)	(300,158)	(1,059,804)	(498,654)	(834,442)	(610,751)	(858,665)	(1,999,634)	(6,769)	(339,187)	(211,207)	(2,34,621)	156,889	(82,787)	437,951	41,316	18,818	(3,165)	2,171	(11,894)	5,154	31,955	72,651	(4,464,798)	
AL	(1,498,251)	(1,714,999)	(3,027,660)	(3,448,802)	(5,050,387)	(3,274,275)	(6,668,213)	(5,178,060)	(1,438,591)	(923,930)	(1,004,515)	760,243	1,513,768	214,466	(60,070)	(1,093,562)	513,802	(1,002,648)	330,341	86,447	1,013,865	556,558	(279,345)	(30,673,819)	
AR	(106,299)	(193,719)	(1,640,609)	(3,000,859)	(2,407,621)	(1,079,620)	(1,953,022)	(5,159,863)	1,196,810	(790,914)	(747,403)	(129,011)	603,082	635,496	650,074	165,849	367,744	(45,510)	305,739	469,898	603,876			(13,126,053)	
AZ	(726,577)	(5,362,184)	(3,514,097)	(2,259,475)	(5,367,995)	(2,082,700)	(6,596,699)	(4,534,309)	(3,804,560)	(2,610,984)	(3,534,003)	(1,282,911)	280,862	(135,317)	278,276	1,524,955	279,447	(54,763)	518,280	71,550	672,233	574,598	1,861,244	(35,805,225)	
CA	(5,788,938)	(17,837,749)	(26,659,204)	(32,446,368)	(37,446,368)	(40,815,199)	(28,833,052)	(34,688,816)	(46,409,452)	(39,518,478)	(29,604,107)	(11,817,670)	14,361,380	(8,658,143)	201,9744	11,294,061	6,604,852	(7,029,634)	685,821	2,775,111	11,781,452	5,244,519	13,925,071	(278,628,040)	
CO	(1,521,310)	(1,787,441)	(4,208,176)	(1,096,583)	(2,743,799)	(2,751,192)	(2,993,771)	(3,255,560)	(1,208,869)	(1,238,326)	(1,737,407)	(3,73,460)	352,891	(62,509)	(205,184)	520,060	122,999	150,179	1,170,662	120,323	1,140,096	375,498	1,507,924	(19,722,956)	
CT	(1,170,089)	(2,828,858)	(3,527,654)	(4,287,272)	(5,329,677)	(5,734,458)	(7,827,370)	(5,789,437)	(4,269,329)	(3,665,419)	(2,658,561)	(986,142)	2,074,068	66,909	2,078,225	1,398,204	623,226	(479,483)	1,069,303	893,146	1,838,501			(39,519,641)	
DC	(404,878)	(586,553)	(897,584)	(652,297)	(355,587)	(963,172)	(1,170,736)	(1,272,179)	(1,813,157)	(1,005,224)	(469,819)	(288,762)	283,718	(43,388)	89,251	1,328,632	(27,487)	(46,991)	22,670	147,103	169,495	349,532	703,764	(6,903,650)	
DE	(222,808)	(797,611)	(1,183,937)	(762,153)	(1,298,914)	(1,787,005)	(2,266,232)	(1,794,803)	(1,848,898)	(1,211,603)	(687,361)	(481,156)	91,491	(179,887)	57,576	1,354,849	311,228	(77,380)	893	191,012	135,240	249,182		(12,728,651)	
FL	(3,967,040)	(9,422,573)	(12,045,684)	(7,722,980)	(11,915,930)	(16,379,919)	(13,207,536)	(9,349,731)	(3,888,883)	(4,442,944)	(217,941)	(1,872,027)	3,738,793	226,189	1,353,592	3,283,873	1,961,833	1,654,411	(326,198)	481,142	2,897,478	3,125,509	6,623,844	(68,912,722)	
GA	(1,069,975)	(4,667,624)	(3,753,050)	(2,730,151)	(6,155,514)	(6,953,987)	(5,525,818)	(7,580,756)	(3,106,412)	(1,516,800)	(923,589)	(684,455)	1,276,535	395,026	311,669	1,670,631	383,694	(638,766)	92,822	48,602	672,620	1,570,758	2,725,493	(36,159,047)	
HI	(60,165)	(443,893)	(552,970)	(740,450)	(1,185,598)	(676,317)	(1,677,052)	(1,939,653)	(2,301,026)	(838,665)	(643,997)	55,612	354,392	(495,948)	346,921	427,551	68,907	(20,392)	289,132	240,857	241,044	30,008	589,575	(8,932,127)	
IA	(551,921)	(1,065,281)	(1,589,267)	(2,150,422)	(2,152,562)	(2,366,525)	(1,587,825)	(2,050,705)	(37,245)	(931,374)	703,809	(301,493)	42,920	171,505	(53,378)	327,746	251,197	79,588	(394,552)	45,973	145,264	85,232	555,702	(11,833,516)	
ID	(448,500)	(425,568)	(916,919)	(884,755)	(1,075,389)	(324,656)	(1,285,069)	(807,661)	(1,376,758)	(694,722)	(577,013)	697,052	457,336	(223,142)	570,909	1,594,899	200,730	(14,518)	736,462	273	70,160	(24,343)	98,796	(6,125,419)	
IL	(3,886,193)	(10,966,356)	(10,850,007)	(9,417,839)	(18,515,824)	(10,450,093)	(15,992,636)	(19,721,513)	(3,605,078)	(10,635,814)	(4,267,937)	(2,514,976)	5,363,770	329,413	2,940,557	6,860,799	2,046,090	(524,318)	(431,215)	576,553	4,253,825	2,996,116	10,415,376	(85,497,701)	
IN	(514,066)	(2,542,640)	(4,479,409)	(1,856,982)	(7,343,984)	(2,685,505)	(1,910,879)	(4,340,785)	(3,302,644)	(1,486,642)	(431,526)	820	759,536	156,105	1,884,852	263,325	(203,550)	23,298	68,760	246,268	(143,406)	1,152,774	658,032	(26,028,248)	
KS	(1,146,399)	(689,329)	(1,969,274)	(1,345,022)	(2,288,775)	(2,193,629)	(3,075,379)	(1,868,612)	(2,873,710)	(3,075,379)	(342,261)	(92,463)	633,990	117,278	981,170	751,910	(34,706)	135,717	41,960	13,709	219,593	(93,942)	898,474	(15,335,277)	
KY	(972,117)	(2,613,345)	(1,711,943)	(1,685,651)	(6,105,799)	1,039,714	(987,797)	(1,900,726)	(846,937)	(1,949,780)	(481,129)	(726,399)	278,741	300,553	242,973	490,694	85,240	(69,888)	3,157	15,993	411,502	118,594	3,080,300	(13,984,588)	
LA	(8,020,467)	(4,901,427)	(8,081,525)	(5,632,957)	(4,972,232)	(3,659,319)	(3,425,736)	(3,659,319)	(2,927,274)	(1,371,145)	1,170,990	2,316,624	(1,064,085)	4,220,542	242,578	(5,790,862)	(1,324,643)	(768,991)	861,527	865,535	1,209,227			(46,062,451)	
MA	(1,619,984)	(8,167,025)	(6,918,555)	(3,213,291)	(11,444,578)	(9,782,691)	(10,042,139)	(12,599,330)	(9,338,177)	(6,178,892)	(1,757,820)	(1,057,793)	1,474,776	264,916	1,047,753	1,701,023	1,394,340	(367,746)	166,702	165,840	1,630,536	2,230,567	3,965,616	(68,445,954)	
MD	(1,079,099)	(2,467,507)	(2,908,692)	(1,985,404)	(4,884,332)	(6,035,137)	(5,567,797)	(4,763,419)	(3,532,965)	(379,321)	(563,011)	(125,545)	732,860	(1,078,301)	2,917,704	(65,343)	(454,420)	16,883	466,646	792,109	2,825,556			(33,100,495)	
ME	(368,457)	(943,732)	(1,418,772)	(403,358)	(932,529)	(336,826)	(542,391)	(2,542,755)	(931,351)	(356,322)	(183,949)	(19,726)	(98,378)	623,597	(29,265)	162,582	182,029	(21,008)	8,550	21,899	39,689	38,982	83,310	(5,950,182)	
MI	(2,232,867)	(5,663,505)	(13,572,327)	(3,658,523)	(8,467,189)	(7,670,824)	(10,395,248)	(15,879,072)	(5,859,948)	(3,689,809)	(1,307,827)	(579,108)	3,115,476	865,091	1,143,801	788,908	(849,668)	(473,185)	113,617	(128,866)	1,793,459	1,484,977	3,691,056	(63,431,580)	
MN	(436,977)	(2,871,177)	(3,524,674)	(1,168,885)	(2,093,145)	(5,676,982)	(1,841,134)	(4,793,252)	(2,623,395)	(1,986,267)	(792,645)	(235,710)	736,014	163,479	1,081,855	986,317	202,103	(26,584)	(698,018)	(226,998)	664,352	2,251,446	1,018,030	(21,892,244)	
MO	(926,326)	(2,507,649)	(3,011,426)	(2,957,528)	(3,610,418)	(7,200,805)	(5,682,497)	(2,774,650)	(762,609)	(2,624,542)	1,631,391	400,105	1,826,796	745,519	(861,764)	532,862	(501,177)	(1,468,294)	(252,089)	843,862				(40,277,623)	
MS	(1,047,790)	(2,045,099)	(858,228)	(1,331,768)	(1,607,821)	(2,739,267)	(2,322,452)	(1,869,648)	(1,071,547)	(2,079,581)	(713,476)	29,938	11,912	319,705	284,874	820,046	1,196,090	(71,830)	74,058	(21,031)	519,847	174,515	426,680	(13,921,876)	
MT	(701,408)	(172,614)	(763,847)	(307,109)	(301,924)	139,820	(50,028)	(685,605)	(50,028)	(102,158)	(432,510)	(519,442)	300,103	(165,333)	16,200	(315,797)	24,901	59,244	(64,805)	116,121	230,643	176,136			(2,992,002)
NC	(363,066)	(1,710,356)	(2,466,881)	(3,922,030)	(3,489,210)	(2,570,353)	(5,799,241)	(3,310,643)	(2,177,946)	(2,332,732)	(1,427,931)	852,227	387,502	791,273	(27,180)	20,480	336,046	(691,919)	(267,431)	(172,206)	691,621	720,568	(539,239)	(27,468,646)	
ND	30,839	(47,981)	(62,905)	(43,603)	(128,055)	(47,393)	167,408	(256,316)	(362,552)	(205,430)	(140,117)	6,465	(83,796)	(5,723)	(506)	4,953		(1,807)	709		11,359	18,262		(1,099,759)	
NE	(1,026,755)	(754,512)	(976,565)	(360,470)	(626,654)	(986,923)	(733,609)	(1,570,189)	(897,029)	(746,214)	(1,138,152)	(459,662)	88,451	(11,134)	243,052	560,766	76,043	(155,640)	(72,838)	(8,363)	113,271	(869,211)	427,152	(9,885,187)	
NH	(160,842)	(915,560)	(1,673,663)	(1,418,656)	(918,237)	(846,506)	(1,661,405)	(483,568)	(635,218)	(316,249)	(535,514)	254,937	197,811	179,482	(331,693)	(4,991)		(93,019)	11,029	105,220				(10,512,021)	
NJ	(3,527,899)	(14,842,702)	(9,214,511)	(9,478,232)	(17,473,548)	(13,404,693)	(19,469,887)	(15,403,375)	(17,354,564)	(5,331,344)	(4,130,841)	261,731	4,116,009	2,650,081	1,527,960	2,901,531	1,259,216	(423,472)	1,117,607	443,858	3,336,628	4,930,872	7,082,409	(100,069,165)	
NM	(99,023)	(687,096)	(1,533,795)	(968,899)	(4,544,487)	(924,408)	(685,132)	(2,210,274)	11,113	(586,780)	(447,032)	(29,534)	202,131	(212,963)	(48,355)	191,884	53,418	17,789	14,580	(254,275)	90,711	72,179	144,400	(12,433,851)	
NV	(362,170)	(477,345)	(1,402,888)	(113,366)	(250,564)	(2,859,978)	(1,301,515)	(2,576,632)	(2,546,694)	(2,636,375)	(456,853)	(1,092,772)	(1,119,316)	(242,847)	26,734	952,785	260,837	(65,012)	139,092	59,458	383,461	104,846	655,618	(14,921,496)	
NY	(6,194,310)	(29,861,053)	(19,875,570)	(17,003,008)	(39,100,982)	(20,692,413)	(34,504,570)	(31,086,905)	(43,962,481)	(40,694,753)	(16,915,531)	(5,311,800)	8,693,953	(3,064,576)	3,892,483	15,203,230	2,043,853	(1,121,139)	727,469	1,588,457	4,645,493	8,871,762	8,395,752	(255,426,641)	
OH	(2,218,075)	(4,821,778)	(5,018,758)	(5,570,428)	(3,411,663)	(6,128,213)	(8,556,354)	(6,644,584)	(3,819,716)	(2,844,797)	(2,605,686)	(917,831)	553,767	881,046	(686,622)	3,098,957	510,493	(262,153)	196,437	(255,864)	777,329	912,326	1,383,940	(45,448,244)	
OK	(491,815)	(2,099,344)	(2,140,916)	(1,674,466)	(5,938,466)	676,361	(3,383,114)	(4,744,359)	(7,660,587)	(11,986,140)	(5,617,150)	(2,788,284)	1,969,129	(4,807,841)	1,038,484	2,656,206	(473,186)	733,530	1,530,875	482,805	(325,275)	(48,997)	3,086,282	(42,006,268)	
OR	(1,304,376)	(2,186,298)	(2,623,564)	(2,109,259)	(1,812,027)	(865,183)	(2,088,867)	(2,017,254)	(2,840,476)	(2,303,306)	(2,113,417)	(587,709)	439,859	(1,287,060)	766,537	2,831,784	184,631	14,522	51,995	166,843	1,226,073	282,141	2,132,582	(16,041,830)	
PA	(4,022,104)	(12,331,595)	(18,718,932)	(13																					

AIG - Auto Liability Moving Premium  
Legacy (Average Method) and Pre-Legacy Combined  
Divisions 50 and 55  
Div 50 VA/VT adjusted  
Adjustment for low loss ratio AL contracts

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
AK	(136,934)	(290,032)	(351,690)	(118,348)	(14,913)	(57,741)	(1,042,821)	1,161,378	159,411	113,193	(2,434)	(7,304)	17,102	14,173	5,621	11,684	1,910	(7,619)	(1,819)	(7,198)	(5,760)	(4,481)	(167)	(564,791)
AL	(201,270)	(882,020)	(1,804,708)	(948,843)	(3,215,226)	(419,495)	120,531	1,869,631	3,410,862	1,064,517	(616,056)	19,078	243,987	114,649	70,256	100,224	18,380	(580,395)	152,768	(28,454)	710	(67,675)	72,952	(1,505,548)
AR	(879,556)	(410,160)	(930,278)	(132,951)	(2,018,943)	(348,726)	(198,446)	1,006,895	867,854	429,120	(351,062)	23,925	89,522	76,479	73,962	93,386	(7,160)	(86,186)	1,519	(21,746)	(77,637)	(54,489)	20,046	(2,834,633)
AZ	(465,894)	(1,250,735)	(1,304,697)	(877,837)	(5,042,487)	(2,102,721)	(2,076,117)	395,262	1,008,390	829,074	(889,001)	368,588	233,434	(225,828)	(131,783)	2,587,662	62,930	(18,277)	(117,298)	250	(156,550)	(90,697)	(23,268)	(9,287,600)
CA	(1,392,082)	(198,811)	(8,632,571)	(7,226,497)	(2,998,827)	(7,398,870)	(2,795,424)	2,152,615	5,611,379	6,927,166	(1,030,221)	(2,240,224)	1,589,486	1,587,679	45,998	(2,073,462)	(287,788)	(552,377)	(288,112)	622,813	28,482	(975,092)	840,462	(18,684,277)
CO	(242,932)	(166,573)	(1,118,581)	(124,446)	(573,792)	128,164	(244,447)	102,149	1,058,489	842,216	(98,614)	579,996	(89,394)	(136,974)	(960,432)	305,392	(32,408)	(76,364)	(443,210)	(44,150)	(29,933)	(130,378)	(198,866)	(1,695,088)
CT	(338,278)	(1,756,945)	(1,926,596)	(2,099,876)	(783,551)	(452,249)	142,784	1,087,974	1,514,911	1,317,168	(20,352)	95,500	48,858	118,681	28,163	(20,825)	37,268	(79,956)	(52,069)	(127,778)	(86,109)	95,272	141,472	(3,116,533)
DC	(86,852)	(182,776)	(145,057)	(20,973)	(190,097)	157,782	226,621	65,012	58,882	77,236	(76,504)	(83,352)	61,344	17,729	70,268	55,324	(6,563)	(19,713)	(4,445)	(135,473)	(4,423)	7,984	(82,568)	(240,615)
DE	(4,930)	(505,396)	(439,777)	(187,708)	(347,198)	(316,430)	125,524	90,760	364,846	243,832	61,243	(225,641)	(1,181)	(36,244)	(50,966)	3,011	(27,153)	(37,133)	(691)	(74,692)	(69,355)	25,768	11,240	(1,398,272)
FL	(1,648,194)	(2,051,329)	(4,241,627)	(3,520,688)	(2,623,403)	219,775	799,446	1,663,215	3,570,695	2,761,156	2,813,466	(111,817)	1,004,353	793,264	873,844	(117,905)	111,095	(368,256)	(89,665)	(792,906)	(368,288)	593,296	256,463	(474,009)
GA	(356,295)	(1,119,960)	(1,896,081)	(559,227)	(68,090)	(51,358)	4,318,165	2,735,187	2,002,048	688,714	295,713	99,872	549,097	76,201	56,419	318,849	(439,159)	(8,987)	(294,723)	10,181	(62,266)	(378,813)	5,145,787	(378,813)
HI	14,334	(112,971)	(107,527)	(36,460)	(43,918)	(248,426)	(282,128)	(1,077,985)	(404,294)	536,841	(53,573)	223,164	(20,610)	15,500	(25,012)	38,194	7,932	(11,564)	(10,903)	(10,470)	(18,685)	(8,403)	(329,530)	(1,966,495)
IA	(49,018)	(331,607)	(542,885)	(27,884)	(403,957)	(191,501)	(113,258)	400,874	691,702	160	(42,833)	(71,448)	3,491	38,326	(5,436)	55,798	(7,000)	(51,997)	(13,913)	(20,131)	(17,054)	67,435	(38,626)	(240,615)
ID	(305,493)	(86,376)	(421,612)	(830,457)	(1,507,461)	(758,085)	(346,894)	(53,211)	20,483	(69,718)	(333,160)	(17,560)	39,971	(32,896)	39,052	1,012,067	2,282	(3,942)	(16,195)	(8,505)	(4,183)	(21,939)	(82,787)	(3,786,618)
IL	(993,620)	(2,398,265)	(5,606,580)	(7,997,149)	(3,664,199)	(2,658,841)	(458,431)	171,280	3,199,663	3,744,501	321,009	560,276	841,142	2,122,450	309,395	249,556	289,327	(332,662)	(177,627)	17,193	(393,375)	(190,386)	604,901	(6,940,441)
IN	(43,293)	(510,823)	(1,603,109)	(2,132,765)	(31,940)	(960,499)	(45,115)	1,489,528	1,772,946	1,285,510	(1,451,036)	(1,747,534)	(83,124)	(178,487)	(85,422)	9,496	(370,555)	(8,987)	(294,723)	34,861	(166,672)	8,193	(4,934,820)	(378,813)
KS	(211,411)	(172,884)	(577,857)	610,196	(111,356)	948,426	(109,568)	(138,785)	141,825	321,808	205,440	95,493	(42,017)	170,598	463,821	403,734	(23,044)	(38,420)	(11,141)	(42,404)	(97,108)	(144,676)	(479,844)	1,160,825
KY	821,538	(445,171)	(675,826)	(413,047)	(568,352)	214,797	46,073	877,188	447,088	650,667	(165,701)	657	217,143	(121,526)	(101,877)	38,975	88,668	(84,381)	(9,538)	(218,031)	(30,750)	(123,959)	387,403	(664,461)
LA	(791,952)	(1,384,485)	(629,163)	(203,227)	(1,488,382)	1,523,280	2,206,606	4,249,544	1,097,947	1,585,193	(690,901)	(180,128)	149,955	(656,119)	(382,864)	(25,589)	221,136	(943,795)	(177,591)	30,212	197,139	(122,112)	(356,700)	3,228,003
MA	(180,742)	(1,617,380)	(2,025,773)	(853,873)	416,249	420,216	3,490,052	1,224,183	2,150,104	281,983	(1,113,736)	320,202	(119,259)	(284,546)	(34,244)	116,688	(21,183)	(357,512)	40,724	(148,569)	(157,386)	121,915	(419,177)	1,248,937
MD	(696,117)	(1,084,333)	(6,608,688)	4,013,785	(1,299,369)	(510,765)	(701,474)	1,324,658	745,656	1,411,100	(314,125)	5,326	(77,816)	276,906	(135,451)	(341,759)	221,784	(379,680)	(37,474)	(485,292)	(4,387)	133,958	100,857	(4,300,800)
ME	(134,120)	(361,866)	(1,055,358)	(68,427)	(355,180)	(406,336)	(200,431)	149,286	142,714	74,231	(1,813)	21,038	10,495	3,212	9,046	(3,084)	(47,744)	(26,847)	(5,537)	(7,872)	(3,072)	(12)	27,678	(2,239,998)
MI	(900,451)	(1,432,905)	(3,026,211)	(343,736)	(1,861,419)	(982,789)	(47,055)	(2,140,637)	2,313,039	2,208,105	(788,452)	203,409	(2,255,223)	2,910,717	562,424	410,732	133,475	(112,845)	(18,202)	(278,602)	(157,313)	(100,306)	(245,588)	(5,949,833)
MN	(720)	(1,905,409)	(1,828,782)	(558,705)	(573,582)	(642,863)	121,725	596,053	1,411,337	467,739	(216,757)	(163,248)	380,946	78,437	(4,251)	(11,957)	116,619	(52,826)	(58,431)	(82,667)	(17,124)	(198,306)	(4,488)	(3,147,260)
MO	(624,431)	(983,256)	(1,755,949)	(1,416,689)	(941,322)	(873,388)	1,135,815	1,340,877	409,609	756,394	946,772	105,459	16,814	29,257	816,830	6,187	12,968	(68,388)	5,900	(143,617)	(99,186)	(84,015)	(613,111)	(2,020,474)
MS	(179,534)	(474,893)	(1,330,520)	66,455	(226,772)	(259,874)	309,020	1,784,435	836,364	1,411,100	(76,782)	8,567	34,370	(103,489)	122,678	65,865	(20,250)	(140,215)	35,820	(20,087)	(10,729)	(23,321)	(13,771)	1,079,661
MT	(171,719)	(158,554)	(259,078)	(167,524)	(167,415)	(28,606)	27,239	319,360	67,778	45,886	(51,224)	(722,971)	163,192	(5,613)	10,551	2,685	3,955	(14,618)	(6,661)	(20,694)	(9,421)	55,833	(1,094,449)	
NC	(141,723)	(494,803)	(2,342,569)	(1,641,075)	(1,208,626)	(396,322)	329,756	(435,973)	578,995	609,066	(135,982)	303,962	84,904	(788,913)	156,145	(330,276)	79,214	(472,063)	(127,177)	(105,698)	(198,400)	473,259	1,595,248	(4,609,103)
ND	(14,713)	(28,988)	(70,761)	(40,413)	861	(31,275)	33,271	24,656	56,875	25,009	(5,831)	(38,161)	41,774	1,683	4,628	(351)	376	(1,421)	(242)	(2,306)	(917)	(1,324)	(86)	(47,653)
NE	(80,458)	(121,515)	(450,547)	(187,394)	77,672	(96,311)	136,301	512,612	532,039	55,089	(88,803)	(33,062)	(189,752)	(66,109)	36,217	(114,750)	(3,517)	(40,535)	5,989	(66,363)	(80)	(8,274)	(17,130)	(208,681)
NH	(489,109)	(335,332)	(769,836)	(365,482)	(511,925)	(689,022)	(21,888)	334,689	403,668	359,832	(75,036)	71,619	79,331	23,437	11,506	37,398	(19,944)	23,782	(8,810)	(76,096)	(6,714)	4,000	(912)	(2,020,844)
NJ	(869,120)	(1,717,668)	(4,953,877)	(3,002,662)	(476,077)	(25,759)	2,683,998	1,607,539	5,417,184	5,243,739	2,059,041	(31,143)	237,368	912,414	(602,955)	(926,539)	(2,774)	(216,082)	50,547	(563,957)	(336,174)	(825,928)	(99,039)	3,562,075
NM	(157,211)	(312,534)	(438,795)	(365,840)	(357,652)	(334,382)	3,940	182,013	401,153	247,576	(253,304)	(50,208)	(144,768)	(7,265)	(82,348)	72,361	638	(10,693)	(16,178)	(17,754)	(68,124)	2,811	(1,649,138)	(84,791)
NV	227,005	(96,549)	1,177,587	(23,352)	190,670	1,861,740	64,985	1,227,283	2,495,299	2,310,598	(1,080,244)	1,265,404	6,876	(229,526)	13,115	(25,947)	38,510	(6,978)	(22,520)	(28,118)	(30,805)	(104,868)	(36,802)	9,193,365
NY	(2,203,218)	(7,049,513)	(6,808,666)	(2,636,149)	(1,546,086)	(4,057,291)	138,798	555,482	5,993,880	5,607,604	1,008,023	(579,403)	(41,936)	(739,941)	(36,697)	619,963	70,498	(575,830)	209,129	(1,526,978)	(201,633)	(76,612)	108,615	(13,767,960)
OH	416,972	475,560	(2,054,757)	(846,884)	(858,876)	(325,980)	197,218	1,605,213	1,895,273	1,785,125	(443,268)	(37,157)	453,696	(572,890)	(215,427)	400,889	(159,176)	(668,570)	(58,450)	(264,760)	(101,008)	(16,957)	88,737	694,340
OK	(407,056)	(942,687)	(695,575)	(1,674,840)	(499,383)	(1,244,704)	487,559	539,734	(89,354)	(712,288)	(1,015,271)	(623,870)	7,842	41,477	(19,504)	124,378	(59,519)	(353,704)	41,463	80,217	496,224	67,445	436,421	(6,014,995)
OR	(339,496)	(66,823)	(652,861)	(900,867)	(1,050,257)	(301,838)	(300,849)	446,086	(202,878)	(99,564)	(560,453)	(1,047,373)	(37,237)	(417,023)	33,376	(329,037)	(99,638)	998	19,064	(7,624)	(134,096)	(128,583)	(84,791)	(6,261,764)
PA	(1,122,248)	(2,861,265)	(4,228,320)	(2,494,069)	(3,312,804)	(3,150,768)	(542,079)	1,392,218	3,113,941	3,915,689	1,824,964	(212,705)	121,492	1,170,831	147,854	1,183,120	281,864	(540,069)	(72,556)	(298,973)	104,715	(352,188)	(428,805)	(6,360,160)
RI	(25,974)	(105,392)	(378,800)	(715,496)	(120,533)	95,750	(21,713)	(1,586,841)	603,260	217,432	(2,561)	(5,556)	(1,315)	68,226	4,308	(84,241)	22,370	18,340	(25,975)	(21,607)	49,346	14,161	(2,000,407)	
SC	328,819	(704,829)	(431,561)	(590,456)	(584,660)	(939,736)	241,266	871,205	432,768	736,623	267,970	(132,596)	248,389	245,780	1,081	(70,806)	(9,245)	(72,219)	(37,551)	(40,264)	(73,551)	132,064	(2	

Exhibit D  
Premium Taxes and Assessments Schedule

State	Additional Taxes and Assessments
AK	\$20,415
AL	\$1,795,442
AR	\$1,903,364
AZ	\$2,228,222
CO	\$1,585,866
DE	\$413,582
FL	\$3,834,711
GA	\$18,452
IA	\$394,092
ID	\$778,768
KY	\$297,647
LA	\$3,842,988
ME	\$194,884
MS	\$332,676
MT	\$685,691
NC	\$59,263
NE	\$50,285
NJ	\$1,797,139
NM	\$234,594
OK	\$3,216,153
OR	\$2,564,984
PA	\$4,633,500
RI	\$1,721,830
SC	\$1,109,427
TN	\$2,008,673
TX	\$10,784,737
Total	\$46,507,385

**Multistate Targeted Market Conduct Examination**  
of  
American International Group, Inc.

December 17, 2010 Regulatory Settlement Agreement

**PARTICIPATING REGULATOR ADOPTION**

On behalf of the Department of Insurance of the State of Idaho, I, William W. Deal, its  
Director, hereby adopt, agree and approve the AIG Regulatory Settlement Agreement.



DEPARTMENT OF INSURANCE, STATE OF IDAHO

BY: William W. Deal

Title: Director

Date:

2/23/2011