

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION  
STATE OF MISSOURI**

<b>In Re:</b>	)	
	)	
<b>AMERICAN HOME ASSURANCE COMPANY (NAIC # 19380)</b>	)	<b>Market Conduct Exam No. 1109-47 -TGT</b>
	)	
<b>AIG PROPERTY CASUALTY CO f/k/a CHARTIS PROPERTY CASUALTY COMPANY (NAIC #19402)</b>	)	<b>Market Conduct Exam No. 1109-45-TGT</b>
	)	
<b>COMMERCE AND INDUSTRY INSURANCE COMPANY (NAIC #19410)</b>	)	<b>Market Conduct Exam No. 1109-48-TGT</b>
	)	
<b>GRANITE STATE INSURANCE COMPANY (NAIC #23809)</b>	)	<b>Market Conduct Exam No. 1111-55-TGT</b>
	)	
<b>ILLINOIS NATIONAL INSURANCE COMPANY (NAIC # 23817)</b>	)	<b>Market Conduct Exam No. 1109-50-TGT</b>
	)	
<b>THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA (NAIC # 19429)</b>	)	<b>Market Conduct Exam No. 1109-51-TGT</b>
	)	
<b>AIG ASSURANCE COMPANY f/k/a CHARTIS CASUALTY COMPANY (NAIC # 40258)</b>	)	<b>Market Conduct Exam No. 1109-46-TGT</b>
	)	
<b>NATIONAL UNION FIRE INSURANCE COMPANY (NAIC #19445)</b>	)	<b>Market Conduct Exam No. 1109-52-TGT</b>
	)	
<b>NEW HAMPSHIRE INSURANCE COMPANY (NAIC # 23841)</b>	)	<b>Market Conduct Exam No. 1109-53-TGT</b>
	)	

**ORDER OF THE DIRECTOR**

NOW, on this 5 day of March, 2015, Director John M. Huff, after consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (the "Stipulation") and Corrective Action Plan (the "CAP") entered into between the Division of Insurance Market

Regulation and American Home Assurance Company (NAIC #19380), AIG Property Casualty Company f/k/a Chartis Property Casualty Company (NAIC #19402), Commerce and Industry Insurance Company (NAIC #19410), Granite State Insurance Company (NAIC #23809), Illinois National Insurance Company (NAIC #23817), The Insurance Company of the State of Pennsylvania (NAIC #19429), AIG Assurance Company f/k/a Chartis Casualty Company (NAIC #40258), National Union Fire Insurance Company (NAIC #19445), and New Hampshire Insurance Company (NAIC #23841) (hereinafter collectively referred to as "AIG Companies"), and the Termination of Agreement entered into between the Missouri Department of Insurance, Financial Institutions and Professional Registration and American International Group, Inc. and its affiliated insurers writing workers compensation insurance (the "Termination Agreement") does hereby issue the following orders:

This order, issued pursuant to §§374.046.15 and §374.280 RSMo (Cum. Supp. 2013) is in the public interest.

IT IS THEREFORE ORDERED that, the AIG Companies and the Division of Insurance Market Regulation having agreed to the Stipulation and the CAP, the Director does hereby approve and agree to the Stipulation and the CAP.

IT IS FURTHER ORDERED that the Director does hereby approve and agree to the Termination Agreement.

IT IS FURTHER ORDERED that the AIG Companies shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the AIG Companies in full compliance with the requirements of the Stipulation and the CAP and to maintain those remedial actions at all times.

IT IS FURTHER ORDERED that the AIG Companies shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept,

the Voluntary Forfeiture of \$1,250,000 (one million two hundred fifty thousand dollars) payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 5 day of March, 2015.

  
John M. Huff, Director



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INSTITUTIONS AND PROFESSIONAL REGISTRATION  
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<b>ILLINOIS NATIONAL INSURANCE CO. (NAIC # 23817)</b>	)	<b>Market Conduct Exam No. 1109-50-TGT</b>
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<b>THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA (NAIC # 19429)</b>	)	<b>Market Conduct Exam No. 1109-51-TGT</b>
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<b>AIG ASSURANCE COMPANY f/k/a CHARTIS CASUALTY COMPANY (NAIC # 40258)</b>	)	<b>Market Conduct Exam No. 1109-46-TGT</b>
	)	
<b>NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, Pa. (NAIC #19445)</b>	)	<b>Market Conduct Exam No. 1109-52-TGT</b>
	)	
<b>NEW HAMPSHIRE INSURANCE COMPANY (NAIC # 23841)</b>	)	<b>Market Conduct Exam No. 1109-53-TGT</b>

**STIPULATION OF SETTLEMENT  
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division") and American Home Assurance Company (NAIC #19380), AIG Property Casualty

Company f/k/a 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), The Insurance Company of the State of Pennsylvania (NAIC #19429), AIG Assurance Company f/k/a Chartis Casualty Company (NAIC #40258), National Union Fire Insurance Company of Pittsburgh, Pa. (NAIC # 19445), and New Hampshire Insurance Company (NAIC # 23841) (hereinafter collectively referred to as “AIG Companies”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, the AIG Companies have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Examination of each of the AIG Companies; and

WHEREAS, the Market Conduct Examination revealed that:

1. The AIG Companies failed to make individual risk filings with the Director for 2158 large deductible workers compensation insurance policies with Missouri premium or exposure in violation of §287.947 RSMo<sup>1</sup>;
2. In numerous instances, the AIG Companies failed to use mandatory forms in violation of §287.955.3;
3. The AIG Companies used withdrawn forms in violation of §287.310;
4. The AIG Companies erred in calculating the Administrative Surcharge rate and in collecting the Administrative Surcharge in violation of §287.716 and 287.717.1;
5. In 20 instances, the AIG Companies attached a waiver of subrogation to policies in the construction group of class codes in violation of §287.150.6, §287.950.6, and §287.955.3;
6. In 26 instances, the AIG Companies incorrectly calculated the employer’s liability increased limits in violation of §287.955.3;

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1 All references, unless otherwise noted, are to Missouri Revised Statutes, as amended.

7. In 8 instances, the AIG Companies incorrectly calculated the scheduled rating modification in violation of §287.937, §287.947, 287.950 and §287.955;
8. In 1 instance, the AIG Companies applied a premium discount in error in violation of §287.947 and §287.955.3;
9. In 3 instances, the AIG Companies incorrectly applied the experience modification factor in violation of §287.955.1;
10. The AIG Companies reported losses on a gross basis without obtaining the written agreement of the policyholders in violation of §287.310.4, §287.350 and 20 CSR 100-88.040;
11. The AIG Companies failed to provide timely AIG responses to some information requests in violation of §374.205.

WHEREAS, the AIG Companies allege, that pursuant to filed and approved rating plans, they provided a premium reduction to policyholders who paid unallocated loss adjustment expenses directly to a third party claims administrator.

WHEREAS, the Division alleges that amounts paid directly to third party administrators by an insured for premium or charges for insurance (including, without limitation, such amounts described in the above paragraph) should be accounted for in premium development by the AIG Companies for premium tax purposes pursuant to §287.690.

WHEREAS, without admission of wrongdoing or statutory violation, the AIG Companies have agreed to address the premium tax issue on a prospective basis pursuant to the Corrective Action Plan referenced in Section B below.

WHEREAS, the Division and the AIG Companies have agreed to resolve the issues raised in the Market Conduct Examination as follows:

**A. Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

**B. Remedial Action.** The AIG Companies agree to take remedial action bringing them

into compliance with the statutes and regulations of Missouri and agree to maintain those remedial actions at all times, to reasonably assure that the errors noted in the above-referenced market conduct examinations do not recur. Such remedial actions are contained in a Corrective Action Plan agreed to by the parties.

C. **Compliance.** The AIG Companies agree to file documentation with the Division within 180 days of the entry of a final order of all remedial action taken pursuant to the Corrective Action Plan and to document the payment of restitution required by this Stipulation or by the Corrective Action Plan.

D. **Voluntary Forfeiture.** The AIG Companies agree, voluntarily and knowingly, to surrender and forfeit the sum of \$1, 250,000 (one million two hundred fifty thousand dollars), such sum payable to the Missouri State School Fund, in accordance with §374.049 and §374.280 RSMo Supp. 2013.

E. **Other Penalties.** The Division agrees that it will not seek penalties against the AIG Companies, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Examinations 1109-47-TGT, 1109-45-TGT, 1109-48-TGT, 1111-55-TGT, 1109-50-TGT, 1109-51-TGT, 1109-46-TGT, 1109-52-TGT, and 1109-53-TGT.

F. **Waivers.** The AIG Companies, after being advised by legal counsel, do hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examinations.

G. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

H. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be governed and construed in accordance with the laws of the State of Missouri.

I. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

J. **Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture shall

not become effective until entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

**K. Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and Voluntary Forfeiture and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

**L. No. Admission.** The parties hereto agree that neither this document nor the agreements, settlements or compromises contemplated herein are to be deemed as an admission of any violation, fault, improper conduct or negligence on the part of the AIG Companies, and further, the parties agree that the Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed fact and legal allegations and that the payment of the voluntary forfeiture is merely to resolve disputes and avoid further action in this matter without conceding that the agreements, settlements and compromise contemplated herein settle any question of law by either party.

DATED: 3/4/2015



Angela Nelson  
Director, Division of Insurance  
Market Regulation

DATED: 3/4/2015



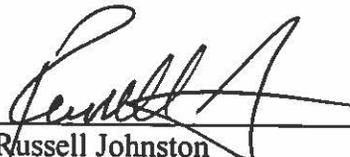
Stewart Freilich  
Senior Regulatory Affairs Counsel  
Attorney for Division of Market Regulation

DATED: 2/27/2015



Russell Johnston  
Executive Vice President  
American Home Assurance Company

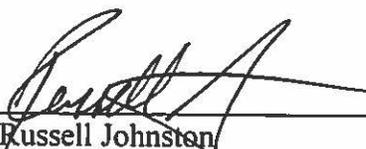
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Russell Johnston  
Executive Vice President  
AIG Property Casualty Company f/k/a  
Chartis Property Casualty Company

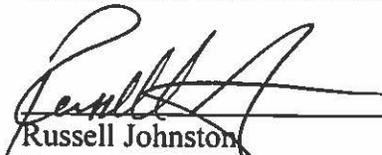
DATED: 2/27/2015

  
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Russell Johnston  
Executive Vice President  
Commerce and Industry Insurance Company

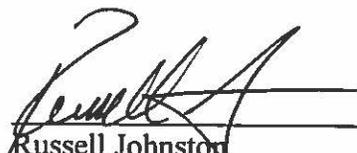
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Russell Johnston  
Executive Vice President  
Granite State Insurance Company

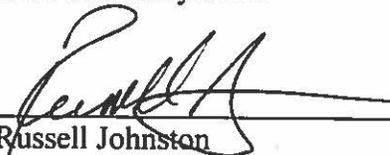
DATED: 2/27/2015

  
\_\_\_\_\_  
Russell Johnston  
Executive Vice President  
Illinois National Insurance Co.

DATED: 2/27/2015

  
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Russell Johnston  
Executive Vice President  
The Insurance Company of the  
State of Pennsylvania

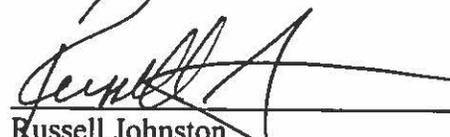
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Russell Johnston  
Executive Vice President  
AIG Assurance Company f/k/a  
Chartis Casualty Company

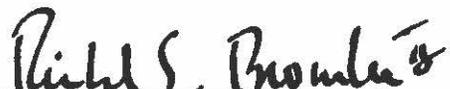
DATED: 2/27/2015

  
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Russell Johnston  
Executive Vice President  
National Union Fire Insurance Company of  
Pittsburgh, Pa.

DATED: 2/27/2015

  
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Russell Johnston  
Executive Vice President  
New Hampshire Insurance Company

DATED: 2/27/2015  
3/2/2015

  
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Richard S. Brownlee, III  
Attorney for the AIG Companies