

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of American International	:	Companies Act, Article XIV of the
Group, Inc. Requesting Exemption from	:	Insurance Company Law of 1921, Act of
the Requirements of 40 P.S. §991.1402	:	May 17, 1921, P.L. 682, <u>as amended</u> , 40
for the Reorganization of the Holding	:	P.S. §§991.1401, 991.1402, and
Company System Containing	:	991.1403
Birmingham Fire Insurance Company of	:	
Pennsylvania; National Union Fire	:	
Insurance Company of Pittsburgh, Pa.;	:	
The Insurance Company of the State of	:	
Pennsylvania; New Hampshire Insurance	:	
Company; AIG Centennial Insurance	:	
Company; AIG Preferred Insurance	:	
Company; AIG Premier Insurance	:	
Company; AIG Indemnity Insurance	:	
Company; American International South	:	
Insurance Company; Granite State	:	
Insurance Company; and New	:	
Hampshire Indemnity Company, Inc.	:	Order No. ID-RC-06-37

DECISION AND ORDER

AND NOW, on this 17th day of November, 2006, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Involved Entities

Identity of Directly Involved Entities

1. Birmingham Fire Insurance Company of Pennsylvania (“Birmingham”) is a stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in New York, New York.
2. National Union Fire Insurance Company of Pittsburgh, Pa. (“National Union”) is a stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in New York, New York.
3. The Insurance Company of the State of Pennsylvania (“Insurance Company of PA”) is a stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in New York, New York.
4. NHIG Holding Corp. (“NHIG”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business located in New York, New York.
5. American International Group, Inc. (“AIG”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in New York, New York.
6. Birmingham, National Union, Insurance Company of PA and NHIG are all direct wholly-owned subsidiaries of AIG.
7. The stock of AIG is publicly traded on the New York, London, Paris, Swiss and Tokyo stock exchanges.

Identity of Domestic Insurer Subsidiaries of National Union

8. The following are domestic insurance subsidiaries of National Union organized under the laws of the Commonwealth of Pennsylvania with their principal place of business in Wilmington, Delaware:
 - a) AIG Centennial Insurance Company (“AIG Centennial”) is a stock casualty insurance company.

- b) AIG Preferred Insurance Company (“AIG Preferred”) is a stock casualty insurance company.
 - c) AIG Premier Insurance Company (“AIG Premier”) is a stock property insurance company.
 - d) AIG Indemnity Insurance Company (“AIG Indemnity”) is a stock casualty insurance company.
9. AIG Centennial, AIG Preferred, AIG Premier and AIG Indemnity are collectively referenced hereafter as “National Union Insurers.”

Identity of Domestic Insurer Subsidiaries of NHIG

10. The following are domestic insurance subsidiaries of NHIG organized under the laws of the Commonwealth of Pennsylvania with their principal place of business in New York, New York:
- a) New Hampshire Insurance Company (“New Hampshire”) is a stock property insurance company.
 - b) American International South Insurance Company (“AI South”) is a stock casualty insurance company.
 - c) Granite State Insurance Company (“Granite State”) is a stock property insurance company.
 - d) New Hampshire Indemnity Company, Inc. (“New Hampshire Indemnity”) is a stock casualty insurance company.
11. New Hampshire, AI South, Granite State and New Hampshire Indemnity are collectively referenced hereafter as “NHIG Insurers.”
12. Birmingham, National Union, Insurance Company of PA, NHIG, National Union Insurers and NHIG Insurers are collectively referenced hereafter as “PA Domestic Insurers.”
13. AIG is the sole ultimate controlling person of the PA Domestic Insurers.

Filing of the Application

14. On October 25, 2006, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from AIG for approval to effectuate a corporate restructuring which will result in a change in the chain of control within the holding company system of the PA Domestic

Insurers, although the sole ultimate controlling person of the PA Domestic Insurers will not change.

15. As described in the Request, the restructuring will be accomplished by and through the following steps:
 - a) AIG will contribute to NHIG the shares of Birmingham, National Union and Insurance Company of PA. This transfer will cause a direct change in control of Birmingham, National Union and Insurance of PA along with an indirect change of control of the National Union Insurers.
 - b) AIG will create a second holding company to be called AIG Property Casualty Group, Inc. ("AIG PCG"). AIG PCG will be a direct, wholly-owned subsidiary of AIG and will own 100% of the stock of NHIG. The creation of AIG PCG will cause an indirect change of control of the PA Domestic Insurers.
16. Section 1402 of the Insurance Holding Companies Act provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
17. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
18. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction is not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer.
19. As provided in the Request, the sole ultimate controlling person of the PA Domestic Insurers will remain AIG after consummation of the contemplated transactions.
20. The Deputy Commissioner finds that the transactions described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
21. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Deputy Commissioner has concluded that the Request satisfies the requirements of all applicable laws and regulations.
3. The restructuring of the holding company system proposed in the Request is not being contemplated to change or influence the ultimate control of the PA Domestic Insurers and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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Company; AIG Preferred Insurance	:	
Company; AIG Premier Insurance	:	
Company; AIG Indemnity Insurance	:	
Company; American International South	:	
Insurance Company; Granite State	:	
Insurance Company; and New	:	
Hampshire Indemnity Company, Inc.	:	Order No. ID-RC-06-37

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the application of American International Group requesting exemption from the requirements of 40 P.S. §991.1402 for the reorganization of the holding company system containing Birmingham Fire Insurance Company of Pennsylvania; National Union Fire Insurance Company of Pittsburgh, Pa.; The Insurance Company of the State of Pennsylvania; New Hampshire Insurance Company; AIG Centennial Insurance Company; AIG Preferred Insurance Company; AIG Premier Insurance Company; AIG Indemnity Insurance Company; American International South Insurance Company; Granite State Insurance Company; and New Hampshire Indemnity Company, Inc., as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and valid for one year from the date of signature, provided there are no material changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner