

BEFORE THE INSURANCE DEPARTMENT
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. in Support of the Request	:	Insurance Company Law of 1921,
for Approval to Acquire Control of	:	Act of May 17, 1921, P.L. 682, <u>as</u>
American General Life Insurance	:	<u>amended</u> , 40 P.S. §§991.1401,
Company of Pennsylvania	:	991.1402 and 991.1403; Chapter 25
	:	of Title 31 of the Pennsylvania Code,
	:	31 Pa. Code §§25.1-.23
	:	
	:	Order No. ID-RC-01-22

DECISION AND ORDER

AND NOW, on this 21 day of August, 2001, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania ("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 Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Involved Companies

Identity of Parties to the Application

1. 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.
2. The stock of AIG is publicly traded on the New York, London, Swiss and Tokyo stock exchanges.

3. Washington Acquisition Corporation ("Merger Sub") is a newly formed business corporation organized under the laws of the State of Texas, with its principal place of business in New York, New York. Merger Sub is a wholly-owned subsidiary of AIG.
4. American General Corporation ("AG Corporation") is an insurance holding company organized under the laws of the State of Texas with its principal place of business in Houston, Texas.
5. The stock of AG Corporation is publicly traded on the New York, Pacific, London and Swiss stock exchanges.

Identity of Pennsylvania Domestic Insurer to be Acquired

6. American General Life Insurance Company of Pennsylvania ("American General Life") is a domestic stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Neptune, New Jersey. American General Life is an indirect wholly-owned subsidiary of AG Corporation.

Acquisition Filing

7. On May 11, 2001, AIG, Merger Sub and AG Corporation executed an Agreement and Plan of Merger ("Agreement") under which AIG will acquire control of American General Life by means of a merger at the holding company level between Merger Sub and AG Corporation.
8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. ("Insurance Holding Companies Act"), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
9. On June 1, 2001, the Insurance Department of the Commonwealth of Pennsylvania ("Department") received an application (which together with all material received subsequently is hereinafter referenced as "Application") from AIG for approval to acquire control of American General Life.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

11. On June 16, 2001, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by AIG and such notice invited interested persons to submit comments to the Department regarding the Application for thirty (30) days following the date of the publication ("Comment Period").
12. During the Comment Period, the Department received no comments regarding the proposed Application.

Description of the Proposed Acquisition

13. As described in the Application:
 - a) Merger Sub will be merged with and into AG Corporation with each share of Merger Sub issued and outstanding to AIG immediately prior to the effective date of the merger being converted into common shares of AG Corporation on the effective date,
 - b) All shareholders of AG Corporation immediately prior to the effective date of the merger will receive the right to receive a fraction of a share of AIG common stock in exchange for each share of common stock of AG Corporation based on a formula giving consideration to the average selling price of AIG common stock over a prescribed number of days preceding the effective date of the merger,
 - c) AIG will pay AG Corporation shareholders the value of any fractional share in cash, and
 - d) AG Corporation will become a wholly-owned subsidiary of AIG.
14. As stated in the Application, the Board of Directors of AIG and AG Corporation consented to adoption of the Agreement by resolutions dated May 10, 2001.
15. As stated in the Application, the shareholders of AG Corporation voted to approve and adopt the Agreement at a meeting held on August 15, 2001.
16. The instant Application requests approval for the change in control of American General Life that would result from the effectuation of the Agreement.

Standards for Review

17. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.

Licensing Requirements

18. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
19. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
20. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), American General Life is required to maintain a minimum paid up capital stock of \$1,100,000 to write the lines of insurance for which it is presently licensed.
22. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), American General Life is required to maintain a minimum paid in surplus of \$550,000 to write the lines of insurance for which it is presently licensed.
23. As of March 31, 2001, American General Life maintained the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.
24. Upon completion of the transaction, American General Life will have paid up capital in an amount that will satisfy the statutory minimum required of a life insurance company licensed to write the lines of authority currently held by American General Life.
25. Upon completion of the transaction, American General Life will have paid in surplus in an amount that will satisfy the statutory minimum required of a life insurance company licensed to write the lines of authority currently held by American General Life.

Competitive Impact

26. The acquisition of control of American General Life is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
27. The acquisition of control of American General Life will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of those insurance company subsidiaries of AG Corporation licensed to transact the business of insurance in Pennsylvania, including but not limited to American General Life, and the market share of the Pennsylvania licensed insurance company subsidiaries of AIG, as stated in the Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicant

28. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring party.
29. As of March 31, 2001, AIG reported:

Assets of \$320,800 million
Liabilities of \$279,048 million
Shareholder's Equity of \$41,752 million
30. On a pro forma basis, after the acquisition AIG will have:

Assets of \$445,156 million
Liabilities of \$394,827 million
Shareholder's Equity of \$50,329 million
31. The financial condition of AIG would not pose any impediments to the change in control nor jeopardize the financial condition of American General Life.

Plans for the Acquired Insurer

32. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
33. As provided in the Application, AIG has no future plans or proposals to liquidate American General Life, to sell its assets to or merge it with any person or persons or to make any other material change in its business or corporate structure or management.
34. As provided in the Application, American General Life's Articles of Incorporation and By-laws will not be changing as a result of the Agreement.

Management

35. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurers.
36. Biographical affidavits for all directors and executive officers of AIG were reviewed by the Department.
37. The Department is satisfied that the persons who would control the operations of American General Life have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
38. 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 change in control of American General Life.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:

- a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of American General Life.
 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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ORDER

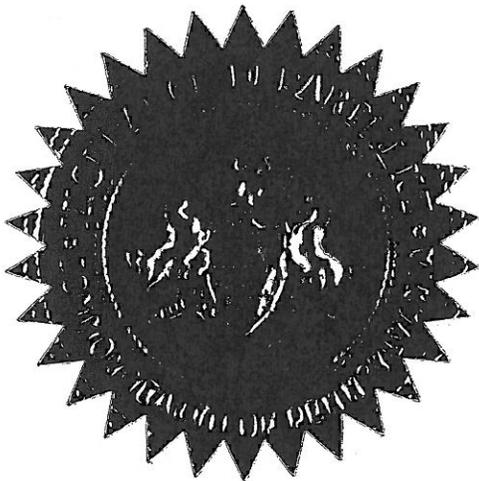
Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner") hereby makes the following Order:

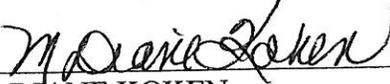
The acquisition of control by American International Group, Inc. ("AIG") of American General Life Insurance Company of Pennsylvania ("American General Life") as set forth in the Application, is hereby approved, subject to this Order and the following conditions:

1. All necessary regulatory filings and approvals are obtained prior to consummation of the Agreement and Plan of Merger.
2. AIG shall provide copies of the closing documents within five (5) days of consummation of the subject transaction.

3. AIG will file a formalized business plan for American General Life within 6 months after closing.

This Order is effective immediately.





M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania