

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

|   |   |                                       |
|---|---|---------------------------------------|
| In Re:                                    | : | Pursuant to Sections 1401, 1402,      |
|   | : | and 1403 of the Insurance             |
| Application of American International     | : | Holding Companies Act, Article        |
| Group, Inc. Requesting Exemption from     | : | XIV of the Insurance Company          |
| the Requirements of 40 P.S. §991.1402 for | : | Law of 1921, Act of May 17, 1921,     |
| a Change in the Control of an Insurance   | : | P.L. 682, <u>as amended</u> , 40 P.S. |
| Holding Company System, which includes    | : | §§991.1401, 991.1402, and             |
| AIG Casualty Company, American            | : | 991.1403                              |
| International South Insurance Company,    | : |                                       |
| Granite State Insurance Company,          | : |                                       |
| National Union Fire Insurance Company     | : |                                       |
| of Pittsburgh, Pa., New Hampshire         | : |                                       |
| Insurance Company and The Insurance       | : |                                       |
| Company of the State of Pennsylvania in   | : |                                       |
| Transactions Exempt from the Filing       | : |                                       |
| Requirements of 40 P.S. Section           | : |                                       |
| 991.1402(b)                               | : |                                       |
|   | : | Order No. ID-RC-09-38                 |

DECISION AND ORDER

AND NOW, on this 30th day of October, 2009, 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 the Parties

1. Granite State Insurance Company (“Granite State”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in New York, New York.
2. American International South Insurance Company (“American International”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in New York, New York.
3. New Hampshire Insurance Company (“NHIC”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in New York, New York. NHIC directly holds 100% of the issued and outstanding capital stock of Granite State and American International.
4. The Insurance Company of the State of Pennsylvania (“ICSP”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in New York, New York.
5. AIG Casualty Company (“AIG Casualty”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in New York, New York.
6. National Union Fire Insurance Company of Pittsburgh, Pa. (“National Union” and together with Granite State, American International, NHIC, ICSP and AIG Casualty referred to herein as “Domestic Insurers”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in New York, New York.
7. Chartis U.S., Inc. (“Chartis U.S.”) is an insurance holding company organized under the laws of Delaware with its principal place of business located in New York, New York. Chartis U.S. directly holds 100% of the issued and outstanding voting stock of NHIC, ICSP, AIG Casualty and National Union.
8. Chartis Inc. (“Chartis”) is an insurance holding company organized under the laws of Delaware with its principal place of business located in New York, New York. Chartis directly holds 100% of the issued and outstanding voting stock of Chartis U.S.

9. Chartis Holdings, Inc. (“Holdings”) is a business corporation organized under the laws of the State of Delaware with its principal place of business located in New York, New York.
10. AIUH LLC is a business corporation organized under the laws of the State of Delaware with its principal place of business located in New York, New York. AIUH LLC directly holds 100% of the issued and outstanding capital stock of Holdings.
11. American International Group, Inc. (“AIG”) is a business corporation organized under the laws of the State of Delaware with its principal place of business located in New York, New York. AIG directly holds 100% of the issued and outstanding capital stock of Chartis and directly holds 100% of the issued and outstanding membership interest of AIUH LLC.
12. AIG Credit Facility Trust (“Credit Facility”) is a trust governed by any applicable provisions of federal law, and, in the absence of federal law, under the laws of the State of New York with its principal place of business located in New York, New York. Credit Facility controls approximately 79.8% of the voting interests of AIG.
13. Credit Facility is the sole ultimate controlling person of Domestic Insurers.

#### Filing of the Application

14. On October 20, 2009, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from AIG for approval to effectuate a plan to change the chain of control of Domestic Insurers.
15. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.
16. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
17. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
  - a) does not have the effect of changing or influencing the control of a domestic insurer, or

- b) is otherwise not comprehended within the purposes of the section.

The Transaction

- 18. As described in the Application:
  - a. AIG would contribute the capital stock of Chartis to AIUH LLC;
  - b. AIUH LLC would contribute the capital stock of Chartis to Holdings;
  - c. Holdings would cause the merger of Chartis with and into Chartis U.S., with Chartis U.S. the surviving entity;
  - d. Holdings would change its name to Chartis Inc.
- 19. As described in the Application, Credit Facility would continue to be the ultimate controlling person of Domestic Insurers.
- 20. The Deputy Commissioner finds that the transactions described in the Application do not have the effect of changing or influencing the control of the Domestic Insurers.
- 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 controlling 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 jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transactions are not being contemplated to change or influence the ultimate control of Domestic Insurers, and, therefore, are exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
5. 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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|   |   |   |
|---|---|---|
| In Re:  | : | Pursuant to Sections 1401, 1402,<br>and 1403 of the Insurance   |
| Application of American International<br>Group, Inc. Requesting Exemption from<br>the Requirements of 40 P.S. §991.1402 for<br>a Change in the Control of an Insurance<br>Holding Company System, which includes<br>AIG Casualty Company, American<br>International South Insurance Company,<br>Granite State Insurance Company,<br>National Union Fire Insurance Company<br>of Pittsburgh, Pa., New Hampshire<br>Insurance Company and The Insurance<br>Company of the State of Pennsylvania in<br>Transactions Exempt from the Filing<br>Requirements of 40 P.S. Section<br>991.1402(b) | : | Holding Companies Act, Article<br>XIV of the Insurance Company<br>Law of 1921, Act of May 17, 1921,<br>P.L. 682, <u>as amended</u> , 40 P.S.<br>§§991.1401, 991.1402, and<br>991.1403 |
|   | : | Order No. ID-RC-09-38   |

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, Inc. requesting exemption from the requirements of 40 P.S. §991.1402 for the change in control of its insurance holding company system, which includes AIG Casualty Company, American International South Insurance Company, Granite State Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and The Insurance Company of the State of Pennsylvania, as set forth in the Application, is hereby granted.

This Order is effective immediately.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner