

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
AMERICAN INTERNATIONAL : The Insurance Company Law of 1921, as
INSURANCE GROUP, INC. and its : amended, 40 P.S. §§341, *et seq.*
subsidiaries AMERICAN : :
INTERNATIONAL SOUTH INSURANCE : Unfair Insurance Practices Act, 40 P.S
COMPANY, AIG CASUALTY COMPANY : §§1171.1, *et seq.*
(f/k/a BIRMINGHAM FIRE INSURANCE : :
COMPANY OF PENNSYLVANIA), : :
GRANITE STATE INSURANCE : Docket No. MS08-03-028
COMPANY, NATIONAL UNION FIRE : :
INSURANCE COMPANY OF : :
PITTSBURGH, PA., NEW HAMPSHIRE : :
INSURANCE COMPANY AND THE : :
INSURANCE COMPANY OF THE STATE : :
OF PENNSYLVANIA : :

Respondents

ALL INFORMATION OFFICE

2008 MAR 14 PM 2:23

INSURANCE DIVISION

SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

WITNESSETH:

WHEREAS, American International Group, Inc. ("AIG") is an insurance holding company within the meaning of 40 P.S. §§ 991.1401 et seq. (the "Pennsylvania Insurance Holding Company Act") which controls the following Pennsylvania-domiciled commercial property casualty insurance companies: American International South Insurance Company; AIG Casualty Company (f/k/a Birmingham Fire Insurance Company of Pennsylvania); 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 (collectively, the "Pennsylvania Insurers");

WHEREAS, the Insurance Commissioner of the Commonwealth of Pennsylvania (the "Commissioner") and the Insurance Department of the Commonwealth of Pennsylvania (the "Department") are the primary regulators of the Pennsylvania Insurers;

WHEREAS, the Department has conducted an investigation into the affairs of AIG, the Pennsylvania Insurers and certain of their subsidiaries and affiliates, including but not limited to the matters discussed in the two following paragraphs (the "Investigation");

WHEREAS, the Department alleges that AIG unlawfully deceived its regulators and other authorities by providing false and misleading information and responses to regulators, including misrepresentations concerning certain reinsurance arrangements;

WHEREAS, certain insurance regulators and state attorneys general, including the Department, have alleged generally that AIG and/or the Pennsylvania Insurers, along with other unrelated insurance companies, were active participants in a scheme with various insurance brokers to falsify quotes in order to facilitate the brokers' steering of business to preferred

insurers, in exchange for which the brokers similarly steered certain business to AIG and/or the Pennsylvania Insurers, and that such conduct created a false appearance of market competition to the detriment of consumers and violated the Unfair Insurance Practices Act and other laws;

WHEREAS, AIG and the Pennsylvania Insurers neither admit nor deny these allegations or those alleged during the Investigation or in this agreement (the "Agreement");

WHEREAS, each of the Pennsylvania Insurers is required pursuant to 40 P.S. § 443(a) to file annual and quarterly financial statements prepared in conformity with accounting practices prescribed or permitted by the Department;

WHEREAS, certain of the Pennsylvania Insurers re-filed their 2004 Annual Statement to reflect the results of AIG's internal review of information and certain transactions effected from January 2000 to December 2004 (the "Statutory Restatements");

WHEREAS, in 2006 AIG made aggregate capital contributions to certain of the Pennsylvania Insurers of more than \$670 million;

WHEREAS, AIG has paid \$375 million into a fund to be paid to AIG's policyholders who purchased or renewed excess casualty policies with the broker Marsh during the period from January 1, 2000 through September 30, 2004;

WHEREAS, various investigations, including the Department's, led AIG to agree to establish the \$375 million compensatory fund for policyholders on a nationwide basis;

WHEREAS, during the period of 2006 through and including 2008, AIG's offices situated and issuing policies in the United States have ceased all payments of Contingent Compensation to any non-exclusive, independent insurance agent or insurance broker relating to the placement of any excess casualty insurance policy;

WHEREAS, AIG has reviewed its practices relevant to the conduct and issues that are the subject of the Investigations and has adopted compliance efforts relevant to such conduct and issues;

WHEREAS, AIG and the Pennsylvania Insurers have been and are continuing to cooperate with the Investigation;

WHEREAS, AIG has adopted and under this Agreement will continue to implement a number of business reforms;

WHEREAS, the Department and AIG wish to enter into this Agreement to resolve all issues related to AIG, the Pennsylvania Insurers and their subsidiaries and affiliates, contained in the Investigation and the allegations in this Agreement; and

WHEREAS, the Department and the Commissioner find the relief and agreements contained in this Agreement appropriate and in the public interest, and are willing to accept this Agreement as a settlement of the Investigation and the allegations in this Agreement.

NOW, THEREFORE, AIG and the Department agree as follows:

1. AIG has paid to the Commonwealth of Pennsylvania the amount of \$2,613,350.90 to reimburse the Commonwealth of Pennsylvania for the costs incurred in connection with the investigation into the brokerage practices of AIG and the Pennsylvania Insurers. The Commonwealth of Pennsylvania shall not consider any portion of this amount to be a fine or penalty.
2. Within sixty (60) days following the execution date of this Agreement, AIG shall pay or cause to be paid the aggregate amount of \$2,525,400 (representing \$420,900 for each Pennsylvania Insurer), by wire transfer to the Department, to reimburse the Commonwealth of Pennsylvania for the costs incurred in connection with the Department's investigation into

whether the Pennsylvania Insurers provided false and misleading information and responses to regulators, including misrepresentations concerning certain reinsurance arrangements. The Commonwealth of Pennsylvania shall not consider any portion of this amount to be a fine or penalty.

3. AIG has paid to the Commonwealth of Pennsylvania the amount of \$1,813,613 for alleged injury caused by AIG's underpayment of insurance premium taxes and all other related fees and assessments for and including tax years 1985 to 1996 but not including workers compensation residual market assessments and guaranty fund assessments. The Commonwealth of Pennsylvania shall not consider any portion of this amount to be a fine or penalty; nor shall this payment be construed as releasing AIG from any further tax liability or assessment as may be determined to be appropriate upon further investigation or information.

4. Within sixty (60) days following the execution date of this Agreement, AIG shall pay or cause to be paid the aggregate amount of \$6,600,000 (representing \$1,100,000 for each Pennsylvania Insurer) as a fine, by wire transfer to the Department.

REINSURANCE REPORTING OBLIGATIONS

5. For a period of three (3) years beginning May 1, 2008, AIG will provide annually by May 1 of each year to the Commissioner a report that includes:

- a. A review of ceded and assumed reinsurance of AIG's property/casualty insurers required to file statutory financial statements on the National Association of Insurance Commissioners ("NAIC") blanks (the "Property/Casualty Insurers") verifying that all contracts comply with SSAP 62 and 75 and the new NAIC disclosure and attestation requirements

including the attestation that with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statements, to the best of AIG's knowledge and belief, after diligent inquiry and unless noted as an exception under the attestation requirement:

- i. Consistent with SSAP 62, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed;
- ii. For each such reinsurance contract entered into, renewed or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP 62 and 75, is available for review;
- iii. The reporting entity complies with all the requirements set forth in SSAP 62 and 75, and any supporting documentation is available for review; and

-
- iv. The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP 62 and 75.
- b. A list of all its affiliated insurers, categorized by domicile, whether controlled through ownership or otherwise under the Pennsylvania Insurance Holding Company Act. The list shall include the percentage of ownership or other means by which AIG controls the affiliated insurer.
- c. A list of its ownership of five percent or more of the voting shares of any non-affiliated insurer entities.
- d. A list of non-affiliated insurers to whom the Property/Casualty Insurers have ceded business during the preceding calendar year either directly, or through retrocession agreements if known, excluding those captive reinsurance entities that do not accept third party business, where the business ceded represents fifty percent or more of the entire direct and assumed premium written by the insurer, based upon such insurer's most recent publicly available financial statements.
- e. A list disclosing any letter of credit for which a Pennsylvania Insurer is the beneficiary and AIG, an AIG subsidiary and/or a Pennsylvania Insurer is/are directly or indirectly guaranteeing or providing collateral for the letter of credit or incurring the cost, except for parental letters of credit in accordance with New York

Insurance Department Regulation 20, similar regulations of other states, or with the permission of any state insurance department.

Such reports shall be certified by the Chief Reinsurance Officer and the Chief Executive Officer of American International Group, Inc. and a copy of such report shall be submitted to the Audit Committee of AIG.

6. The Chief Reinsurance Officer will maintain approved lists of reinsurers. AIG will not cede insurance to any reinsurer not set forth on those lists. Such lists will be available to the Commissioner upon examination. All approved reinsurance relationships will be reviewed by the Chief Reinsurance Officer and such review will include a written determination of whether the reinsurance entity is affiliated or controlled (by ownership, by contract or otherwise) by AIG.

7. AIG agrees not to enter into any arrangement, transaction or relationship with a reinsurer that has characteristics similar to those of Coral Re, Union Excess or Richmond.

ADDITIONAL BUSINESS REFORMS

8. DEFINITIONS

For purposes of this Agreement only, the following definitions shall apply:

- a. "Commercial Insurance Policy" means any contract, policy, agreement or binder of property or casualty insurance issued from a United States office of a Pennsylvania Insurer to a commercial or business enterprise or a governmental entity in the United States. For the avoidance of doubt, the term Commercial Insurance Policy does not include (i) insurance respecting a natural person's personal real property, personal automobile, or personal umbrella

coverage; (ii) group or individual (a) fixed and variable life insurance, (b) fixed and variable, immediate and deferred annuities, (c) accidental death and dismemberment insurance, (d) short and long term disability insurance, (e) long term care insurance, (f) accident and health insurance, including vision and dental insurance, (g) credit insurance, (h) involuntary unemployment insurance, (i) guaranteed investment contracts, and (j) funding agreements (collectively, "AIG's Life Insurance Operations"); and (iii) any contract, policy, agreement or binder of insurance that is or was effective on or before the date of this Agreement unless such contract, policy, agreement or binder of insurance is renewed or extended after the date of this Agreement.

- b. "Compensation" means anything of material value given to a Producer including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses, provided that Compensation shall not mean customary, non-excessive meals and entertainment expenses.
- c. "Contingent Compensation" means Compensation contingent upon any Producer: (a) placing a particular number of Commercial Insurance Policies or dollar value of premium from Commercial Insurance Policies with AIG's domestic property casualty insurance subsidiaries whose offices are situated and issue

Commercial Insurance Policies in the United States (the "AIG Insurers"); (b) achieving a particular level of growth in the number of Commercial Insurance Policies placed or dollar value of premium from Commercial Insurance Policies with the AIG Insurers; (c) meeting a particular rate of retention or renewal of Commercial Insurance Policies in force with the AIG Insurers; (d) placing or keeping sufficient business relating to Commercial Insurance Policies with the AIG Insurers to achieve a particular loss ratio or any other measure of profitability; (e) providing preferential treatment to the AIG Insurers in the placement process relating to Commercial Insurance Policies, including but not limited to giving the AIG Insurers last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements; or (f) obtaining anything else of material value for the AIG Insurers. This definition does not include Compensation reflecting a specific dollar amount or percentage of premium set at the time of each purchase, renewal, placement or servicing of a particular insurance policy, Compensation paid to employees of AIG or the AIG Insurers, Captive Producers, or to Producers that are exclusive to AIG or the AIG Insurers with respect to a specific line or product that is clearly and conspicuously identified in marketing materials as AIG or the AIG Insurers' line or product, or, to the extent not described above, to

Producers appointed by AIG or the AIG Insurers as a managing general agent or underwriting manager to be AIG or the AIG Insurers' representative in connection with the management of a book of business with respect to a specific product or product line. A fixed commission paid to a Producer, set prior to the sale of a particular insurance product, and that may be based on, among other things, the prior year's performance of the Producer, shall not be considered Contingent Compensation.

- d. "Captive Producer" means a Producer that represents only AIG or the AIG Insurers, or which is owned or otherwise controlled by AIG or the AIG Insurers.
- e. "Notice of Disclosure of Compensation" means a statement the same or substantially the same as follows: "Thank you for purchasing insurance from a member company of American International Group, Inc. (AIG). The AIG member companies generally pay compensation to brokers and independent agents, and may have paid compensation in connection with your policy. You can review and obtain information about the nature and range of compensation paid by AIG member companies to brokers and independent agents in the United States by visiting our website at www.aigproducercompensation.com or by calling AIG at 1-800-706-3102."

-
- f. "Producer" means an insurance broker or an independent insurance agent who offers insurance for a specific product or line from more than one insurer or affiliated group of insurers; *provided however*, that the term Producer does not include an insurance agent who is not an independent insurance agent.
 - g. "Term" means the five-year (5-year) time period from the date of this Agreement.
 - h. "Website Disclosure" means publication on an internet website of information sufficient to inform insureds of the nature and range of Compensation, by insurance product or line of business, paid in the prior year to Producers by the AIG Insurers.

9. DISCLOSURE TO PROSPECTIVE POLICYHOLDERS. Within sixty (60) days following the execution date of this Agreement, for any Commercial Insurance Policy issued by a Pennsylvania Insurer, AIG shall:

- a. provide the Notice of Disclosure of Compensation clearly and conspicuously in writing accompanying the insured's final policy;
- b. provide Website Disclosure;
- c. establish a toll-free telephone number by which an insured or prospective insured may obtain the information set forth in the Website Disclosure; and
- d. make available to Producers upon request a reasonable number of copies of a hard copy of the Website Disclosure.

Such website disclosure shall be available at all times, subject to ordinary or routine maintenance and other unavoidable outages, and shall not be password or passcode protected. Website

Disclosure containing the following information with respect to each kind of insurance product offered by AIG Insurers (using NAIC annual statement reporting lines of business) will be deemed to comply with this Agreement:

- i. A narrative describing the various forms of Compensation paid by the AIG Insurers to Producers in the immediately preceding calendar year;
- ii. The range of base compensation, broken out separately for new and renewal business, paid for all product lines, including the 1st, 50th and 99th percentile, in the immediately preceding calendar year;
- iii. If any Contingent Compensation was paid for a particular line, either individually or as part of a larger book of business, a statement that Contingent Compensation was paid and the percentage range for the Contingent Commission paid in the immediately preceding calendar year.
- iv. If any other Compensation was paid to Producers in connection with the placement of the Commercial Insurance Policy, how such Compensation was determined in the immediately preceding calendar year.
- v. A toll-free telephone number by which an insured or potential insured may obtain the information set forth in the Website Disclosure.

AIG and the Pennsylvania Insurers shall have the right to include any and all additional information not inconsistent with this Agreement in the Website Disclosure, whether to comply with obligations under any other regulatory agreement, or otherwise. The Department may modify or limit such Compensation disclosure in order to reduce unreasonable administrative burden upon AIG or the Pennsylvania Insurers, or in order to reduce consumer confusion.

COMPLIANCE PROGRAM

10. Pursuant to agreements with the Securities & Exchange Commission (“SEC”), the New York Attorney General (“NYAG”), and New York State Insurance Department (“NYDOI”), AIG has retained an independent consultant (the “Consultant”) to conduct a comprehensive examination and review of the areas specified below and to make recommendations to the Board of Directors of AIG, the SEC, the NYAG, and the Superintendent of the NYDOI. The scope of the Consultant’s review includes:

- a. AIG’s internal controls over financial reporting (the Consultant may, if appropriate, rely on AIG’s independent accountant’s attestation and report on management’s assessment of the effectiveness of AIG’s internal control structure and procedures pursuant to Section 404 of the Sarbanes-Oxley Act);
- b. The organization and reporting structure of AIG’s internal audit department and AIG’s disclosure committee (which is described in Exhibit B to AIG’s Consent and Undertakings entered with the SEC);
- c. The policies, procedures and effectiveness of AIG’s regulatory, compliance and legal functions, including the operations of any committees established to review and approve transactions or for the purpose of preventing the recording of transactions or financial reporting results in a manner inconsistent with Generally Accepted Accounting Principles (“GAAP”) and Statements of Statutory Accounting Principles (“SSAP”);
- d. AIG’s records management and retention policies and procedures;

-
- e. The adequacy of whistleblower procedures designed to allow employees and others to report confidentially matters that may have bearing on the company's financial reporting obligations;
 - f. The training and education program established pursuant to the AIG's Consent and Undertakings entered with the SEC;
 - g. The reforms that AIG has implemented that are set forth in Exhibit B to AIG's Consent and Undertakings entered with the SEC; and
 - h. The adequacy and effectiveness of AIG's remediation plan as described in AIG's Consent and Undertakings entered with the SEC.

11. AIG will provide the Department copies of any final reports issued by the Consultant in connection with his review described in paragraph 12.

12. AIG will provide the Department with reasonable notice of any compliance presentations required by its settlement agreements with the SEC, the NYAG, and the NYDOI, and the Department may attend and witness the presentation of any such compliance presentations.

13. CEASE AND DESIST

- a. AIG and the Pennsylvania Insurers shall not directly or indirectly knowingly offer or provide to any Producer any false, fictitious, artificial, 'B' or "throw away" quote or indication. Nothing herein shall preclude AIG and the Pennsylvania Insurers from offering to provide or providing any quote or indication based upon bona fide business, actuarial or underwriting considerations as determined at the time the quote or indication is given.

- b. AIG and the Pennsylvania Insurers shall not offer to pay or pay, directly or indirectly, any Producer any Compensation in connection with the Producer's solicitation of bids for the Producer's clients.
- c. AIG and the Pennsylvania Insurers shall not engage in any agreement not permitted by applicable law to fix or stabilize prices, rig bids, allocate customers, or engage in any other similar anticompetitive conduct that constitutes a violation of applicable federal or state antitrust laws.

14. COOPERATION WITH COMMISSIONER AND DEPARTMENT

- a. The terms of this Agreement are binding on AIG and the Pennsylvania Insurers, their directors, officers, managers, employees, successors and assigns.
- b. AIG and the Pennsylvania Insurers shall continue to fully and promptly cooperate with the Commissioner and Department with regard to any regulatory investigation or related proceeding or action regarding any person, corporation or entity, including but not limited to, former employees of AIG and/or the Pennsylvania Insurers; provided that each person who receives documents or information pursuant to this paragraph shall, consistent with state law, (i) keep the documents or information confidential and (ii) if consistent with state law, return any documents or information received from AIG and/or the Pennsylvania Insurers by no later than ten (10) days following the

date on which any regulatory investigation or related proceeding or action is concluded. Cooperation shall include, without limitation:

- i. the voluntary production (without service of subpoena) of (i) any and all non-privileged information and documents or other tangible evidence reasonably available and requested by the Department in connection with an investigation based upon the acts, practices or courses of conduct that are the subject of this Agreement and (ii) any compilation or summaries of information or data that the Department reasonably requests be prepared relating to such investigation;
- ii. the use of reasonable best efforts on the part of AIG and/or the Pennsylvania Insurers to ensure that current and former officers, directors, employees and agents of AIG and/or a Pennsylvania Insurer fully and promptly cooperate with the Department in connection with any investigation based upon the acts, practices or courses of conduct that are the subject of this Agreement or related proceeding, including attendance (without service of a subpoena) at any proceeding as requested by the Department;
- iii. AIG and the Pennsylvania Insurers shall not object to the production of non-privileged documents or witnesses on

the grounds that the documents or witnesses requested relate to matters outside this state; and

iv. With respect to any document withheld or redacted on the grounds of privilege, work product or other legal doctrine, submission of a written log by AIG and/or the Pennsylvania Insurers indicating: (i) the type of document; (ii) the date of the document; (iii) the author and each recipient of the document; (iv) the general subject matter of the document; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document.

c. The actual or potential applicability of the McCarran-Ferguson Act to the conduct covered by the documents or witnesses requested pursuant to paragraphs 16.b.i-ii shall not be a basis for withholding information in response to such a request.

d. To determine or secure the cooperation contemplated by this Agreement, and without limiting otherwise applicable law, any duly authorized representative of the Department shall be permitted, upon reasonable notice and during normal business hours: access to all non-privileged book, ledgers, accounts, correspondence, memoranda, other records and documents in the possession or under the control of AIG or a Pennsylvania Insurer, as applicable, relating to any matters contained in this Agreement; and, to interview officers, managers or

employees of AIG and/or a Pennsylvania Insurer, as applicable, regarding any matters contained in this Agreement except for matters subject to a claim of privilege.

- e. AIG will maintain and provide to the Department, upon request, complete underwriting files, including correspondence and e-mails, and risk transfer analysis to the extent required by SSAP 62 relating to all reinsurance ceded or assumed by the Pennsylvania Insurers. AIG will authorize its independent auditors and direct its internal auditors to make available to the Department upon request all workpapers of its auditors, including but not limited to all Schedules of Unadjusted Differences.
- f. The Chairs of the Audit Committee and the Regulatory, Compliance and Legal Committee of the Board will meet with the Commissioner and/or a designated official of the Department on an annual basis or more frequently as deemed necessary by the Commissioner. The Chair of the Regulatory Compliance and Legal Committee will serve as the Commissioner's contact for all AIG examinations and such meetings.
- g. AIG will cooperate fully on all examinations and on all other regulatory requests and will respond to all Department inquiries in a prompt, timely and complete manner. AIG will provide appropriate staff during examinations in order to provide timely responses. Any

issues that relate to the timeliness of the responses shall be reported to the AIG's Chief Financial Officer.

- h. AIG will provide the Department, upon request, with all copies of its remediation plans and regular progress reports relating to its remediation plans to address significant deficiencies in internal controls over financial reporting.
- i. AIG, the Board of Directors of AIG, and the Audit Committee will review its relationship with AIG's independent outside auditors on a yearly basis. Such review shall be made available to the Commissioner.
- j. AIG has completed a review of its holding company structure with the goal of reducing and simplifying such structure. A report detailing this review and its conclusions has been provided to the Department. AIG will continue to review opportunities for reducing and simplifying its holding company structure.

OTHER PROVISIONS

15. The provisions of this Agreement are binding on AIG during the Term, *provided however*, that the provisions of this Agreement shall not apply to 21st Century Insurance Group or Transatlantic Holdings, Inc.

16. None of the provisions of this Agreement shall apply to AIG's Life Insurance Operations. For purposes of this Agreement, the term "United States" means the fifty states and the District of Columbia, but excludes Puerto Rico and the U.S. territories and outlying areas.

17. This Agreement shall be governed by and interpreted according to the laws of Pennsylvania, excluding its conflict of laws provisions.

18. This Agreement is not intended to disqualify AIG or any subsidiary or affiliate, including the Pennsylvania Insurers, or any current employees of AIG or any subsidiary or affiliate, including the Pennsylvania Insurers, from engaging in any business in the Commonwealth of Pennsylvania or in any other jurisdiction. Nothing in this Agreement shall relieve AIG's or the Pennsylvania Insurers' obligations imposed by any applicable state insurance law or regulations or other applicable law.

19. This Agreement shall not confer any rights upon any persons or entities besides the Commissioner, the Department, AIG and the Pennsylvania Insurers.

20. AIG shall maintain custody of, or make arrangements to have maintained, all documents and records of AIG related to this matter for a period of not less than the Term.

21. AIG and the Pennsylvania Insurers neither admit nor deny the allegations contained in the Investigation or this Agreement.

22. Except as provided in the second sentence of this paragraph, this Agreement resolves and releases with finality all known actions by the Department related in any way to any of the allegations contained in the Investigation, the Statutory Restatements, AIG's use of AIG finite reinsurance, or any other matters addressed by this Agreement. Without the loss of generality of the foregoing, this Agreement resolves all known: premium tax claims, statutory reporting, finite risk claims, and regulatory and other issues for all other periods prior to the execution of this Agreement; except however, that nothing in this Agreement is intended, nor shall anything herein be construed as, settling or in any way resolving any issues the Department or the Commonwealth of Pennsylvania has or may have related to AIG's writing and financial

reporting of workers compensation insurance, including, but not limited to those issues which are currently or may become the subject of the multistate targeted market conduct examination announced in writing to AIG by letter of January 28, 2008, signed and issued by insurance regulators from the participating lead states of Rhode Island, Indiana and Minnesota.

23. Except as provided in paragraph 22, the Department releases and forever discharges AIG and the Pennsylvania Insurers from all known actions, claims, demands for taxes, damages, penalties, fines, sanctions, losses, demands, or other monetary or regulatory relief of any sort that the Insurance Department could pursue or seek based upon the allegations contained in the Investigation or any matters discussed in this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 13th day of March, 2008.

AMERICAN INTERNATIONAL GROUP, INC.

By: Anastasia D. Kelly
Name: Anastasia D. Kelly
Title: Executive Vice President, General
Counsel and Senior Regulatory and
Compliance Officer

INSURANCE DEPARTMENT OF THE
COMMONWEALTH OF PENNSYLVANIA

By: Joel S. Ario
Name: Joel S. Ario
Title: Commissioner