

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of)	
AMERICAN INTERNATIONAL GROUP, INC., AIG)	Docket No. 3909-SO
CASUALTY COMPANY, AIU INSURANCE)	
COMPANY, AMERICAN HOME ASSURANCE)	
COMPANY, AMERICAN INTERNATIONAL SOUTH)	
INSURANCE COMPANY, COMMERCE AND)	
INDUSTRY INSURANCE COMPANY, GRANITE)	
STATE INSURANCE COMPANY, ILLINOIS)	
NATIONAL INSURANCE CO., NATIONAL UNION)	
FIRE INSURANCE COMPANY OF PITTSBURGH,)	
PA., NEW HAMPSHIRE INSURANCE COMPANY,)	
THE INSURANCE COMPANY OF THE STATE OF)	
PENNSYLVANIA)	

CONSENT ORDER

American International Group, Inc. (“AIG”) and its subsidiaries licensed to write workers compensation insurance in the State of Kansas (AIG Casualty Company, AIU Insurance Company, American Home Assurance Company, American International South Insurance Company, Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company, and The Insurance Company of the State of Pennsylvania) (collectively “the Companies”) wish to resolve this matter, without admitting or denying the allegations set forth herein and without formal adjudicative proceedings by entering into this Consent Order. The Commissioner of Insurance (“Commissioner”) hereby makes the following Findings of Fact, Conclusions of Law and Order, to-wit:

Findings of Fact

1. The Companies are engaged in the business of providing workers compensation insurance in Kansas and are subject to statutes regulating the business of insurance.
2. On June 23, 2008, the Kansas Insurance Department (“KID”) issued a Summary Order in Docket Number 3909-SO against AIG for allegedly violating K.S.A. 40-2,121 and K.S.A. 40-2404 and allegedly failing to provide customers with 60 days notice of nonrenewal in those instances where a policy was issued by one of the Companies and renewed by one of the other Companies.
3. A copy of the Summary Order was deposited in the United States Mail, first-class postage prepaid, addressed to Veronica Castro, AIG Specialty Workers Compensation, 5 Wood Hollow Road, Third Floor, Parsippany, N.J. 07054 on June 23, 2008.
4. AIG filed a written Request for Hearing on July 9, 2008, and commenced negotiations with KID staff members on how best to resolve the controversy. After extensive negotiations, the parties agreed that it was in the public interest for the Companies to issue, distribute and fully implement among all applicable affiliates the internal Bulletin attached hereto as Exhibit A. The parties agree that the purpose of the Bulletin is to assure that the Companies comply with Kansas laws requiring at least 60 days notice of non-renewal of a Kansas workers compensation policy issued to a Kansas employer.

Conclusions of Law

- 5. The Commissioner has jurisdiction over the subject matter of this proceeding.
- 6. Based on the information contained in paragraphs one through four above, if the Companies failed to provide Kansas customers with notice of non-renewal in a timely manner, as described above, such failures would violate K.S.A. 40-2,121 and K.S.A. 40-2404.

Policy Considerations

- 7. The Commissioner concludes that the Companies must immediately comply with statutory notice requirements, but recognizes that imposing financial penalties at this time is not necessary or desirable.

IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

The Companies shall immediately issue, distribute and fully implement the attached internal Bulletin, identified as Exhibit A, until otherwise authorized.

APPROVED BY:

/s/ Andrew R. Holland
Andrew R. Holland, Senior Vice President
AIG Casualty Company
American Home Assurance Company
American International South Insurance Company
Commerce and Industry Insurance Company
Granite State Insurance Company
Illinois national Insurance Co.
National Union Fire Insurance Company of Pittsburgh, Pa.
New Hampshire Insurance Company
The Insurance Company of the State of Pennsylvania

/s/ Richard T. Pisano
Richard T. Pisano, Vice President
AIU Insurance Company

SUBMITTED AND APPROVED BY:

/s/ John Wine
John Wine, *Staff Attorney, Kansas Insurance Department*

IT IS SO ORDERED THIS 15th DAY OF JANUARY, 2009, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

By:

/s/ John W. Campbell
John W. Campbell
General Counsel

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served the above and foregoing **CONSENT ORDER** on this 15th day of January, 2009, by causing the same to be deposited in the United States Mail, first-class postage prepaid, addressed to the following:

Robert B. Sullivan
Attorney at Law
700 West 47th Street, Suite 1000
Kansas City, Missouri 64112-1802
Counsel for Respondent

Veronica Castro
Assistant Division Counsel
AIG Specialty Workers' Compensation
5 Wood Hollow Road, Third Floor
Parsippany, NJ 07054
Respondent

/s/ John Wine
John Wine
Staff Attorney