

ASSOCIATION REPORT ON EXAMINATION
OF THE
AMERICAN INTERNATIONAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2001

EXAMINER

ALFRED W. BLOOMER, JR.
DINAH CHU

STATE

NEW YORK
CALIFORNIA

ZONE

NORTHEASTERN
WESTERN

Honorable Alfred W. Gross
Chairman, Financial Condition
Subcommittee, NAIC
2301 McGee Street, Suite 800
Kansas City, Missouri 64108-2604

Honorable Susan F. Cogswell
Secretary-Treasurer, Northeastern Zone
Connecticut Department of Insurance
PO Box 816
Hartford, CT 06142-0816

Honorable Merwin Stewart
Secretary-Treasurer, Western Zone
Utah Department of Insurance
3110 State Office Building
Salt Lake City, Utah 84114-1201

Commissioners:

In accordance with your several instructions, an Association Examination has been made as of December 31, 2001 into the financial condition and affairs of the American International Insurance Company and the following report thereon is respectfully submitted.

REPORT ON EXAMINATION
OF THE
AMERICAN INTERNATIONAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2001

REPORT DATE:

APRIL 19, 2004

EXAMINER:

ALFRED W. BLOOMER, JR., CFE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

April 19, 2004

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 21842 dated March 7, 2002, attached hereto, I have made an examination into the condition and affairs of the American International Insurance Company as of December 31, 2001 and submit the following report thereon.

The examination was conducted at the Company's administrative office located at 505 Carr Road, Wilmington, Delaware, 19809-0495.

Wherever the designations, "the Company" or "AIIC" appear herein without qualification, they should be understood to indicate the American International Insurance Company.

Whenever the designation "Department" appears herein without qualification, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1996. This examination covered the five-year period January 1, 1997 through December 31, 2001. Where deemed appropriate, transactions subsequent to the current examination period were reviewed.

The examination comprised a complete verification of assets and liabilities as of December 31, 2001, a review of income and disbursements deemed necessary to accomplish such verification and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of the Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of the Company
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

A review was also made to ascertain what action was taken by the Company with regard to comments in the prior report on examination.

The Company's home office is located at 70 Pine Street, New York, NY 10270. On May 3, 1990, the Company requested permission to move its books and records outside of New York State pursuant to Section 325(b) of the New York Insurance Law. The Department approved this request on June 12, 1990. All of the books and records are now located at the Company's administrative offices located at 505 Carr Road, Wilmington, Delaware.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated in New York on September 19, 1985 as the Belgian General Insurance Company ("BGIC"). It began business with paid-in capital of \$500,000, consisting of 1,000 shares of common stock with a par value of \$500 per share.

Effective September 30, 1985, the "Compagnie Belge D'Assurances Generales Incendie, Accident Et Risques Divers" of Belgium, which conducted business in the United States via a United States Branch, entered into a domestication agreement whereby it transferred all the assets and liabilities of its United States Branch to BGIC, in return for all of the outstanding shares of common stock of BGIC. The Department approved this agreement.

On January 8, 1986, American International Group, Inc. ("AIG") purchased the aforementioned 1,000 shares of capital stock from the "Compagnie Belge D'Assurances Generales Incendie, Accident Et Risques Divers" of Belgium to become the sole shareholder of BGIC.

On February 24, 1986, BGIC's authorized capital was increased to \$2,500,000. This was accomplished by issuing 4,000 additional shares of common stock with a par value of \$500 per share. This transaction was approved by this Department on March 14, 1986.

On April 22, 1986, pursuant to the terms provided under the acquisition agreement with AIG, BGIC's name was changed to American International Insurance Company, the Company's present corporate title. The Department approved the change in name on May 14, 1986.

On April 1, 1987, AIG sold its ownership of the Company to three of its wholly-owned domestic insurance subsidiaries, as follows:

<u>Shareholder</u>	<u>Percent Owned</u>
Commerce and Industry Insurance Company	50%
American Home Assurance Company	25
AIU Insurance Company	<u>25</u>
Total	<u>100%</u>

On March 24, 1992, AIIC amended its charter to increase its paid-in capital to \$5,000,000, consisting of 5,000 shares of common stock with a par value of \$1,000 per share, all issued to the AIG affiliates as stated above. However, it was noted that the Company reported the components of such paid-up capital in the General Interrogatories Section of its 1997 and 1998 annual statements incorrectly. The Company reported having paid-in capital of \$5,000,000 consisting of 5,000,000 shares of common stock with a par value of \$1 per share, instead of 5,000 shares of common stock at the par value of \$1,000 per share. The Company correctly reported its paid-in capital in its filed annual statements for 1999 through 2001.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty-one members. As of the examination date the board of directors was comprised of thirteen members. The board met four times during each calendar year. The directors as of December 31, 2001 were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Merton Bernard Aidinoff New York, NY	Attorney, Sullivan and Cromwell
Maurice Raymond Greenberg New York, NY	Chairman, American International Group, Inc.
Jacob Ernest Hansen Greenville, DE	President, AIG Marketing, Inc.
Edwin Alfred Manton New York, NY	Honorary Director & Senior Advisor, American International Group, Inc.
Edward Easton Matthews Princeton, NJ	Executive Vice-President, American International Group, Inc.
Win Jay Neuger New York, NY	Senior Vice-President & Chief Investment Officer, AIG National Insurance Company, Inc.
Ernest Theodore Patrikis New York, NY	Senior Vice-President & General Counsel, American International Group, Inc.
Glenn Alan Pfeil Wilmington, DE	Vice-President, AIG Marketing, Inc.
Robert Michael Sandler Bridgewater, NJ	Executive Vice-President & Senior Actuary, American International Group, Inc.
Howard Ian Smith Woodbury, NY	Executive Vice President & Chief Financial Officer, American International Group, Inc.
Thomas Ralph Tizzio Middletown, NJ	Senior Vice-Chairman, American International Group, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gary Lawrence Willoughby Lincoln University, PA	Vice-President, AIG Marketing, Inc.
Gerald Walter Wyndorf Rowayton, CT	Vice-President, American International Group, Inc.

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed. Such review indicated that the meetings were generally well attended. However, three current directors, Jacob Ernest Hansen, Glenn Alan Pfeil, and Gary Lawrence Willoughby attended less than 50% of the meetings during the examination period.

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that appropriate decisions may be reached by the board. Individuals who fail to attend at least one-half of the regular meetings do not fulfill such criteria. Board members who are unable or unwilling to attend meetings consistently should resign or be replaced. A similar recommendation appeared in the prior report on examination.

Review of the minutes of the board of directors meetings held during the period under examination indicated that for thirteen of the meetings, the corporate secretary accounted for the attendance of twelve directors, despite the fact that the board consisted of thirteen directors. It is recommended that the minutes of the Company's board of directors' meetings accurately account for the number of directors eligible for each meeting.

The following is a listing of the principal officers of the Company and their respective titles, as of December 31, 2001:

<u>Name</u>	<u>Title</u>
Jacob Ernest Hansen	President
Elizabeth Margaret Tuck	Secretary
Glenn Alan Pfeil	Senior Vice-President & Chief Financial Officer
Esta Lee Cain	Vice-President & General Counsel
John Gardiner Colonia	Vice-President
Anthony James DeSantis	Vice-President
William Donald Loucks, Jr.	Vice-President
Edward Easton Matthews	Vice-President
Donald Walter Procopio	Vice-President & Chief Actuary
Michael Vernon Tripp	Vice-President
Gary Lawrence Willoughby	Vice-President

B. Territory and Plan of Operation

The Company was licensed to do an insurance business in thirty-nine states as of the examination date. The Company was not licensed in the following states:

California	Kansas	Maine
New Jersey	North Carolina	Ohio
Oregon	Tennessee	Vermont
Virginia	Wyoming	

The following schedule compares the Company's direct premiums written in New York State to those written countrywide during the period under examination:

DIRECT PREMIUMS WRITTEN (\$000 omitted)

<u>Calendar Year</u>	<u>New York State</u>	<u>Total United States</u>	Premiums Written in New York State as a <u>Percentage of United States</u> <u>Premiums Written</u>
1997	\$4,823	\$78,960	6.11%
1998	\$4,567	\$103,482	4.41%
1999	\$4,917	\$143,076	3.44%
2000	\$6,754	\$195,593	3.45%
2001	\$13,897	\$221,550	6.27%

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Kind of Insurance</u>
3	Accident and health
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also authorized to write workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113, including insurances described in

the Longshoremen's and Harbor Workers' Compensation Act and the kinds of insurance and reinsurance of every kind or description, except with respect to life insurance, title insurance and contracts for the payment of annuities, as specified in Section 4102(c) of the New York Insurance Law. The Company is also authorized to transact the business of special risk insurance as defined in Article 63 of the New York Insurance Law.

Based upon the kinds of insurance for which the Company is licensed, and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$5,000,000.

The Company is primarily a personal lines writer, issuing private passenger automobile liability and homeowners' insurance policies marketed by AIG Marketing, Inc. ("AIGM"), an affiliate. The marketing agreement is discussed more thoroughly in item 2C herein.

C. Reinsurance

i. Inter-Company Pooling Agreement

The Company is the lead insurer in an intercompany pooling agreement. Under the terms of this agreement, 100% of the net business written by each pool participant is ceded to AIIC. AIIC then cedes 50% of this business to an affiliate, National Union Fire Insurance Company. After this cession, each of the pool participants assume their respective share of the net business, as follows:

<u>Company</u>	<u>Pool Participation</u>
American International Insurance Company	59%
New Hampshire Indemnity Company, Inc.	23
AIG Hawaii Insurance Company	11
American International Insurance Company of California, Inc.	3
American International Insurance Company of New Jersey	2
Minnesota Insurance Company	2
AIG National Insurance Company	0
American Pacific Insurance Company	<u>0</u>
Total	<u>100%</u>

The agreement provides that business written by the participants is pooled, with the combined premiums, losses, and expenses pro-rated on the basis of stated percentages. The Department approved this agreement.

In its filed annual statements, the Company reported “Agents’ balances and uncollected premiums” on a pre-pooled basis. The agreement is unclear as to whether the responsibility for uncollected premiums is that of the Company or the pool. It is recommended that the Company amend the current pooling agreement to clarify each participant’s obligations relative to accounts subject to pooling.

American International Insurance Company of New Jersey (“AIIC-NJ”), a pool participant, is neither a licensed insurer nor an accredited reinsurer in this state. As such, it is required to post appropriate collateral, for the benefit of the Company, in order for the Company to reflect any credit for any cessions to it. As of the examination date, AIIC-NJ posted an undated letter of credit for \$15,000,000 to cover the aforementioned amounts. Department Regulation 133 requires that an acceptable letter of

credit contain an issue date. It is recommended that the Company require that the letter of credit be revised to comply with Department Regulation 133.

Assumed Reinsurance

In addition to business assumed pursuant to the terms of the intercompany pooling agreement, the Company assumed mass marketing business from other affiliated companies, including American Home Assurance Company, American International Specialty Lines Insurance Company, Birmingham Fire Insurance Company of Pennsylvania, Illinois National Insurance Company, 21st Century Insurance Company, American International South Insurance Company, National Union Fire Insurance Company, Insurance Company of the State of Pennsylvania, and AIU Insurance Company. All assumed reinsurance agreements with affiliated companies were filed with this Department in accordance with Section 1505(d)(2) of the New York Insurance Law.

Effective December 31, 2001, the Company commuted reinsurance agreements covering business that had been assumed from Eagle Insurance (“Eagle”) Company and Newark Insurance Company (“Newark”), former affiliates, for their commercial limited assignment distribution (“CLAD”) and limited assignment distribution (“LAD”) business. Under the terms of this agreement, AIIC paid Eagle and Newark \$124,643,000 and \$24,315,000, respectively, as compensation for the commutation. This resulted in the Company reporting a negative \$35.3 million in Schedule F – Part 1 for these insurers. The commutation agreement provides for AIG or its affiliates to provide additional capital support to Eagle to ensure the likelihood of the run-off of all insurance business written by Eagle and its affiliates and subsidiaries prior to January 1, 2002. The Department approved the commutation of these two treaties.

Ceded Reinsurance

The examiner reviewed all ceded reinsurance contracts affected during the examination period. While all agreements contained insolvency clauses conforming to Section 1308 of the New York Insurance Law, it was noted that the reinsurance agreements covering the "Private Client Group" business, which were placed through a reinsurance intermediary, lacked the reinsurance intermediary clause required by Department Regulation 98. It is recommended that the Company amend all reinsurance contracts placed through reinsurance intermediaries to comply with Department Regulation 98.

The data reported in Schedule F of the Company's filed annual statements for the years 1997 through 2001 were found to accurately reflect its reinsurance transactions in all material aspects. However, the Company reported its ceded reinsurance with Copenhagen Reinsurance Company, Ltd., as a transaction with an authorized reinsurer, when, in fact, Copenhagen Reinsurance Company, Ltd., was neither a licensed nor accredited reinsurer in New York State. No provision for unauthorized reinsurance was established for this reinsurer. The amount of reinsurance at the examination date is not material to the Company's financial position and no adjustments have been made in the examination financial statements for this. It is recommended that the Company report all unauthorized reinsurance transactions in the accordance with the National Association of Insurance Commissioners' Annual Statement instructions.

Prior to cessions to the inter-company pooling agreement described above, the Company reduces its exposure through facultative and treaty reinsurance. As of December 31, 2001, the Company had the following reinsurance program in place:

<u>Type of Treaty</u>	<u>Cession</u>
1) <u>Quota Share</u> 100% authorized	50% of the pooled premiums and losses ceded net of all third party cessions but prior to the inter-company pool.
	Private Client Group: Homeowners - 71.33% of \$15,000,000, any one risk, any one location. Private collections: 80% of \$25,000,000, any one risk, any one location
<u>Property Catastrophe</u> (2 layers) 100% Authorized	\$50,000,000 XS \$5,000,000, per occurrence, with one reinstatement
<u>Aggregate excess of loss</u> (2 layers) 100% Unauthorized	First layer – 100% of the amount by which the loss ratio exceeds 66%, up to a maximum of 79%. Aggregate recoverable is not to exceed \$115,000,000 in the aggregate, all accident years Second layer -- 100% of the amount by which the loss ratio exceeds 79%, up to 86%. Aggregate recoverable is not to exceed \$80,000,000 in any one accident year, and \$150,000,000 in the aggregate for all accident years

Aggregate Excess of Loss Treaties

Effective January 1, 2000, the Company entered into a stop-loss cover treaty with a Barbados domiciled reinsurer. The treaty provided coverage for the amount by which the Company's loss ratio exceeded 78% to a maximum of 90%. Similar coverage was provided during 2001 for a loss ratio in excess of 79% to a maximum of 91%. On January 1, 2001, the Company entered into a second stop loss treaty with a Bermuda domiciled reinsurer, which provided coverage for the amount by which the Company's loss ratio exceeded 66% to a maximum of 79%. All of these agreements had aggregate dollar value limits on the maximum amount recoverable.

Examination review of the cash flow analyses for these agreements, as prepared and submitted by AIIC management, indicated that the Company utilized very optimistic future premium and loss

projections. Additionally, cash flow analyses performed by this Department's actuarial unit concluded that the Company would be guaranteed a profit and the reinsurer would be guaranteed a loss under almost all scenarios. Furthermore, when requested, management was unable to produce underwriting files or correspondence files that would support its use of reinsurance accounting when reporting the financial effects of these agreements in its filed annual and quarterly statements. As such, it was concluded that these agreements did not constitute bona-fide reinsurance agreements, as required by Statement of Statutory Accounting Principles ("SSAP") No. 62. Therefore, the financial statements contained in this report have accounted for these agreements using deposit accounting, as prescribed by SSAP No. 75.

It is recommended that the Company account for this agreement in accordance with SSAP No.75 in its future statements filed with this Department.

D. Holding Company System

The American International Group is one of the largest property and casualty insurance groups in the United States. American International Insurance Company is the lead company for the group's personal lines business.

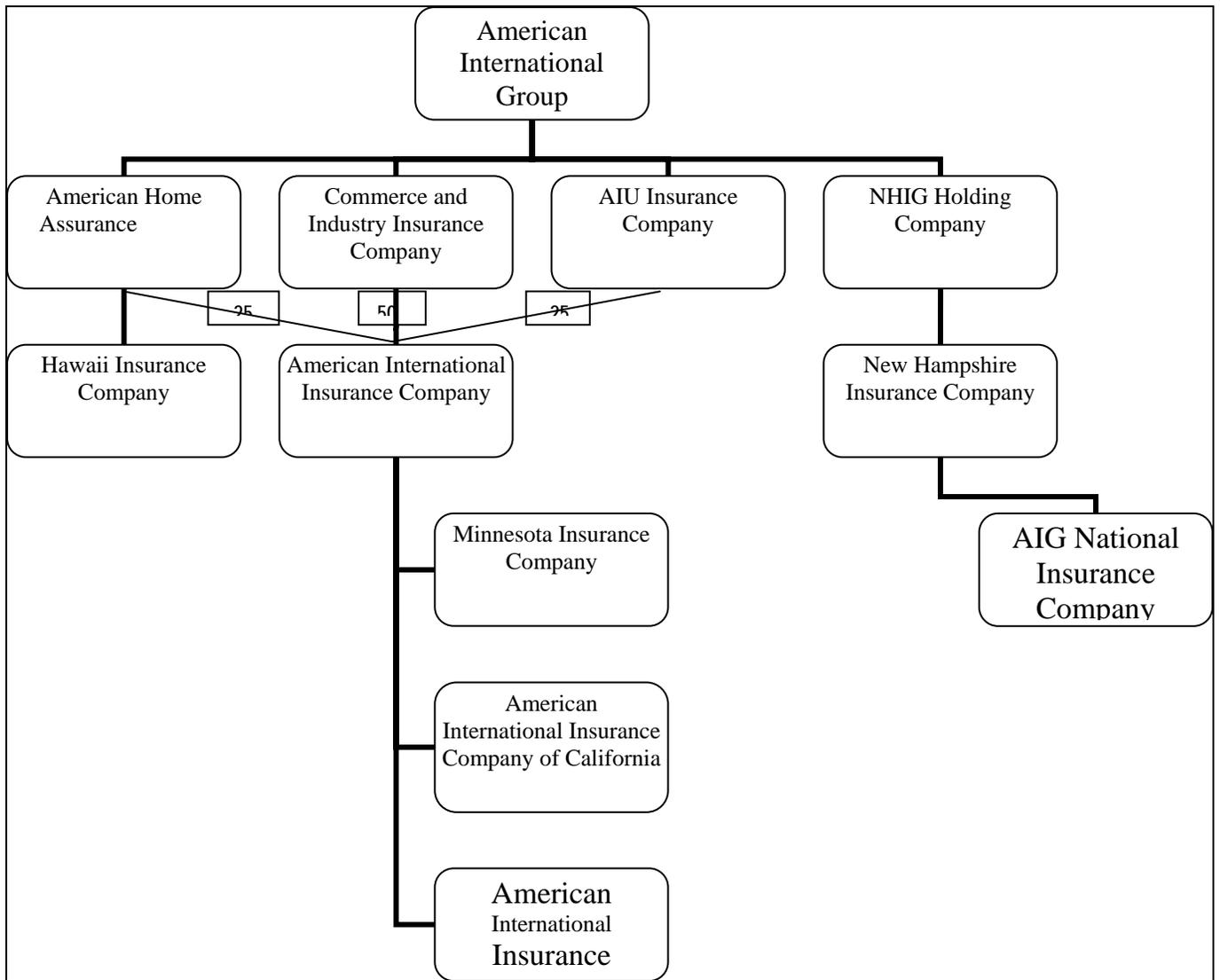
The capital stock of American International Insurance Companies is owned by Commerce and Industry Insurance Company (50%), American Home Assurance Company (25%) and AIU Insurance Company (25%), and is ultimately controlled by AIG, Inc., a Delaware holding company organized in 1967. A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The Company, in turn, owns the common stock of the following companies:

Minnesota Insurance Company	100%
American International Insurance Company of California, Inc.	100%
American International Insurance Company of New Jersey	100%

The Company acquired ownership of the Minnesota Insurance Company and American International Insurance Company of California Inc., in 1994 and American International Insurance Company of New Jersey in 1997.

As of December 31, 2001, the Company's abbreviated holding company chart is as follows:



As of the examination date, the Company was party to the following inter-company agreements:

Managing General Agent Agreement

The Company's direct business is produced by AIG Marketing, Inc. ("AIGM"), an affiliate, pursuant to the terms of a managing general agency agreement that was approved by this Department on May 2, 1989.

The agreement, as approved by this Department, provides for AIGM to solicit, bind and write automobile, homeowners, inland marine and personal excess liability insurance on behalf of the Company. However, examination review indicated that AIGM was also providing claims and administrative services for these lines of business. These items are not addressed in the approved agreement. It is recommended that the Company amend the agreement to include administrative and claims services, and file such amendment with this Department pursuant to Section 1505(d)(3) of the New York Insurance Law.

The agreement provides for AIGM to be compensated for services performed based on a percentage of premiums written. Examination review indicated that AIGM was receiving a percentage of both premiums written and policy fees as compensation for services provided. The policy fees are not addressed as a component of the compensation; such fees should have been remitted to the Company. During the examination period, these fees totaled in excess of \$14 million. If it is management's intent for policy fees to be included as part of the compensation to AIGM, it is recommended that AIGM amend the agreement to reflect the revised compensation schedule. Any amendments are to be submitted to this Department prior to implementation, in accordance with Section 1505(d)(3) of the New York Insurance Law. It is further recommended that the Company collect from its managing general agent any compensation associated with the policy fees, plus interest.

Further, the agreement approved by this Department allows AIGM a fee of 15.5% of gross premiums written for automobile business, and 29% of the gross premiums written for homeowners' business, inland marine and personal excess liability business. Amendment D to the agreement, which was signed by the Company on December 29, 2000, allows AIGM a fee of 19.5% of the gross premiums written on automobile business and a separate schedule of fees for the business produced by the AIG private client group division. The Company instituted the revised commission schedule set forth in Amendment D effective January 1, 1999 for the automobile business and effective January 1, 2000 for the private client group business.

The Company could not produce a fully executed, properly dated copy of the agreement for examination review; only addenda C and D were properly executed and dated. Further, the Company could not provide evidence that the amendments to these agreements were submitted to this Department for prior approval as required by Section 1505(c) of the New York Insurance Law.

It is recommended that the Company refrain from using any increased fee schedule until it has received non-disapproval from this Department.

Revolving Credit Agreement

The Company entered into a revolving credit agreement with AIG Marketing, Inc., effective February 15, 1998. The agreement allows AIGM to borrow from AIIC in an amount not in excess of 5% of AIIC's admitted assets on December 31, 1997. The stated interest rate of the loan is 5.75%. The full principal amount is due to AIIC on or before December 31, 2001.

On February 15, 1998, the Company submitted an amendment to the original agreement that changed the date of the calculation of the amount of the loan to 5% of AIIC's admitted assets on December 31, 2000 and the date of repayment to December 31, 2004.

Both the original agreement and the amendment were non-disapproved by this Department.

Investment Management Contract

The Company entered into an investment management contract with AIG Global Inc. (“AIG Global”), an affiliated Company, effective January 1, 1987, to manage the Company’s investment portfolio. Under the terms of the contract, AIG Global is authorized to make all investment decisions, including buying, selling and trading securities and setting up a custodial account with a qualifying bank. AIG Global is also to ensure that all investments qualify as legal investments under Section 1404(a) of the New York Insurance Law. AIG Global is reimbursed annually in the amount of \$0.75 per thousand dollars of assets under management.

The contract was non-disapproved by this Department on July 7, 1989.

Tax Payment Allocation Agreement

The Company submitted on examination a tax payment allocation agreement with American International Group, Inc. which was effective January 1, 1973. Under the terms of the agreement, the parent agrees to file a consolidated federal income tax return for all companies in the holding company system. The parent agrees that the liability of the Company will not exceed a greater portion of the consolidated federal income tax liability than would have been paid by AIIC if it had filed a separate return.

As stated above, the date of the agreement is January 1, 1973. AIIC was not bought by American International Group, Inc. until January 8, 1986. Further, the Company could not provide substantiation that the agreement was amended to include the Company and, then, submitted to the Department as required by Circular Letter 33 (1979).

It is recommended that the Company revise the tax payment allocation agreement effective date to one subsequent to the acquisition of AIIC by American International Group, Inc., holding company system and submit this agreement to the Department for non-disapproval.

Service Agreement

The Company entered into an undated agreement with American International Recovery, Inc., an affiliated company, to conduct subrogation, liability deductible recovery and salvage activities on its behalf. The compensation for these services is scheduled in the agreement.

The Company was unable to provide documentation that the agreement was submitted to this Department for non-disapproval in accordance with Section 1505(d)(3) of the New York Insurance Law. Furthermore, AIIC could not find a dated, executed copy of this agreement.

It is recommended that the Company retain copies of its executed agreements as well as documentation that such agreements were submitted to this Department for non-disapproval in accordance with Section 1505(d)(3) of the New York Insurance Law. Further, it is recommended that the Company submit a fully executed, dated copy of the agreement to this Department for non-disapproval.

ii. Claims Settlement Agreement

The Company pays claims for American International Insurance Company of New Jersey, a subsidiary company. Reinsurance for these claims payments are made through the inter-company accounts. AIIC's other two subsidiaries pay their claims from their own accounts.

Section 1505(d) of the New York Insurance Law requires that the superintendent be notified thirty days prior to the “rendering of services on a regular or systematic basis.” The Company could not provide the examiners with substantiation that the Company had complied with this section of the Law.

It is recommended that the Company comply with Section 1505(d) of the New York Insurance Law and notify the superintendent in writing thirty days prior to rendering services on a regular or systematic basis to a member of its holding company system.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2001, based upon the results of this examination:

Net premium written in 2001 to surplus as regards policyholders	22.8 to 1
Liabilities to liquid assets (cash and invested assets less investment in affiliates)	282%
Premium in course of collection to surplus	1732%

All three above ratios fall outside the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners. This is due to the examination increase to the Company’s liabilities for loss and loss adjustment expenses, as well as the disallowance of reinsurance accounting treatment of aggregate excess of loss reinsurance agreements.

The underwriting ratios presented below are on an earned incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$1,869,313,147	85.5 %
Other underwriting expenses incurred	403,000,156	18.4
Net underwriting loss	<u>(80,798,789)</u>	<u>(3.9)</u>
Premiums earned	<u>\$2,191,514,514</u>	<u>100.0%</u>

F. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law requires that certain unclaimed insurance proceeds be reported to the State of New York by April 1 of each year. A review of the filings for the period under examination indicated that the Company did not make any abandoned property filings with the State of New York in accordance with the captioned law.

The Company has established a liability of \$2,672,879 in its filed annual statement at the examination date for escheated funds that should have been reported and remitted to the State of New York. It is noted that the Company has been cited in the prior report on examination for failing to make the requisite filings.

It is again recommended that the Company comply with Section 1316 of the New York Abandoned Property Law and file, with the State of New York, any checks or drafts that have been outstanding for three or more years.

G. Accounts and Records

i. Invested Assets

AIIC reported its investment in the AIG Domestic Fund with a NAIC Securities Valuation Office (“SVO”) valuation of “1”. The AIG Domestic Fund is not listed with the SVO and the Company did not submit evidence on examination to substantiate that the fund was submitted to the SVO for valuation.

In the prior report on examination, the Company was cited for not submitting its investments to the SVO for valuation. It is again recommended that the Company submit its investments to the National Association of Insurance Commissioners’ Securities Valuation Office for valuation.

The Company incorrectly reported the valuation designation assigned by the SVO for some of the bonds in its portfolio. Three bonds from those sampled during the course of this examination indicated that the valuation reported by the Company did not conform to the value placed on these bonds by the SVO.

The Company incorrectly valued a bond that led to an overstatement of its assets in the amount of \$1,790,011. Subsequent to the examination, this bond and another held by the Company went into default. The default reduced the value of these two bonds by a total of \$6,948,125 at the report date. The Company sold a portion of these bonds after the default that led to a net realized loss on these bonds in the amount of \$ 2,430,375. The unrealized loss at the examination date is \$4,517,750.

It is recommended that the Company exercise more care in the preparation of its filed annual statements.

The SVO requires that the Company monitor all bonds with a provisionally exempt rating “PE” and that certain control procedures be put in place. At the examination date the Company did not have the requisite monitoring and control procedures in place.

It is recommended that the Company put all procedures required by the National Association of Insurance Commissioners’ Securities Valuation Office in place prior to filing its annual statements. Subsequent to the examination date the Company put these monitoring procedures and controls in place.

ii. Custodial Agreements

During the period under examination, the Company had entered into a custodial agreement with Mellon Trust of New York, effective April 20, 1998. A review of this agreement revealed that the agreement lacked nine of the eleven safeguards and controls required by this Department and the NAIC’s Financial Condition Examiners Handbook.

It is recommended that the Company amend its current custodial agreements to include the necessary safeguards and controls in accordance with the NAIC Financial Condition Examiners Handbook. On December 24, 2002, the Company amended its agreement with Mellon Trust of New York to include these safeguards and controls.

The Company has a substantial investment in AIG Domestic Fund, an internal corporate investment vehicle, which is controlled by AIG Capital Corporation, an affiliated company. When the examiners confirmed ownership of the Company's investment in this vehicle, State Street Bank and Trust Company confirmed the value of this investment. The examiners then reviewed the custodial agreement between State Street Bank and Trust Company and AIG Capital Corporation. This agreement, effective July 31, 1995, was found not to have the safeguards and controls required by this Department and the NAIC's Financial Condition Examiners Handbook.

It is recommended that the Company require all internal corporate funds in which it invests to have adequate safeguards and controls in place that comply with the requirements of the NAIC Financial Condition Examiners Handbook.

iii. Agents' Balances or Uncollected Premiums

As stated earlier in the report, AIGM acts as the managing general agent for AIIC. As such, it collects premiums for the Company. The examination revealed that AIGM was not reporting the total amount of agents' balances due from the Company's policyholders but, rather, was deducting the late or uncollectible portion of these balances and reporting the amounts net.

The NAIC's annual statement instructions clearly state that the Company should report agents' balances on a gross basis and then non-admit any portion over ninety days past due.

Further, two intercompany balances (one with and American International Insurance Company of New Jersey in the amount of \$22,003,158, and one with American International Insurance Company of California in the amount of \$500,000) were reported as agents' balances in the Company's filed annual statement. While the net result on surplus as regards policyholders is nil, this reporting does distort the NAIC's IRIS Ratios No. 8 and No. 9.

It is recommended that the Company report agents' balances in accordance with the annual statement instructions and reclassify all inter-company transactions to the appropriate balance sheet item.

The Company's premium electronic database contains a substantial number of uncollected premiums that may be uncollectible. The Company has not purged the database of these uncollectible premiums. It is recommended that the Company write-off all uncollectible premium balances and purge the database of these premiums.

iv. Motor Vehicle Law Enforcement Fees

In accordance with Section 9110 of the New York Insurance Law, every insurance company authorized to do business in this state shall annually collect a motor vehicle enforcement fee charged to each holder of a policy issued in this state or for delivery in this state for motor vehicle liability insurance coverage. The annual fee is one dollar per insured vehicle. This law further requires that the fee be remitted monthly.

The Company was collecting the fee on every vehicle insured but since the Company wrote six-month policies, the Company often collected the fee more than once in the course of the year. The Company remitted these fees based on a count of insurance policies issued. There did not appear to be any logic built into their billing system to collect the fee for each motor vehicle insured.

Further, the Company was not paying the fees in the manner prescribed in Section 9110 of the New York Insurance Law. The Company was estimating the fees to be paid in the beginning of the year and prorating that amount over the first eleven months of the year and then “truing up” the amount to the number of vehicles at the end of the year. Because of its growing premium base the Company was paying a larger amount in December of each year.

It is recommended that the Company collect, report and pay the motor vehicle law enforcement fees in the manner prescribed in Section 9110 of the New York Insurance Law.

Subsequent to the examination, the Company revised its computer logic and was able to calculate the correct amount of vehicles. Additionally, the Company's systems now account for policies written on a monthly basis, and fees are paid and reported in a timely manner.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2001, and as reported by the Company:

<u>Assets</u>	<u>Examination</u>		<u>Company</u>		<u>Surplus Increase (Decrease)</u>
	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Net Admitted Assets</u>	
Bonds	\$387,534,102	\$	\$387,534,102	\$387,534,102	\$
Common stocks	51,030,284	26,776,290	24,253,994	51,030,284	(26,776,290)
Cash	1,178,424		1,178,424	1,178,424	
Other invested assets	14,677,307		14,677,307	14,677,307	
Agents' balances or uncollected premiums	325,082,256		325,082,256	325,082,256	
Reinsurance recoverables on loss and loss adjustment expense payments	305,953,000		305,953,000	305,953,000	
Interest, dividends and real estate income due and accrued	7,128,537		7,128,537	7,128,537	
Receivable from parent, subsidiaries and affiliates	40,245,189		40,245,189	40,245,189	
Aggregate write-ins for other than invested assets	32,683,269		32,683,269	32,683,269	
Premium deposit	<u>43,365,000</u>		<u>43,365,000</u>		<u>43,365,000</u>
Total Assets	<u>\$1,208,877,368</u>	<u>\$ 26,776,290</u>	<u>\$1,182,101,078</u>	<u>\$1,165,512,368</u>	<u>\$16,588,710</u>

<u>Liabilities, Surplus and Other Funds</u>			Surplus Increase
<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>	<u>(Decrease)</u>
Losses and Loss Adjustment Expenses	\$343,900,466	\$145,427,446	\$(198,473,020)
Reinsurance payable on paid losses and loss adjustment expenses	337,238,000	337,238,000	
Taxes, licenses and fees	2,461,062	2,461,062	
Unearned premiums	156,430,283	156,430,283	
Ceded reinsurance premiums payable	183,865,000	183,865,000	
Funds held by company under reinsurance treaties	104,562,630	104,562,630	
Provision for reinsurance	415,000	415,000	
Drafts outstanding	31,908,725	31,908,725	
Aggregate write-ins for liabilities	<u>2,672,879</u>	<u>2,672,879</u>	_____
 Total liabilities	 <u>\$1,163,454,045</u>	 <u>\$964,981,025</u>	 <u>\$(198,473,020)</u>
 <u>Surplus and Other Funds</u>			
Common capital stock	\$ 5,000,000	5,000,000	\$
Gross paid in and contributed surplus	89,550,000	89,550,000	
Unassigned funds	<u>(75,902,967)</u>	<u>105,981,343</u>	<u>(181,884,310)</u>
 Surplus as regards policyholders	 <u>\$ 18,647,033</u>	 <u>\$200,531,343</u>	 <u>\$(181,884,310)</u>
 Total liabilities, surplus and other funds	 <u>\$1,182,101,078</u>	 <u>\$1,165,512,368</u>	

NOTE: The Internal Revenue Service has completed its audits of the Company's federal income tax returns through tax year 1989. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax years 1990 through 1996 are currently in progress, while those covering tax years 1997, 1998, 1999, 2000 and 2001 have yet to commence. Except for any impact that might result from the examination changes contained in this report, the examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$131,392,312 during the five-year examination period, January 1, 1997 through December 31, 2001 detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$ 2,191,514,514
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Deductions:

Losses and loss adjustment expenses incurred	\$ 1,873,248,147	
Other underwriting expenses incurred	<u>403,000,156</u>	

Total underwriting deductions		<u>2,276,248,303</u>
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Net underwriting gain or (loss)		\$ (84,733,789)
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Investment Income

Net investment income earned	\$ 123,378,916	
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Net realized capital gain	<u>(4,499,426)</u>	
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Net investment gain		118,879,490
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Other income (loss)

Premium deposit		<u>(21,827,406)</u>
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Net income before dividends to policyholders and before federal and foreign income taxes		\$ (9,219,299)
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Federal and foreign income taxes incurred		<u>12,608,107</u>
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Net income		<u>\$ (21,827,406)</u>
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Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 1997			\$ 149,965,425
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$ 21,827,406	
Net unrealized capital gains or (losses)	\$ 12,054,147	0	
Change in nonadmitted assets		26,555,133	
Change in provision for reinsurance		415,000	
Transferred from capital		15,300,000	
Dividends to stockholders		<u>79,275,000</u>	
Total gains and losses	<u>\$ 12,054,147</u>	<u>\$ 137,349,539</u>	
Net increase (decrease) in surplus			<u>(131,318,392)</u>
Surplus as regards policyholders per report on examinations as of December 31, 2001			<u>\$ 18,647,033</u>

4 COMMON STOCKS

The examination admitted asset of \$24,253,994 is \$26,776,290 less than the \$51,030,284 reported by the Company in its December 31, 2001 filed annual statement. As of the examination date, the Company reported its ownership of the common stock of three insurance subsidiaries under this caption. Section 1408(b) of the New York Insurance Law limits an insurer's investment in insurance company stock to the greater of "...fifty per centum of (its) surplus to policyholders or sixty per centum of its surplus..."

Due to the changes made to the Company's surplus to policyholders as a result of this examination, the Company's maximum investment in insurance company stocks is limited to \$24,253,994. The remainder of the \$51,030,284 investments, \$26,776,290, has been classified as a not admitted asset herein.

5. PREMIUM DEPOSIT

The Company did not report an asset under this caption in its December 31, 2001 filed annual statement. This examination has established an asset amounting to \$43,365,000. As discussed in Item 2c herein, analysis of two of the Company's aggregate excess of loss reinsurance agreements indicated they did not meet the criteria set forth in SSAP No. 62 that are necessary to qualify for reinsurance accounting treatment. As such, the premiums received on these two contracts, as of the examination date, are required by SSAP No.75 to be accounted for as a deposit.

6. LOSSES & LOSS ADJUSTMENT EXPENSES

The examination liability of \$343,900,466 is \$198,473,020 greater than the \$145,427,446 reported by the Company in its December 31, 2001 filed annual statement.

The examination increase to the captioned liability consists of two separate components. An actuarial analysis, conducted in accordance with generally accepted actuarial principles and practices and based on statistical information contained in the Company's internal records and in its filed annual statements, found that the Company's share of AIG Personal Lines Pool's carried reserves were deficient by \$48,036,000.

The Department's actuaries found several deficiencies with the Company's actuarial report. The Company has serious data problems with the Mainland business segment, which comprises approximately 65% of carried reserves. It was difficult to reconcile the data to Schedule P. It is recommended that the Company maintain appropriate records, worksheets, correspondence and other documents pertaining to the actuarial work product, and make them available for review. The documentation should be sufficient for another actuary practicing in the same field to evaluate the work. The documentation should clearly describe the sources of data, material assumptions and methods. Any changes from last analysis should be documented. For specialty auto business, it is recommended that the Company keep accurate record of claim count information.

The remaining examination increase of \$150,437,020 is attributable to the accounting for two of the Company's aggregate excess of loss reinsurance agreements. Analysis of these agreements indicated they did not meet the criteria set forth in SSAP No. 62 that are necessary to qualify for reinsurance accounting treatment. As such, the agreements have been accounted for pursuant to the provisions of SSAP 75, which provides, in part, as follows:

“To the extent that a reinsurance agreement does not, despite its form, transfer both components of insurance risk, all or part of the agreement shall be accounted for and reported as deposits in the following manner:

- a. At the outset of the reinsurance agreement the net consideration paid by the ceding entity (premiums less commissions or other allowances) shall be recorded as a deposit by the ceding entity and as a liability by the assuming entity. The deposit shall be reported as an admitted asset by the ceding entity if (i) the assuming entity is licensed, accredited or otherwise qualified in the ceding entity's state of domicile as described in Appendix A-785 or (ii) there are funds held by or on behalf of the ceding entity as described in Appendix A-785;
- b. Throughout the life of the agreement, receipts and disbursements shall be recorded through the deposit/liability accounts;
- c. When individual case reserves are the basis for the deposit and the assuming entity pays in excess of the amount transferred by the ceding entity, the amount paid in excess of the deposit received shall be recognized as a loss by the assuming entity and as a gain by the ceding entity as Other Income in the statement of income;
- d. When the agreement is completed, or when there is a loss payment in excess of the deposit, any difference between consideration and recoveries shall be recorded in the Other Income or Loss account as a loss to the reinsurer and as a gain in the Other Income or Loss account by the reinsured;
- e. With regard to bulk reserves, (i.e., IBNR) it shall be assumed that any cash transactions for the settlement of losses will reduce the asset/liability accounts by the amount of the cash transferred. When the remaining losses are revalued upward, an increase in the liability shall be recorded as a loss recognized by the assuming entity. Conversely, the ceding entity shall increase its deposit (asset) and outstanding loss liability;
- f. No deduction shall be made from the loss and loss adjustment expense reserves on the ceding entity's balance sheet, schedules, and exhibits;”

6 MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Department's Property Bureau.

The general review was directed at practices of the Company in the following major areas:

- A. Sales and advertising materials
- B. Underwriting
- C. Rating
- D. Claims and complaints handling

No problem areas were encountered.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained eight recommendations detailed as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Description of the Company</u></p> <p>It is recommended the Company report the proper number of shares of its authorized and issued capital common stock and the proper par value per share of such stock in its future annual statements.</p> <p>The Company has complied with this recommendation.</p>	<p>5</p>
<p>B. <u>Board of Directors</u></p> <p>It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.</p> <p>The Company has not complied with this recommendation and a similar recommendation will appear in this report on examination.</p>	<p>7</p>
<p>C. <u>Inter-Company Pool</u></p> <p>It is recommended that the Company implement the pool in accordance with the terms of the inter-company agreement and collect from the pool members the monies due to the Company plus an appropriate amount of interest.</p> <p>The Company has not complied with this recommendation and a similar recommendation will appear in this report on examination.</p>	<p>11</p>
<p>D. <u>Holding Company System</u></p> <p>It is recommended that the Company report the value of its insurance subsidiaries in accordance with Section 1414(c)(2) of the New York Insurance Law.</p> <p>The Company has complied with this recommendation.</p>	<p>14</p>

<u>ITEM</u>	<u>PAGE NO.</u>
E. <u>Abandoned Property Law</u>	
It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law and file, with the State of New York, any checks or drafts that have been outstanding for three or more years.	18
The Company has not complied with this recommendation and a similar recommendation appears in this report on examination.	
F. <u>Section 310 of the New York Insurance Law</u>	
Although management attributed the delay to personnel turnover, it is recommended that the Company comply with Section 310(a)(2), (3) and (4) of the New York Insurance Law and cooperate fully with the New York Insurance Examiners in all future examinations and correspondences.	18
The Company has complied with this recommendation.	
G. <u>Valuation of Securities</u>	
It is recommended that the Company submit all the securities for valuation in accordance with the procedures set forth in the NAIC Valuation of Securities Manual.	19
The Company has not complied with this recommendation and a similar recommendation appears in this report on examination.	
H. <u>Actuarial Data Reconciliation</u>	
Although the Company's actuarial reconciliation was accurate, it is recommended that the Company continue its efforts to streamline its process to make their reconciliation clear.	19
The Company has not complied with this recommendation and a similar recommendation appears in this report on examination.	

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Management</u>	
i.	Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that appropriate decisions may be reached by the board. Individuals who fail to attend at least one-half of the regular meetings do not fulfill such criteria. Board members who are unable or unwilling to attend meetings consistently should resign or be replaced.	6
ii.	It is recommended that the minutes of the Company's board of directors' meetings accurately account for the number of directors eligible for each meeting	7
B.	<u>Reinsurance</u>	
i.	It is recommended that the Company amend the current pooling agreement to clarify each participant's obligations relative to accounts subject to pooling.	10
ii.	It is recommended that the Company require that the letter of credit be revised to comply with Department Regulation 133.	10
iii.	It is recommended that the Company amend all reinsurance contracts placed through reinsurance intermediaries to comply with Department Regulation 98.	12
iv.	It is recommended that the Company report all unauthorized reinsurance transactions in accordance with the National Association of Insurance Commissioners' Annual Statement instructions.	12
v.	It is recommended that the Company account for this agreement in accordance with SSAP No. 75 in future statements filed with this Department.	14

<u>ITEM</u>		<u>PAGE NO.</u>
C.	<u>Holding Company System</u>	
	<u>Managing General Agent Agreement</u>	
i.	It is recommended that the Company amend the managing general agent's agreement to include administrative and claims services, and file such amendment with this Department pursuant to Section 1505(d)(3) of the New York Insurance Law.	17
ii.	If it is management's intent for policy fees to be included as part of the compensation to AIGM, it is recommended that AIIC amend the agreement to reflect the revised compensation schedule. Any amendments are to be submitted to this Department prior to implementation, in accordance with Section 1505(d)(3) of the New York Insurance Law.	17
iii.	It is further recommended that the Company collect from its managing general agent any compensation associated with the policy fees, plus interest.	17
iv.	It is recommended that the Company refrain from using any increased fee schedule until it has received non-disapproval from this Department.	18
	<u>Tax Payment Allocation Agreement</u>	
	It is recommended that the Company revise the tax payment allocation agreement effective date to one subsequent to the acquisition of AIIC by American International Group, Inc., holding company system and submit this agreement to the Department for non-disapproval.	20
	<u>Service Agreement</u>	
	It is recommended that the Company retain copies of its executed agreements as well as documentation that such agreements were submitted to this Department for non-disapproval in accordance with section 1505(d)(3) of the New York Insurance Law. Further, it is recommended that the Company submit a fully executed, dated copy of the agreement to this Department for non-disapproval.	20
	<u>Claims settlement Agreement</u>	
	It is recommended that the Company comply with Section 1505 (d) of the New York Insurance Law and notify the superintendent in writing thirty days prior to rendering services on a regular or systematic basis to a member of its holding company system.	21

<u>ITEM</u>	<u>PAGE NO</u>
D. <u>Abandoned Property Law</u>	
It is again recommended that the Company comply with Section 1316 of the New York Abandoned Property Law and file, with the State of New York, any checks or drafts that have been outstanding for three or more years.	23
E. <u>Accounts and Records</u>	
<u>Invested Assets</u>	
i. It is again recommended that the Company submit its investments to the National Association of Insurance Commissioners' Securities Valuation Office for valuation.	23
ii. It is recommended that the Company exercise more care in the preparation of its filed annual statements.	23
iii. It is recommended that the Company put all procedures required by the National Association of Insurance Commissioners' Securities Valuation Office in place prior to filing its annual statements.	24
Subsequent to the examination date the Company put these monitoring procedures and controls in place.	
F. <u>Custodial Agreement</u>	
i. It is recommended that the Company amend its current custodial agreement to include the necessary safeguards and controls, in accordance with the NAIC Financial Condition Examiners Handbook.	24
On December 24, 2002, the Company amended the agreement with Mellon Trust of New York to include these safeguards and controls.	
ii. It is recommended that the Company require all internal corporate funds in which it invests to have adequate safeguards and controls in place that comply with the requirements of the NAIC's Financial Condition Examiners Handbook	25

<u>ITEM</u>		<u>PAGE NO.</u>
G.	<u>Agents' Balances Uncollected Premiums</u>	
i.	It is recommended that the Company report agents' balances in accordance with the annual statement instructions and reclassify all inter-company transactions to the appropriate balance sheet item.	26
ii.	It is recommended that the Company write-off all uncollectible premium balances and purge the database of these premiums.	26
H.	<u>Motor Vehicle Law enforcement Fees</u>	
	It is recommended that the Company collect, report and pay the motor vehicle law enforcement fees in the manner prescribed in Section 9110 of the New York Insurance Law.	27
	Subsequent to the examination, the Company revised its computer logic and was able to capture the correct amount of vehicles. Also, they now calculate the policies written monthly and report and pay the fees in a timely manner.	
I.	<u>Losses and Loss Adjustment Expenses</u>	
i.	It is recommended that the Company maintain appropriate records, worksheets, correspondence and other documents pertaining to the actuarial work product, and make them available for review. The documentation should be sufficient for another actuary practicing in the same field to evaluate the work. The documentation should clearly describe the sources of data, material assumptions and methods. Any changes from last analysis should be documented.	33
ii.	For specialty auto business, it is recommended that the Company keep accurate record of claim count information.	33

Respectfully submitted,

_____/s/_____

Alfred W. Bloomer, Jr.

Senior Insurance Examiner

STATE OF NEW YORK)

) SS.

)

COUNTY OF NEW YORK)

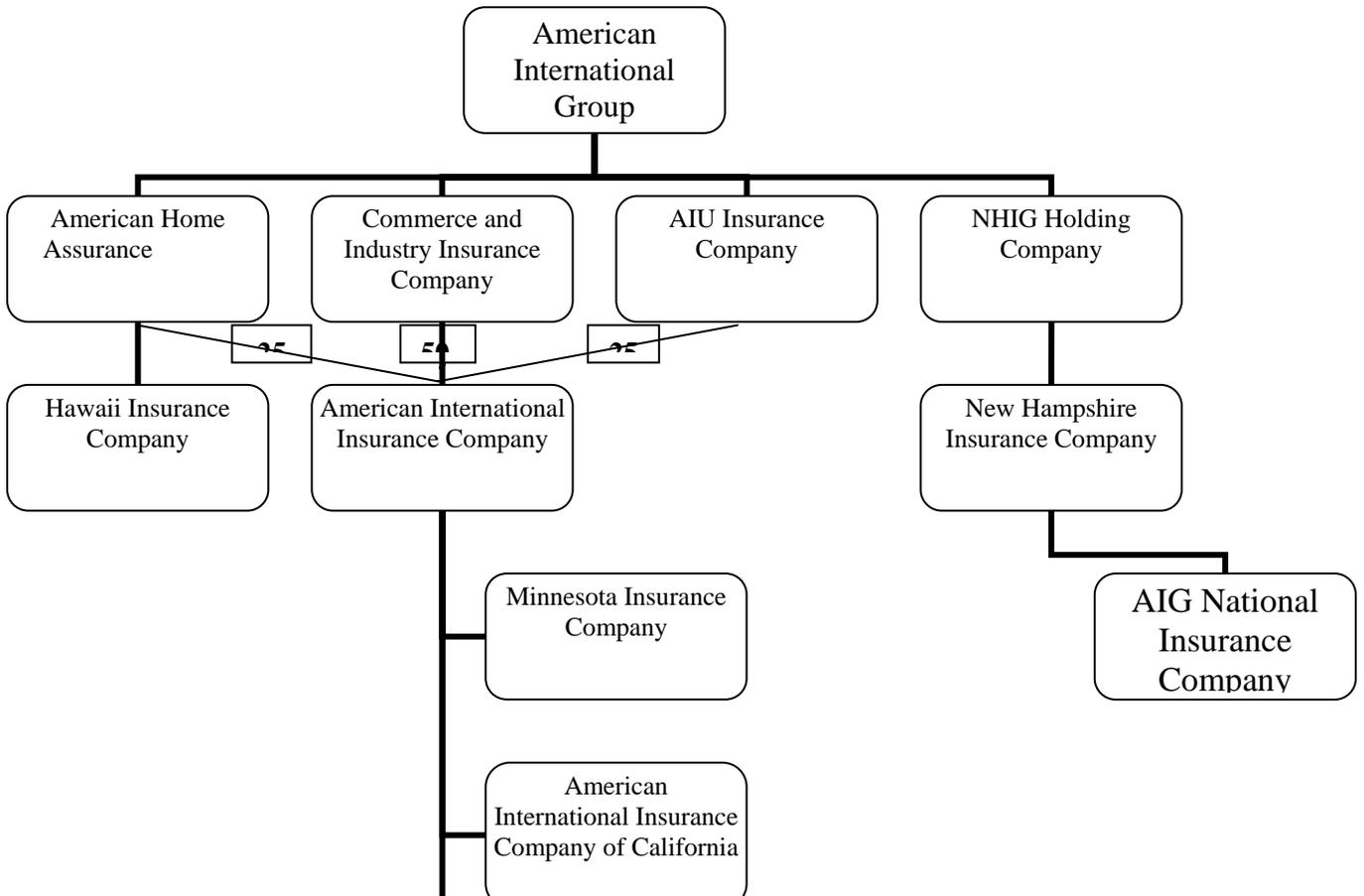
ALFRED W. BLOOMER, Jr., being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

_____/s/_____

Alfred W. Bloomer, Jr.

Subscribed and sworn to before me

This _____ day of _____ 2004.



Appointment No. 21842

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Alfred Bloomer

as proper person to examine into the affairs of the

AMERICAN INTERNATIONAL INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

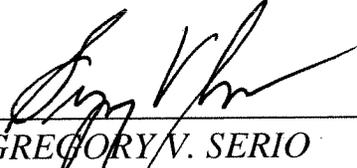
Company

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 7th day of March, 2002





GREGORY V. SERIO
Superintendent of Insurance