



NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
ONE STATE STREET
NEW YORK, NEW YORK 10004

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In the Matter of, :
AMERICAN GENERAL LIFE INSURANCE COMPANY :
AMERICAN INTERNATIONAL GROUP, INC. :
: :
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CONSENT ORDER

WHEREAS, the New York State Department of Financial Services (the “Department”) commenced an investigation in April 2019 of American General Life Insurance Company (“AGL”) and its respective parents, subsidiaries and affiliates, and their respective agents, officers, directors, representatives, employees, successors and assigns, (“Respondents”) pursuant to the New York Insurance Law (“Insurance Law”) and Financial Services Law (the “Investigation”);

WHEREAS, the Investigation concluded that AGL had done an insurance business in New York without a New York license in connection with its pension risk transfer (“PRT”) business;

WHEREAS, the Investigation concluded that AGL PRT representatives, some of whom were located in New York, had exchanged thousands of e-mail communications and other contacts with businesses (including some located in New York) and communicated with New York individuals in violation of Insurance Law § 1102(a);

WHEREAS, this Consent Order contains the Department's findings, and the relief agreed to by the Department and Respondents; and

NOW, THEREFORE, the Department and Respondents are willing to resolve all matters involving Respondents' PRT business in lieu of proceeding by notice and a hearing.

FINDINGS

The findings of the Department are as follows:

Relevant Entities

1. AGL is a life insurance company domiciled in Texas. AGL is not licensed or otherwise authorized to do an insurance business in the State of New York. AGL is a wholly owned subsidiary of American International Group, Inc. ("AIG"), which is domiciled in New York.

2. The United States Life Insurance Company in the City of New York ("USL") is a wholly owned subsidiary of AIG, domiciled and licensed to do an insurance business in the State of New York.

Legal Background

3. Insurance Law § 1102 prohibits any person, firm, association, corporation, or joint-stock company from doing an insurance business in New York unless appropriately licensed pursuant to the Insurance Law or exempted from licensing by the Insurance Law. Insurance Law § 1101(b)(1) states that certain acts in New York, effected by mail from outside New York or otherwise, by any person or entity, constitute doing an insurance business in New York. Such acts include making, or proposing to make, as insurer, any insurance contract, including either issuance or delivery of a policy or contract of insurance to a resident of New York or to any firm, association, or corporation authorized to do business in New York, or

solicitation of applications for any such policies or contracts; in addition to collecting any premium, membership fee, assessment, or other consideration for any policy or contract of insurance.

4. An unauthorized insurer may not make telephone calls, provide access to web portals (save for limited circumstances described in Insurance Law § 1101(b)(8)), or engage in any other manner of communication with any person in New York from outside New York, other than by mail. In addition, an unauthorized life insurer may not solicit, negotiate, or sell group annuity contracts (“GACs”) through in-person meetings, telephone calls, mail, emails, access to web portals, or any other form of communication from a location in New York.

5. Insurance Law § 1102(a) provides that any person, firm, association, corporation, or joint-stock company that transacts the business of insurance in New York without an appropriate license or exemption shall, in addition to any other penalty provided by law, forfeit as a penalty the sum of one thousand dollars for the first violation and two thousand five hundred dollars for each subsequent violation.

6. The Department has stated that each instance of impermissible solicitation, negotiation, or sale of insurance by an unauthorized insurer or of improper policy servicing by an unauthorized insurer is a separate violation of Insurance Law § 1102(a).

7. In September 2019, the Department issued Insurance Circular Letter No. 10 (2019) “to remind all life insurers and insurance producers doing business in New York that an unauthorized life insurer’s employees or other representatives may not solicit, negotiate, sell or service group annuity contracts . . . through in-person meetings, telephone calls, mail, emails, access to web portals or in any other manner from an office or any other location in New York.

In addition, an insurance producer and any other person, whether licensed by the Department . . . or otherwise, may not aid or call attention to an unauthorized insurer in New York.”

Factual Background

8. A defined benefit pension plan sponsor is responsible for, among other things, administering the plan and ensuring payouts to plan participants. A pension plan sponsor is often the employer offering pension plan participation to its employees. The long-term obligation of paying out pension plan benefits to participants represents a risk which is sometimes transferred to another party in a transaction referred to as a pension risk transfer (“PRT Transaction”). In a typical PRT Transaction, the plan sponsor transfers all or a portion of the assets and liabilities of a defined benefit pension plan to a life insurance company, which, in turn, issues a GAC obligating the life insurance company to make benefit payments to plan participants or to the plan sponsor. If the GAC obligates the life insurance company to make benefit payments to plan participants directly, the plan participants receive individual annuity certificates representing their rights to benefits under the GAC.

9. PRT Transactions vary in size but are often large, complex transactions that require substantial time to complete, and involve extensive communications between the life insurance company issuing the GAC and the original plan sponsor and its representatives.

10. The U.S. PRT Transaction market consists of approximately 15 insurers. Approximately two to four insurers typically compete for transactions that involve more than \$1 billion in liabilities, while four to six insurers usually engage in transactions between \$250 million and \$1 billion. Most PRT Transactions involve partial buy-outs of retirees’ long-term benefits.

AIG's PRT Transactions

11. AGL's significant contacts with the State of New York relating to the solicitation and making of PRT contracts first began in January 2014, when an AIG executive was appointed to oversee several divisions, including the PRT business, while operating out of New York. Over the course of 2014 through 2019, several PRT employees were based both in New York and New Jersey.

12. Over this time period, this executive and the other New York-based PRT employees communicated via email and phone calls with plan sponsors and consultants to solicit, negotiate, and finalize numerous PRT deals underwritten by AGL. Additionally, PRT employees outside of New York similarly communicated with plan sponsors and consultants located in New York for PRT deals underwritten by AGL.

13. As part of its investigation into AGL's PRT business in New York, the Department reviewed information related to a PRT Transaction between AGL and Company X. The transaction included 8,500 certificate holders, including 154 New York State residents, and an estimated transaction premium of \$751.7 million. One of Company X's principal places of business is in Ohio, but it also has offices across several states, including three New York locations. The Department reviewed electronic communications to and from the AGL PRT personnel primarily involved in the solicitation and negotiation of the transaction, and found that a substantial percentage violated Insurance Law § 1102(a). Many of these communications also suggested additional communications between PRT representatives of AGL and Company X.

14. This transaction was representative of certain of AGL's other large and jumbo deals in its complexity and contacts with New York. In total, in the time between January 1, 2014 and June 17, 2019, AGL bid on and won four large (\$500 million to \$2 billion) PRT deals. In addition to the deals it won, from January 1, 2014 to June 17, 2019, AGL bid on and lost 11

large or jumbo (over \$2 billion) deals. However, none of these deals involved a plan sponsor with a principal place of business (nexus) in the State of New York.

15. In addition to communicating with New York-based representatives of various plan sponsors, AGL also responded to post-issuance questions by New York residents through a Delaware call center, and operated a PRT web portal that could be used by New York .

16. The Department’s Investigation revealed thousands of communications between AGL and plan sponsors or their consultants from New York or to New York-based individuals, relating to the solicitation and negotiation of GACs, or to the servicing of New York certificate holders other than by mail, each of which constitutes a separate violation of the Insurance Law.

17. After discussing the Department’s findings, AGL: (i) transitioned Company X and one other pending PRT transaction to a two-GAC structure using USL to cover New York Participants (as defined herein), (ii) launched a two-GAC structure with AGL and USL for future PRT transactions, and (iii) began the process to migrate New York Participants to a USL GAC and continues to work with the Department in regard to these New York Participants.

Violations

18. By reason of the foregoing, the Department finds that AGL violated Insurance Law § 1102(a).

AGREEMENT

IT IS HEREBY UNDERSTOOD AND AGREED by Respondents and all of their respective subsidiaries, affiliates, successors, assigns, agents, representatives, and employees, that:

Injunctive Relief

19. For future PRT Transactions, upon receipt of premium (the “Premium

Receipt Date”), a New York-licensed life insurance company will issue a GAC and certificates with respect to the census of participants residing in the State of New York (“New York Participants”) provided to the issuing insurer on the Premium Receipt Date.

20. Within one month of the effective date of this Consent Order, AGL will present a plan to the Department to use a New York-licensed insurer to provide retirement benefits for some 600 New York Participants who are part of a legacy book of PRT transactions currently administered by AGL. Subsequent to that submission, the Department will solely determine whether AGL is making satisfactory progress towards fully realizing this plan. Any USL contract or certificate which may cover a New York Participant will be approved by the Department.

21. Further, PRT Transaction employees who are selling or soliciting PRT GACs in New York will obtain a New York insurance agent’s license. Such individuals will also be appointed as agents by USL.

22. AGL will continue to provide guidance for PRT Transactions to assure no AGL employees will solicit, negotiate, or sell PRT Transactions, GACs, or related annuity certificates on behalf of AGL, through in-person meetings, telephone calls, mail, emails, access to web portals, or in any other manner, from an office or any other location in New York or into New York.

23. Respondent shall comply with New York Insurance Law § 1101, as well as all other applicable New York laws and regulations, with respect to the subject matter herein.

Monetary Penalty

24. No later than ten (10) business days after the Effective Date (as defined below) of this Consent Order, Respondents shall pay a civil monetary penalty of 12 million dollars

(\$12,000,000) to the Department. The payment shall be made by wire transfer in accordance with the Department's instructions.

25. Respondents shall not seek or accept, directly or indirectly, reimbursement or indemnification, including but not limited to payment made pursuant to any insurance policy referenced in this Consent Order, or from any of Respondents' parents, subsidiaries, or affiliates, with regard to any or all of the amounts payable pursuant to this Consent Order. However, nothing in this paragraph shall prevent Respondents from prosecuting malpractice claims against third parties.

26. Respondents shall not claim, assert, or apply for a tax deduction or tax credit with regard to any U.S. federal, state, or local tax, directly or indirectly, for any portion of the civil monetary penalty paid pursuant to this Consent Order.

Other Provisions

27. Respondents submit to the authority of the Superintendent of Financial Services of the State of New York (the "Superintendent") to effectuate this Consent Order.

28. AGL shall submit to the Department annual affidavits of compliance with the terms of this Consent Order for a period of three (3) years commencing from the Effective Date of this Consent Order.

29. If the Department believes Respondents to be in material breach of this Consent Order, the Department will provide written notice to Respondents and they must, within ten business days of receiving such notice, or on a later date if so determined in the Department's sole discretion, appear before the Department to demonstrate that no material breach has occurred or, to the extent pertinent, that the breach is immaterial or has been cured.

30. Respondents' failure to make the required showing within the designated time period as set forth in Paragraph 29 of this Consent Order shall be presumptive evidence of Respondents' material breach. Upon a finding by the Department that any Respondent has breached this Consent Order, the Department has all the remedies available to it under all applicable laws and may use any evidence available to it in connection with any ensuing hearings, notices, orders, and other remedies that are available.

31. The Department has agreed to the terms of this Consent Order based on, among other things, representations made to the Department by AIG and AGL, either directly or through counsel, and the Department's own factual Investigation. To the extent that representations made by AIG and AGL are later found to be materially incomplete or materially inaccurate, this Consent Order is voidable by the Superintendent in her sole discretion.

32. Upon the Department's request, Respondents shall provide all documentation and information reasonably necessary for the Department to verify compliance with this Consent Order.

33. AIG and AGL represent and warrant, through the signatures below, that the terms and conditions of this Consent Order are duly approved, and the execution of this Consent Order is duly authorized.

34. All written communications to any party pursuant to this Consent Order shall be in writing and shall be directed as follows:

For the Department:

Laura Meehan
Senior Assistant Deputy Superintendent for Enforcement
New York State Department of Financial Services
One State Street
New York, New York 10004-1511

Sarah Walls
Senior Assistant Deputy Superintendent for Enforcement
New York State Department of Financial Services
One State Street
New York, New York 10004-1511

Lillian Grinnell
Attorney Excelsior Fellow, Enforcement
New York State Department of Financial Services
One State Street
New York, New York 10004-1511

For Respondents:

Jonathan Novak
President & CEO, Institutional Markets
American General Life Insurance Company
10880 Wilshire Blvd, Los Angeles, CA 90024

General Counsel
American General Life Insurance Company
2919 Allen Parkway, Woodson Tower, L4-01
Houston, Texas 77019

35. This Consent Order and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

36. Respondents waive all rights to further notice and hearing in this matter as to any allegations of past violations by the Department's Consumer Protection and Financial Enforcement Division up to and including the Effective Date of this Consent Order and agree

that no provision of this Consent Order is subject to review in any court or tribunal outside of the Department.

37. This Consent Order is binding on the parties, as well as any successors and assigns. This Consent Order does not bind any federal or other state agency or any law enforcement authority.

38. This Consent Order may not be altered, modified, or changed unless in writing signed by all the parties hereto.

39. The Consent Order shall be enforceable and remain in effect unless stayed or terminated in writing by the Superintendent or her designee.

40. This Consent Order constitutes the entire agreement between the Department and Respondents, and supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Consent Order.

41. No inducement, promise, understanding, condition, or warranty not set forth in this Consent Order has been relied upon by any party to this Consent Order.

42. In the event that one or more provisions contained in this Consent Order shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Consent Order.

43. Upon the parties' execution of this Consent Order, the Department will discontinue the Investigation as to and against Respondents solely with respect to the practices set forth herein through the Effective Date of this Consent Order. No further action will be taken by the Department against Respondents for the conduct set forth in this Consent Order provided they comply with the terms of the Consent Order.

44. Nothing in this Consent Order shall be construed to prevent any consumer from pursuing any right or remedy at law.

45. Except with regard to the enforcement of this Consent Order, Respondents' consent to the provisions of this Consent Order does not bar, estop, waive, or otherwise prevent Respondents from raising any defenses to any action taken by any federal or state agency or department, or any private action against Respondents.

46. This Consent Order may be executed in one or more counterparts and shall become effective when such counterparts have been signed by each of the parties hereto and the Consent Order is So Ordered by the Superintendent of Financial Services or her designee (the "Effective Date").

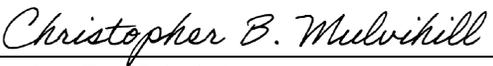
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WHEREFORE, the signatures evidencing assent to this Consent Order have been affixed hereto on the dates set forth below.

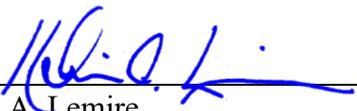
**NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES**

By: 
R. Bruce Wells
Senior Assistant Deputy Superintendent
Consumer Protection & Financial
Enforcement Division

January 28, 2021

By: 
Christopher B. Mulvihill
Deputy Superintendent
Consumer Protection & Financial
Enforcement Division

January 28, 2021

By: 
Katherine A. Lemire
Executive Deputy Superintendent
Consumer Protection & Financial
Enforcement Division

January 28, 2021

**AMERICAN GENERAL LIFE
INSURANCE COMPANY**

By: 
Jonathan Novak
President & CEO, Institutional Markets
American General Life Insurance Company

January 28, 2021

**AMERICAN INTERNATIONAL
GROUP, INC.**

By: 
Jonathan Novak
Senior Vice President – Life & Retirement
American International

Group, Inc. January 28, 2021

THE FOREGOING IS HEREBY APPROVED. IT IS SO ORDERED.


LINDA A. LACEWELL
Superintendent of Financial Services

January 28, 2021