REPORT ON EXAMINATION
OF
AMERICAN HOME ASSURANCE COMPANY

AS OF DECEMBER 31, 2020

EXAMINER: BRUNO BAILO
DATE OF REPORT: MAY 26, 2022

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May 26, 2022

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32148 dated October 23, 2020, attached hereto, I have made an examination into the condition and affairs of American Home Assurance Company as of December 31, 2020, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate American Home Assurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

This examination was conducted remotely.

1. SCOPE OF EXAMINATION

The Department has performed an examination of American Home Assurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2015. This examination covered the 5-year period from January 1, 2016 through December 31, 2020. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the Insurance Department of the Commonwealth of Pennsylvania, which is the facilitating state for the American International Group, Inc. ("AIG") Property and Casualty U.S. business. New York is the lead state and group-wide supervisor of AIG. The examination was performed concurrently with the examinations of the following insurers:

Company Name	Domicile
AIU Insurance Company*	NY
American Home Assurance Company*	NY
AIG Assurance Company*	IL
AIG Insurance Company - Puerto Rico	PR
AIG Property Casualty Company*	IL
AIG Specialty Insurance Company*	IL
Commerce and Industry Insurance Company*	NY
Eaglestone Reinsurance Company	PA
Granite State Insurance Company*	IL
Illinois National Insurance Co.*	IL
Lexington Insurance Company*	DE
National Union Fire Insurance Company of Pittsburgh, Pa.*	PA
New Hampshire Insurance Company*	IL
The Insurance Company of the State of Pennsylvania*	IL
Blackboard Specialty Insurance Company^	DE
Blackboard Insurance Company^	DE
Stratford Insurance Company^	NH
Tudor Insurance Company^	NH
Western World Insurance Company^	NH

Other states participating in this examination were Delaware, Illinois, and New Hampshire. The Commonwealth of Puerto Rico also participated in this examination.

The 12 companies designated with an * are members in the U.S. P&C Combined Pool ("Combined Pool"), as described in Section 2. The companies designated with a ^ ceded 100% of their business to the National Union Fire Insurance Company of Pittsburgh, Pa.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

Company history
Management and control
Territory and plan of operation
Reinsurance
Holding company description
Financial statement presentation
Loss review and analysis
Significant subsequent events
Summary of recommendations

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

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

2. <u>DESCRIPTION OF COMPANY</u>

American Home Assurance Company was incorporated under the laws of the State of New York on February 7, 1899 as the Globe and Rutgers Fire Insurance Company ("Globe and Rutgers"). It became licensed on February 7, 1899. Effective December 31, 1954, the American Home Assurance Company, a subsidiary at that time, was merged into Globe and Rutgers, and the surviving company adopted the present corporate title. The Company is a wholly-owned subsidiary of AIG Property Casualty U.S., Inc. ("AIG PC US"), a Delaware corporation, which is in turn wholly-owned by AIG Property Casualty Inc. ("AIG PC"), a Delaware corporation. AIG PC is owned by AIG, a Delaware corporation.

AIG acquired the Company in 1969, and the Company was used to underwrite international risks through a system of branches. The vast majority of those branches have been discontinued and the related business was transferred to local affiliates. Currently, the Company writes U.S. commercial business directly, primarily fire, allied lines and workers' compensation. The Company assumes most of its business from affiliates as a result of its participation in the Combined Pool (See Section 2C for further detail).

A. Corporate Governance

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 seven nor more than 21 members. The board meets four times during each calendar year. At December 31, 2020, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Alexander Ross Baugh Rumson, New Jersey	Global Chief Underwriting Officer for Casualty and Financial Lines, American International Group, Inc.
Kean Driscoll Madison, New Jersey	Global Head of Reinsurance Strategy and Head of Global Portfolio Management - General Insurance, American International Group, Inc.
Elias Farid Habayeb Westfield, New Jersey	Chief Financial Officer, General Insurance Deputy Chief Financial Officer and Chief Accounting Officer, American International Group, Inc.
Barbara Luck Brooklyn, New York	President of Retail Casualty, North American General Insurance, American International Group, Inc.
Michael David Price Westfield, New Jersey	Chief Executive Officer - North America General Insurance, American International Group, Inc.
Kenneth John Riegler Basking Ridge, New Jersey	President - North America Retail, American International Group, Inc.
Anthony Vidovich Avon, Connecticut	Chief Claims Officer, General Insurance, American International Group, Inc.

As of December 31, 2020, the principal officers of the Company were as follows:

Name	Title
Michael David Price	President, Chief Executive Officer and Chairman
Tanya Evelyn Kent	Secretary
Elias Farid Habayeb	Chief Financial Officer and Executive Vice President
Brian Greenspan	Statutory Controller and Senior Vice President

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business in all 50 states and the District of Columbia.

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:

Paragraph	Line of Business
3	Accident and health
4	Fire
5	Miscellaneous property
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
22	Residual value
24	Credit unemployment
26	Gap
27	Prize indemnification
28	Service contract reimbursement
29	Legal services

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York

Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC §901 et. seq. as amended).

The Company is authorized to transact the business of special risk insurance ("Free Trade Zone") as defined in Article 63 of the New York Insurance Law.

In addition, the Company is authorized to reinsure risks of every kind or description and to write any and all kinds of insurance on risks outside of the United States, its territories, and possessions, 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.

Based upon the lines of business 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 $35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk-based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of $2,915,133,308, as of December 31, 2020.

The following schedule shows the direct premiums written and premiums assumed by the Company for the period under examination:

Calendar Year	Direct Premiums	Assumed Premiums	Total Gross Premiums
2016	$714,760,353	$8,969,165,761	$9,683,926,114
2017	$682,208,563	$7,540,862,187	$8,223,070,750
2018	$482,412,289	$7,368,205,724	$7,850,618,013
2019	$507,522,287	$8,356,540,145	$8,864,062,432
2020	$396,267,623	$8,003,838,887	$8,400,106,510

The Company primarily writes fire, allied lines and workers' compensation insurance directly, which is produced by brokers. As a result of its 35% participation in the Combined Pool, the Company assumes significant amounts of commercial insurance including, but not limited to: casualty, commercial multi-peril, inland marine, and ocean marine, in addition to the lines written directly. The Combined Pool members collectively produce business in all major U.S. markets and AIG is a major writer for most lines of commercial business. The Combined Pool also assumes commercial business from international affiliates.

C. Reinsurance Ceded

Combined Pooling Agreement

The Company participates in an inter-company reinsurance pooling agreement covering 12 affiliated insurers. Pursuant to the terms of this agreement, the Company and the affiliated entities share in premiums, losses, and expenses based on their respective pool participation. As shown in the chart below, the Company has a 35% participation in the Combined Pool.

On December 31, 2020, the Combined Pool consisted of the following indirect wholly-owned subsidiaries of AIG:

Company Name	Participation Percentage	State of Domicile
American Home Assurance Company	35%	NY
National Union Fire Insurance Company of Pittsburgh, Pa.**	35%	PA
Lexington Insurance Company	30%	DE
AIU Insurance Company	0%	NY
AIG Assurance Company	0%	IL
AIG Property Casualty Company	0%	IL
AIG Specialty Insurance Company	0%	IL
Commerce and Industry Insurance Company	0%	NY
Granite State Insurance Company	0%	IL
Illinois National Insurance Co.	0%	IL
New Hampshire Insurance Company	0%	IL
The Insurance Company of the State of Pennsylvania	0%	IL

**National Union Fire Insurance Company of Pittsburgh, Pa. is the lead company of the Combined Pool.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

Ceded Reinsurance Program

AIG maintains reinsurance programs for the benefit of its operating affiliates. Below is a summary of selected significant reinsurance transactions:

- The 2020 Global Property Catastrophe Program is a worldwide program providing both aggregate and per occurrence protection, with differing per occurrence and aggregate attachment points for North America, Japan, and Rest of World (with some additional regional/country variations). The program includes \$2.5 billion of aggregate limit that is shared across the regional towers.

  Coverage for North America included:

  - \$1.525 billion of per occurrence protection covering U.S and Caribbean high net worth personal lines business, with varying attachment points in specific geographies ranging from \$50 million to \$150 million.
  - Per occurrence protection of up to \$1 billion excess of \$500 million, primarily covering commercial exposures but also personal lines exposures not covered by the above high net worth personal lines protection.
  - Aggregate protection utilizing the \$2.5 billion of shared limit attaching excess \$750 million with per occurrence deductibles of \$25 million, \$50 million or \$75 million, depending on region/event, primarily covering commercial exposures but also covering U.S. and Caribbean high net worth personal lines exposure to earthquakes.

  Coverage for exposure outside North America included:

  - Japan per occurrence coverage of \$550 million excess of \$200 million and including both personal and commercial exposure.
  - Rest of World per occurrence coverage of \$300 million excess of \$100 million, including both personal and commercial exposure.
  - Rest of World and Japan \$2.5 billion of aggregate shared limit attaching excess of \$160 million and \$250 million, respectively, with per occurrence deductibles of \$20 million.

Although the shared limit coverage for North America, Japan and Rest of World has varying retentions per region, the maximum aggregate retention globally was \$1.0 billion for 2020.

- The 2020 Property Per-Risk Program provides worldwide per-risk coverage in excess of a retention varying by line of business.
- The 2020 Global Casualty Program consists of quota share protections and a Global XOL treaty.

- The 2020 Cyber Reinsurance Program consists of a combination of quota share and stop loss XOL protection.

Loss Portfolio Transfer

Eaglestone Reinsurance Company (Eaglestone), an authorized Pennsylvania domiciled affiliated insurer, was repurposed by AIG management in 2011 to be the "run-off" company within the AIG P&C division. Eaglestone is not a member of the Combined Pool, but has a significant reinsurance relationship with the Combined Pool members. Eaglestone is required to maintain an RBC of at least 225%, in connection with a retrocession agreement with National Indemnity Company ("NICO"), an external reinsurer. The Asbestos Loss Portfolio Transfer provides for coverage of up to $5 billion.

Fortitude Re was established during the first quarter of 2018 in a series of reinsurance transactions related to AIG's Legacy and as a replacement for the non-asbestos run-off business previously contained in Eaglestone. Those reinsurance transactions were designed to consolidate most of AIG's Legacy and Run-Off Lines into a single legal entity. As of December 31, 2020, approximately $30.5 billion of reserves from AIG's Life and Retirement Legacy Lines and approximately $4.1 billion of reserves from the General Insurance Legacy and Run-Off Lines related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions. Fortitude Re was majority acquired by third parties in June 2020 and is no longer considered an affiliate.

Adverse Development Cover

On January 20, 2017, AIG entered into an adverse development reinsurance agreement with NICO, under which the Combined Pool transferred to NICO 80% of the reserve risk on the vast majority of U.S. commercial long-tail exposures for accident years 2015 and prior. The Combined Pool ceded to NICO 80% of the losses on subject business paid on or after January 1, 2016, in excess of $25 billion of net paid losses, up to an aggregate limit of $25 billion.

D. Holding Company System

The Company is a wholly-owned subsidiary of AIG PC US, a Delaware corporation, which is ultimately controlled by AIG. AIG consists of four reportable segments: General Insurance, Life and Retirement Services, Other Operations, and Legacy Portfolio. The General Insurance segment primarily consists of commercial business.

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.

Holding Company Agreements

Service and Expense Agreement

The Company and several named affiliates are parties to a service and expense agreement effective February 1, 1974. Pursuant to the terms of this agreement, AIG and/or any of its subsidiaries may provide various services and facilities specified in the agreement, at cost, to any named party to the agreement. Services include, but are not limited to, advertising, legal, investment, actuarial, claims adjustment, underwriting, accounting, tax, employee cafeteria, office space, payroll and employee benefits. The service and expense agreement has been amended many times over the years to add/remove participants to the agreement and as otherwise necessary.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Administrative Services Agreements

On September 30, 2013, AIG PC Global Services, Inc. ("GS") entered into Master Agreements for Professional Services with AIG Shared Services Corporation, AIG Shared Services (M) Sdn Bhd ("AIGSS-MY"), and AIG Shared Services Business Processing Inc. ("AIGSS-BPI"), hereinafter, the "service providers". Effective December 31, 2020, the 2013 GS Agreements with AIGSS-BPI and AIGSS-MY were terminated.

The agreements were filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Tax Sharing Agreement

Effective January 1, 2018, the Company and other named affiliates entered into an Amended and Restated Tax Allocation Agreement ("TSA") with AIG, as parent. Under the TSA, the Company and AIG, along with its U.S. affiliates, file a consolidated United States federal income tax return.

In accordance with Circular Letter No. 33 (1979), for New York domiciled insurance companies, the parent shall establish and maintain an escrow account for amounts where the New York domiciled insurance company's separate return liability exceeds the consolidated tax liability of the parent.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law and Circular Letter No. 33 (1979).

Investment Advisory Agreement

The Company is party to an investment advisory agreement with AIG Asset Management (U.S.), LLC to receive investment management and advisory services with respect to the investments owned by the Company. The agreement has been amended to update and clarify the nature and scope of services, and to modify the investment guidelines from time to time as required by the Company and its regulators.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Master Intra-Company Services Agreement

Effective December 1, 2015, the Company and other AIG affiliates entered into a Master Intra-Company Services Agreement with AIG Technologies, Inc. ("AIGTI"). Pursuant to the agreement, AIGTI provides network connectivity, application hosting, data process related services and other IT-related infrastructure services as described in AIGTI's services catalog as may be requested from time to time by a party to the agreement. The agreement was amended in 2016, 2017 and 2018 to update certain terms.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Claims Services Agreement

Effective July 15, 2012, the Company and other AIG affiliates entered into a Claims Services Agreement with AIG Claims, Inc. ("AIG Claims"), formerly known as Chartis Claims, Inc. Pursuant to the agreement, AIG Claims will provide claims administration services on behalf of the Company. The agreement was amended on April 4, 2014 and August 22, 2019 to meet certain updated state law requirements.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Loan Agreement

Effective December 18, 2014, the Company and certain affiliates entered into a loan agreement with AIG, as lender, as amended effective June 5, 2015 and December 22, 2017, pursuant to which a borrower may borrow funds from AIG, from time to time.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Master Reinsurance Allocation Agreement

Effective February 29, 2008, for multiple cedant reinsurance agreements incepting on or after January 1, 2007, the Company and various affiliates entered into a Master Reinsurance Allocation Agreement (the "Allocation Agreement"). The Allocation Agreement does not amend any existing pooling agreement and does not affect the rights of the Company or any of its affiliates under any reinsurance contract. Effective April 1, 2016, the Allocation Agreement was superseded by a new Master Reinsurance Allocation Agreement, which applies to multiple cedant reinsurance agreements incepting on or after April 1, 2016.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Program Administration Agreement

The Company entered into several program administrator agreements with certain risk specialist companies ("program administrators"), whereby the program administrators will provide insurance placement and other program administration services to certain members of the Combined Pool. Services provided include assisting the Company in developing producer and underwriting guidelines and modifications thereto for the underwriting program, processing applications for insurance, collecting and accounting for premiums, and endorsing checks payable to the Company.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

International Swap Dealers Association

Effective November 1, 2012, the Company is a party to an International Swap Dealers Association Master Agreement with AIG Markets, Inc., which provides the framework for the Company and AIG

Markets, Inc., to enter into over-the-counter derivative transactions with one another. The agreement was amended on April 15, 2015, June 18, 2018, and January 8, 2019.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

E. Significant Ratios

The following operating ratios, computed as of December 31, 2020, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result
Net premiums written to policyholders' surplus	66%
Two-year overall operating	95%

The adjusted liabilities to liquid assets ratio of 111% falls outside the benchmark range due to the Company's other investments and investments in affiliates, which are excluded from liquid assets.

Underwriting Ratios

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

	Amount	Ratio
Losses and loss adjustment expenses incurred	$22,072,689,537	83.51%
Other underwriting expenses incurred	8,808,025,884	33.32%
Net underwriting gain (loss)	(4,448,202,965)	(16.83)%
Premiums earned	$26,432,512,456	100.00%

The Company's reported risk-based capital ("RBC") score was 488.8% at December 31, 2020**.** The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below can result in regulatory action. There were no financial adjustments in this report that impacted the Company's RBC score.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2020, as reported by the Company:

Assets	Assets	Assets not admitted	Net admitted assets
Bonds	$13,716,871,981	$ 0	$13,716,871,981
Common stocks	249,660,271	40,161	249,620,110
First liens - mortgage loans on real estate	2,043,330,827	0	2,043,330,827
Cash; cash equivalents and short- term investments	565,541,764	0	565,541,764
Other invested assets	2,571,261,109	483,635	2,570,777,474
Receivables for securities	21,175,106	0	21,175,106
Investment income due and accrued	136,412,235	0	136,412,235
Uncollected premiums and agents' balances in the course of collection	1,203,760,275	41,896,211	1,161,864,064
Deferred premiums; agents' balances and installments booked but deferred and not yet due	140,802,038	386,411	140,415,627
Accrued retrospective premiums and contracts subject to redetermination	441,066,128	5,766,022	435,300,106
Amounts recoverable from reinsurers	612,235,649	0	612,235,649
Funds held by or deposited with reinsured companies	261,128,546	0	261,128,546
Net deferred tax asset	672,871,484	51,872,495	620,998,989
Guaranty funds receivable or on deposit	2,225,809	0	2,225,809
Furniture and equipment; including health care delivery assets	88,433	88,433	0
Receivables from parent, subsidiaries and affiliates	94,111,793	64,909	94,046,884
Aggregate write-ins for other-than invested assets	207,645,168	12,046,530	195,598,638
Total Assets	$22,940,188,615	$112,644,807	$22,827,543,808

Liabilities, Surplus and Other Funds

Liabilities		
Losses and loss adjustment expenses		$8,979,688,452
Reinsurance payable on paid losses and loss adjustment expenses		815,590,785
Commissions payable; contingent commissions and other similar charges		(1,209,344)
Other expenses (excluding taxes; licenses and fees)		11,607,013
Taxes; licenses and fees (excluding federal and foreign income taxes)		109,246,113
Current federal and foreign income taxes		15,565,878
Unearned premiums		2,730,571,385
Ceded reinsurance premiums payable (net of ceding commissions)		486,740,754
Funds held by company under reinsurance treaties		1,809,045,539
Amounts withheld or retained by company for account of others		86,480
Remittances and items not allocated		4,435,208
Provision for reinsurance		25,019,929
Payable to parent, subsidiaries and affiliates		196,289,215
Derivatives		21,882,579
Payable for securities		246,507,916
Aggregate write-ins for liabilities		682,581,637
Total liabilities		$16,133,649,539
Surplus and other funds		
Aggregate write-ins for special surplus funds	$ 805,215,368	
Common capital stock	31,121,080	
Gross paid in and contributed surplus	6,729,603,995	
Unassigned funds (surplus)	(872,046,175)	
Surplus as regards policyholders		6,693,894,269
Totals liabilities, surplus and other funds		$22,827,543,808

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2006. 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 2007 through 2013 are currently under examination. The Internal Revenue Service has not audited tax returns covering tax years 2014 through 2020. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was $22,385,482, as detailed below:

Underwriting Income		
Premiums earned		$26,432,512,456
Losses incurred	$19,733,311,478	
Loss adjustment expenses incurred	2,339,378,059	
Other underwriting expenses incurred	8,808,025,884	
Total underwriting deductions		30,880,715,421
Net underwriting gain (loss)		$(4,448,202,965)
Investment Income		
Net investment income earned	$ 4,760,882,928	
Net realized capital gains (losses) less capital gains tax	(108,663,191)	
Net investment gain (loss)		4,652,219,737
Other Income		
Net gain (loss) from agents' or premium balances charged off	$ (60,515,298)	
Finance and service charges not included in premiums	309	
Aggregate write-ins for miscellaneous income	(326,828,336)	
Total other income		(387,343,325)
Net income before all other federal and foreign income taxes		(183,326,553)
Federal and foreign income taxes incurred		(205,712,035)
Net income		$ 22,385,482

C. Capital and Surplus

Surplus as regards policyholders increased $53,094,381 during the five-year examination period January 1, 2016, through December 31, 2020, as reported by the Company, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders as reported by the Company as of December 31, 2015			$6,640,799,888
Net income	$ 22,385,482		
Change in net unrealized capital gains or (losses) less capital gains	48,696,102		
Change in net unrealized foreign exchange capital gain (loss)	169,462,045		
Change in net deferred income tax		$ 463,755,282	
Change in nonadmitted assets	287,742,887		
Change in provision for reinsurance	9,246,420		
Cumulative effect of changes in accounting principles		38,883,761	
Capital changes paid in	2,305,162		
Surplus adjustments paid in	590,787,281		
Dividends to stockholders		600,000,000	
Aggregate write-ins for gains and losses in surplus	25,108,045	0	
Total gains and losses	$1,155,733,424	$1,102,639,043	
Net increase in surplus			53,094,381
Surplus as regards policyholders as reported by the Company as of December 31, 2020			$6,693,894,269

No adjustments were made to surplus as a result of this examination.

Capital paid in is $31,121,080 consisting of 1,556,054 shares of $20 par value per share common stock. Gross paid in and contributed surplus is $6,729,603,995. The Company repurchased 134,000 shares of stock and concurrently amended its charter to increase par value to the current par value per share from $17 in the first quarter of 2019. Gross paid in and contributed surplus increased by $590,787,281 during the examination period, as follows:

Year	Description		Amount
2016	Beginning gross paid in and contributed surplus		$6,138,816,714
2016	Capital contribution	$700,000,000	
2018	Capital contribution	150,000,000	
2019	Share repurchase	(504,212,719)	
2020	Capital contribution	245,000,000	
	Total		590,787,281
2020	Ending gross paid in and contributed surplus		$6,729,603,995

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $8,979,688,452 is the same as reported by the Company as of December 31, 2020. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

Actuarial Reports

The AIG Combined Pool, Eaglestone Reinsurance Company, and AIG Insurance Company - Puerto Rico Actuarial Reports ("Reports") do not fully comply with the NAIC Property & Casualty Annual Statement Instructions, Actuarial Opinion Section. Therefore, the organization and compilation of the Reports should be improved such that they are consistent with the documentation and disclosure requirements of ASOP No. 41, Actuarial Communications, and such that they provide sufficient documentation and disclosure so another actuary can view the Reports without requiring additional company guidance and input.

More specifically:

- The documentation in the Report should be improved, such as including a narrative that summarizes the basis for each of the conclusions contained in the Statement of Actuarial Opinion ("SAO") and improved documentation regarding the Schedule P reconciliation;
- The Reports should provide commentary for other important disclosures included in the SAO, such as financial and retroactive reinsurance and risk of material adverse deviation; and

- Reserve reports for some specific segments lacked transparency, as well as critical information, and further information had to be requested from the Company to perform the actuarial review.

It is recommended that the Reports comply with the provisions of Actuarial Standard of Practice ("ASOP") 41 – Actuarial Communications – Section 3.2, which states,

> "The actuary should complete an actuarial report if the actuary intends the actuarial findings to be relied upon by any intended user. The actuary should consider the needs of the intended user in communicating the actuarial findings in the actuarial report. An actuarial report may comprise one or several documents. The report may be in several different formats (such as formal documents produced on word processing, presentation or publishing software, e-mail, paper, or web sites). Where an actuarial report for a specific intended user comprises multiple documents, the actuary should communicate which documents comprise the report. In the actuarial report, the actuary should state the actuarial findings, and identify the methods, procedures, assumptions, and data used by the actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work as presented in the actuarial report."

5. SUBSEQUENT EVENTS

Pandemic:

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

Combined Pool Percentage Change:

Effective January 1, 2021, the Company's Combined Pool participation decreased from 35% to 32%. The 3% was transferred to Commerce and Industry Insurance Company, a New York affiliate.

Management Changes:

Brian Duperreault, CEO was succeeded by Peter Zaffino effective March 1, 2021. Richard Brassington, Chief Finance Actuary, was replaced by Steven Turner effective October 29, 2021. Elias Habayeb, Chief Financial Officer was replaced by Shane Fitzsimons effective November 16, 2021. On April 12, 2022, Sabra Purtill, Chief Risk Officer, was replaced by Tom Bolt. Concurrently, Tom Bolt, Chief Underwriting Officer ("CUO") GI, was replaced by Kean Driscoll, Global Head of Reinsurance Strategy and CUO – Property/Agriculture.

<u>AIG 200:</u>

AIG is in the process of executing a multi-year initiative to modernize and improve technology and infrastructure. The project includes critical areas including finance, data and underwriting.

AIG is in the process of transferring certain global operations, IT and Finance processing to a third-party professional services company.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	Losses and Loss Adjustment Expenses	
i.	It was recommended that the Actuarial Report underlying the Statement of Actuarial Opinion contain both narrative and technical components in sufficient detail to clearly explain how all memos and exhibits tie together, as well as including an exhibit that reconciles and maps the data used by the Actuary to the Annual Statement Schedule P line of business reporting.	28
	The Company has complied with this recommendation.	
ii.	It was recommended that AIG amend the order of operations in its workers' compensation discounting calculation by first distributing nominal reserves to each statutory company in accordance with the pooling agreement and then, discount the reserves of each statutory company separately, pursuant to the approved discounting practices of the respective domiciliary states.	28
	The Company has complied with this recommendation.	
iii.	It was also recommended that AIG develop an individual claim model to calculate workers' compensation tabular discount on eligible claims, based on the attributes of the claims being discounted.	28
	The Company has not complied with this recommendation. The individual claim model is expected to be implemented in 2023.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains the following recommendation:

ITEM		PAGE NO.
A.	Losses and Loss Adjustment Expenses	
	It is recommended that the Reports comply with the provisions of Actuarial Standard of Practice (“ASOP”) 41 – Actuarial Communications – Section 3.2.	19

Respectfully submitted,

_____________/S/__________________
Bruno Bailo
Principal Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Bruno Bailo being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

____________/S/___________
Bruno Bailo

Subscribed and sworn to before me

this_________ day of __________________, 2022

APPOINTMENT NO. 32148

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Linda A. Lacewell**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Bruno Bailo

as a proper person to examine the affairs of the

American Home Assurance Company

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

COMPANY

with such other information as he shall deem requisite.

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

this 23rd day of October, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell
Deputy Bureau Chief