

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE



AIG INSURANCE COMPANY – PUERTO RICO

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2020
CASE No. EX-2020-22

NAIC CODE 31674
REPORT DATE: JUNE 1, 2022

Robbie Robinson, CFE
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.

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GOVERNMENT OF PUERTO RICO
Office of the Commissioner of Insurance

June 1, 2022

Honorable Alexander S. Adams Vega
Commissioner of Insurance
Commonwealth of Puerto Rico
Office of the Commissioner of Insurance
San Juan, Puerto Rico 00918

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Order Number EX-2020-22, dated February 20, 2020, a financial condition examination has been made of the affairs, financial condition and management of

AIG INSURANCE COMPANY – PUERTO RICO
250 MUÑOZ RIVERA AVENUE
SAN JUAN, PUERTO RICO 00918

hereinafter referred to as the “Company” or “Insurer” or “AIGPR”, incorporated under the laws of the Commonwealth of Puerto Rico. The examination was carried out remotely due to the COVID-19 pandemic. The report on this examination is respectfully submitted.

SCOPE OF EXAMINATION

An examination of AIGPR was performed by examiners representing the Office of the Commissioner of Insurance of Puerto Rico (OCI). The last examination covered the five-year period of January 1, 2011, through December 31, 2015. This examination covered the five-year period from January 1, 2016, through December 31, 2020, including any material relevant transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This examination was conducted concurrently as part of the coordinated examination of the AIG Combined Property and Casualty Pool (the Combined Pool). The New York State Department of Financial Services (NYDFS) was the Lead State and the Pennsylvania Insurance Department (PID) was the Facilitating State. Separate or combined reports on examination were filed for all companies within the Combined Pool. The OCI was a participant in the examination.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the *Model Law on Examinations* (#390), and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the

examination report but separately communicated to the Company and/or other regulators.

During the course of this examination, consideration was given to work performed by the Company's external auditor, PricewaterhouseCoopers LLP (PWC). Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during the examination.

Special Premium Tax - Article 7.022 of the Puerto Rico Insurance Code (ISS.4)

The Company failed to comply with Article 7.022(a) and (c) of the Puerto Rico Insurance Code for the years 2017 to 2020 by not submitting their Special Premium Tax on or before March 31.

The Article 7.022(a) and (c), establishes:

- a. For taxable years beginning after December 31, 2012, there shall be imposed, collected, and paid a special one percent (1%)-tax on the premiums of every insurer, in addition to the tax on premiums imposed under § 702 of this title, and to any other tax imposed under this Code or under § 30011 et seq. of Title 13, known as the "Internal Revenue Code for a New Puerto Rico". [...]*
- b. [...]*
- c. The special tax on premiums shall be paid to the Secretary of the Treasury of the Commonwealth of Puerto Rico through the Office of the Commissioner. Such tax shall be payable on or before March 31 of the following calendar year.*

Although the Company subsequently included in the payment an amount corresponding to the calculation of the penalty for the payment in delinquency, as established in Article 7.040 of the Puerto Rico Insurance Code, it does not exempt the Company for failing to timely remit payments for the years 2017, 2018, 2019, and 2020.

Required Capital - Article 3.090 and 3.100 of the Puerto Rico Insurance Code (ISS.5)

Article 3.090 of the Puerto Rico Insurance Code states that property insurers must have and hold in paid-in capital of \$2,000,000 to qualify for authority to transact any kind of insurance. Article 3.100 further requires that “For any lawful combination, add two hundred thousand dollars (\$200,000) for each additional kind included in the combination.” AIGPR’s total required minimum capital is \$2,600,000 calculated as follows:

Kind of Insurance	Fund Required
Property	\$2,000,000
Surety	\$200,000
Marine and Transportation	\$200,000
Casualty	\$200,000
Total Required	\$2,600,000

In 2015, two outstanding shares of common stock that had been issued to Directors of AIGPR were canceled upon their departure from the Board of Directors. As a result, the total outstanding shares were reduced from 260,000 to 259,998. The two authorized shares, which are \$10 par each, were not reissued. The Company confirmed that their paid-in capital at December 31, 2020 was \$2,599,980 (259,998 x \$10), which did not meet the required minimum capital of \$2,600,000.

Detail of Policies In Force – Ruling Letter 2008-89-AP (ISS.6)

Ruling Letter Number: 2008-89-AP establishes, among other things, the following:

[...] no later than March 31 of each year all insurers file the following with the Commissioner:

1. Information on all policies in effect as of December 31 of every year that insure hurricane and earthquake risk, detailed by business line, type of policy, and risk classification [...]

The Ruling Letter requires that no later than March 31 of each year, all insurers file to the OCI the above-mentioned information.

For the year 2019, the Company did not comply with the requirements of the Ruling Letter because the information was submitted on June 12, 2019.

Ceded Reinsurance - Article 46.030(3) of the Puerto Rico Insurance Code (ISS.8)

The Article 46.030(3) establishes, no domestic insurer shall reinsure seventy-five percent (75%) or more of all its direct risks in any kind of insurance, excluding maritime risks, without first securing the Commissioner's written authorization.

The Company failed to comply with Article 46.030(3) of the Puerto Rico Insurance Code by exceeding statutory limit of the seventy-five percent (75%) in the Property and Disability business lines on reinsurance ceded for 2017, 2018, 2019 and 2020. In 2016, the Company exceeded the statutory limit in the Property business lines.

Required Investment in Puerto Rican Securities - Article 3.160(2) of the Puerto Rico Insurance Code (ISS.9)

The Company is required to maintain investments of at least one-half of its capital requirement in Puerto Rican securities, as established in Article 3.160 of the Puerto Rico Insurance Code.

The Article 3.160(2) establishes, among other things:

Upon request of the insurer, however, the Commissioner may waive the requirement of this section as to such investment or part thereof for such period as the Commissioner deems it reasonably impracticable for the insurer to make such investment, owing to the non-availability of securities of the kind herein required.

The Company failed to comply with Article 3.160(2) of the Puerto Rico Insurance Code. For their Federal Home Loan Bank 3130A5R35 investment, the Company did not request from the Commissioner authorization to replace the required investment with other alternative securities.

COMPANY HISTORY

AIGPR was incorporated in Puerto Rico on October 17, 1971 as American International Insurance Company of Puerto Rico and commenced operations on July 8, 1974. On September 30, 2009, the OCI approved a request submitted by the Company to change its name to Chartis Insurance Company – Puerto Rico. Then, on October 17, 2012, the OCI approved the change of name to AIG Insurance Company – Puerto Rico.

American International Group, Inc. (AIG) is the ultimate parent of AIG Latin America Investments, S.L., domiciled in Spain, which owns 99.9% of the common stock of AIG Insurance Company – Puerto Rico.

As of December 31, 2020, AIGPR was licensed only in Puerto Rico and the U.S. Virgin Islands.

The last financial condition examination was conducted as of December 31, 2015. There were no market conduct examinations performed during the examination period.

The Company was impacted by the 2017 Hurricanes Irma and María which resulted in net retained catastrophic losses. In 2018, AIGPR obtained approval from the OCI to release

\$8,129,690 from its *Reserve for Catastrophic Insurance Losses*¹ that is presented in the annual statement as special surplus funds. An OCI prescribed practice allowed the \$8,129,690 release from the Reserve for Catastrophic Insurance Losses to be reclassified from special surplus funds to unassigned funds. Also, following the prescribed practice, none of the underlying net retained catastrophic losses were charged against operations (incurred losses).

Based upon the most recent A.M. Best Credit Rating Report dated October 7, 2021, the Company has a Financial Strength Rating of "A" with a stable outlook and an Issuer Credit Rating of "a" with a stable outlook. The Company's rating is based upon A.M. Best's group rating of the AIG Property Casualty Insurance Group (AMB #005953).

CAPITAL STOCK

As of December 31, 2020, the Company had 260,000 shares of \$10 par value common stock authorized, with 259,998 shares issued and outstanding. The shareholders and their corresponding shares at December 31, 2020 were as follows:

Shareholders	Shares
AIG Latin America Investments, S.L.	259,993
Margarita López	1
Paride Della Rosa	1
Alexis Sánchez Pérez	1
Tanya Sánchez	1
Agnes Suárez Méndez	1

The Company's total paid-in capital at December 31, 2020 was \$2,599,980. Pursuant to Articles 3.090 and 3.100 of the Puerto Rico Insurance Code, the Company's minimum required capital was \$2,600,000.

¹ Rule 72 of the Regulations of the Puerto Rico Insurance Code, as established in Chapter 25 of the Puerto Rico Insurance Code.

Kind of Insurance	Fund Required	Article
Property	\$2,000,000	3.090
Surety	\$200,000	3.100
Marine and Transportation	\$200,000	3.100
Casualty	\$200,000	3.100
Total Required	\$2,600,000	

The Company was not in compliance with Articles 3.090 and 3.100 as of December 31, 2020.

The Company's total paid-in capital was restored to \$2,600,000 in 2021.

CORPORATE RECORDS

The Company's Articles of Incorporation, bylaws and all amendments thereto, and the minutes of the meetings of the Board of Directors (Board), Board of Directors' committees, and shareholders were reviewed for the period under examination. There were no amendments to the Company's Articles of Incorporation or bylaws during the examination period.

MINUTES

The recorded minutes adequately documented its meetings and approval of Company transactions and events, in compliance with the Puerto Rico Insurance Code.

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

As of the examination date, the Board of Directors of AIGPR was comprised of members elected at the annual meeting of stockholders, in compliance with Article 29.160, and were as follows:

Name and Location	Principal Occupation
Agnes B. Suárez Méndez San Juan, Puerto Rico	President, Chief Executive Officer of AIGPR

Name and Location	Principal Occupation
Alexis R. Sánchez Pérez Guaynabo, Puerto Rico	Treasurer, Chief Financial Officer of AIGPR
Margarita López Blasini San Juan, Puerto Rico	Chief Operating Officer of AIGPR
Tanya Sánchez Álvarez Guaynabo, Puerto Rico	Head of Financial Lines of AIGPR
Paride Della Rosa Sao Paulo, Brazil	Chief Executive Officer of AIG Latin American Investments, S.L.

OFFICERS

AIGPR's bylaws specify that officers are to be elected by the Board and shall hold office until their successors are chosen and qualified. The officers were elected in compliance with Article 29.210, Puerto Rico Insurance Code. As of December 31, 2020, AIGPR's officers were as follows:

Name	Title
Agnes B. Suárez Méndez	President
Ada M. Lugo Oliveras	Secretary
Alexis R. Sánchez Pérez	Treasurer, Senior Vice President, Chief Financial Officer
Miguel Díaz Rodríguez	Assistant Treasurer
Margarita López Blasini	Vice President
Marie L. Rodríguez Falek	Vice President
Gustavo Sarabia Bihari	Vice President
Marcelo Feres	Assistant Secretary

COMMITTEES

The bylaws provide that the Board may establish committees to assist the Board in the management of the business and affairs of the Company. As of December 31, 2020, AIGPR had the following Board* and Management** Committees:

Investment and Trust Committee*

Agnes B. Suárez Méndez
 Paride Della Rosa
 Alexis R. Sánchez Pérez
 Tanya Sánchez Álvarez
 Margarita López Blasini

Risk and Capital Committee**

Marcelo Feres
 Agnes B. Suárez Méndez
 Ada Michelle Lugo
 Alexis R. Sánchez Pérez
 Wanda Ramos
 Gustavo Sarabia Bihari
 Margarita López Blasini
 Tanya Sánchez Álvarez
 Ivette Cotto
 Rolando Ortega

The Company's Audit Committee was dissolved in 2016.

CONFLICT OF INTEREST

The Company maintains a Code of Conduct that provides ethical guidelines for conducting business on behalf of AIG and the Company. All employees have mandatory training for compulsory review and attestation of the Code of Conduct, which establishes the conflict of interest policy of the Company. The review of the officers' and directors' annual attestations indicate there were no conflicts and that the Company is in compliance with Article 29.230 of the Puerto Rico Insurance Code.

INVESTMENTS

Article 6.040 of the Puerto Rico Insurance Code provides, among other things, that all investments acquired and held under this Chapter shall be acquired and owned under the supervision and direction of the Board of Directors of the Company. The Board of Directors shall

certify in writing, through a formal resolution to be adopted at least once a year, that all investments have been made pursuant to the standards, limitations and investment goals established by the Board, or by a committee authorized by the Board with the responsibility to administer the investments of the Company.

The Company's investment policy complied with Article 6.040(1) of the Puerto Rico Insurance Code and includes a requirement for the professional qualifications of the persons that shall be making routine investment decisions. The Investment and Trust Committee minutes noted that the investment portfolio was reviewed on a quarterly basis in accordance with Article 6.040(2) of the Puerto Rico Insurance Code. Additionally, the Investment and Trust Committee reviewed and approved the investment plan in accordance with 6.040(3)(b) of the Puerto Rico Insurance Code.

DIVIDENDS TO STOCKHOLDERS

Article 29.340 of the Puerto Rico Insurance Code provides that a domestic stock insurer shall not pay any cash dividends to stockholders, except out of any realized net profits on its business. Article 44.060(e) of the Puerto Rico Insurance Code provides that no domestic insurer shall pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until thirty (30) days after the Commissioner has received notice of the declaration thereof and has not within that period disapproved the payment, or until the Commissioner has approved the payment within the thirty (30) day period.

The following table shows dividends paid to stockholders and the balance of unassigned surplus during the during the examination period:

Year	Dividend Paid	Unassigned Surplus Previous Year
2016	\$ -	\$3,493,126
2017	440,667	7,202,935
2018	-	10,741,085
2019	-	14,414,534
2020	20,000,000	22,376,975

The Company's ordinary dividend was declared in 2016 and paid in 2017 in compliance with Article 29.340 and 44.050(e) of the Puerto Rico Insurance Code. The Company's extraordinary dividend paid in 2020, was also declared in 2020, and was paid in compliance with Puerto Rico Regulations Rule No. 83, Section 21 and Article 44.050(e) and 44.060(b) of the Puerto Rico Insurance Code.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined under the Insurance Laws of Puerto Rico. American International Group, Inc. (AIG) is the ultimate controlling parent. AIG is a publicly traded insurance holding company that trades on the New York Stock Exchange under the ticker symbol AIG. The Company complied with the filing of forms required by Rule No. 83 of the Regulations of the Puerto Rico Insurance Code.

The following is an abbreviated organizational chart that reflects the identities and interrelationships between the Company, its parents and subsidiary.

- American International Group, Inc. (DE)
 - AIG Property Casualty Inc. (DE)
 - AIG Property Casualty International, LLC (DE)
 - AIG International Holdings GmbH (CHE) (100%)
 - AIG Latin America Investments, S.L. (ESP) (99%)
 - AIG Insurance Company – Puerto Rico (NAIC No. 31674) (PR) (100%)
 - AIG Insurance Agency, Inc. – Puerto Rico (PR) (100%)

AIGPR wholly owns AIG Insurance Agency, Inc. – Puerto Rico (AIGIA). All of the business written by AIGIA goes to AIGPR.

INTERCOMPANY AGREEMENTS

In the ordinary course of business, the Company utilizes the services of affiliated companies for various services. Also, the Company provides various services to affiliated companies. As of December 31, 2020, the Company had the following written agreements with affiliates:

Agency Agreement

This agreement, entered into on January 1, 2011, is between the Company and its wholly owned subsidiary, AIG Insurance Agency, Inc. – Puerto Rico (AIGIA), formerly Chartis Insurance Agency, Inc. Pursuant to the agreement, the Company appointed AIGIA as General Agents. The agreement gives AIGIA limited power and authority to receive and accept proposals for insurance, to charge the premiums for such proposals, to collect, receive and issue receipts for premiums on insurance tendered by AIGIA. AIGIA does not have any underwriting authority. Premiums are remitted to the Company no later than 60 days after each month's reporting. Total premiums produced by AIGIA in 2020 were \$1,729,488, of which \$127,337 were due to the Company at December 31, 2020. The total commissions incurred during 2020 were \$31,232, of which \$2,093 were unpaid by AIGPR at December 31, 2020.

Services Agreement

This agreement, entered into on January 1, 2012, is between the Company and its affiliates, AIG Latin America, I.I. (AIGLA) and AIGIA. Pursuant to the agreement, the AIGLA provides the Company claims adjusting services in addition to administration, management, information services and cost recovery. Total 2020 charges incurred for services provided to the Company by

AIGLA were \$1,262,585 and \$2,516,622 for claims adjusting services and all other services, respectively. At December 31, 2020, the amounts due to AIGLA from the Company were \$0 and \$208,958, respectively. Total 2020 charges incurred for services provided by the Company to AIGIA were \$97,929. Pursuant to the agreement, the AIGIA received administration, management, information services and cost recovery from the Company. At December 31, 2020, the amounts due to the Company from AIGIA were \$31,717.

Intercompany Services Agreement

This agreement, entered into on December 1, 2008, is between various named affiliates of American International Group, Inc., including the Company. Pursuant to the agreement, the participating members and their respective non-U.S. affiliates, subsidiaries and branches have entered into an agreement for the provision of services and the allocation of costs in order to meet U.S. and worldwide transfer pricing requirements. Each party to the agreement may ask another party to provide services, which include, but are not limited to, administration and other services associated with an insurance and financial services business. All services are provided at cost. However, any services that require a mark-up or other transfer pricing basis to comply with any applicable transfer pricing principles must use the cost schedule attached to the agreement. Each service provider will provide, on a quarterly basis, a written invoice to the requesting company. The requesting company shall pay the invoice within sixty (60) days after receipt.

During 2020, AIG P&C International, LLC allocated or provided payroll processing, management services and home office general operating expenses to the Company. The total amount incurred during 2020 was \$4,507,137, of which \$664,736 was unpaid by AIGPR at December 31, 2020.

During 2020, AIG Property Casualty U.S., Inc. received accounting and reporting services from the Company. The total amount incurred during 2020 was \$300,609, of which \$328,113 was unpaid to AIGPR at December 31, 2020.

During 2020, American Home Assurance Company received management services and general overhead expenses charges from the Company. The total amount incurred during 2020 was \$283,729, of which \$22,692 was unpaid to AIGPR at December 31, 2020.

Administrative Agreement

This agreement, entered into on December 4, 2006, is between the Company and its affiliate, New Hampshire Insurance Company (NHIC). Pursuant to the agreement, the Company provides management services to NHIC. These services include production administration, marketing and client services. A fixed annual fee is paid in monthly installments due no later than thirty (30) days after conclusion of each month. The total amount incurred during 2020 was \$48,979, of which \$11,333 was unpaid to AIGPR at December 31, 2020.

Administrative Agreement

This agreement, entered into on December 2, 2002, is between the Company and its affiliate, AIG Life. Pursuant to the agreement, the Company provided administrative and benefit payment processing services to AIG Life. The total amount incurred during 2020 was \$22,255, of which \$1,881 was unpaid by AIGPR at December 31, 2020.

IT Agreement

This agreement is between the Company and its affiliate, AIG Technologies, Inc. Pursuant to the agreement, the Company receives information systems support services. The total amount incurred during 2020 was \$460,413, of which \$32,591 was unpaid by AIGPR at December 31, 2020.

As of December 31, 2020, AIGPR reported \$1,108,244 of receivables from payable to parent, subsidiaries and affiliates, all of which was non-admitted. The Company reported a payable to parent, subsidiaries and affiliates of \$1,249,223.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed by the OCI to transact casualty, disability, marine and transportation, property, surety, and vehicle insurance. The Company is authorized to write business in both Puerto Rico and the U.S. Virgin Islands. The Company's current core business is commercial property, financial lines, and casualty business.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the past five years through December 31, 2020.

Year	Admitted Assets	Surplus	Gross Premium Written	Net Income
2016	\$141,598,307	\$91,372,000	\$64,570,813	\$5,012,825
2017	130,510,472	86,753,000	58,415,128	315,008
2018	141,467,606	91,676,000	90,698,310	6,394,793
2019	157,109,578	101,493,000	93,214,688	7,374,980
2020	148,542,523	82,210,000	94,957,875	8,816,574

The Company's 2017 net income was materially affected by Hurricanes Irma and María, which made landfall in Puerto Rico in September 2017 as category five and category four hurricanes, respectively.

REINSURANCE

ASSUMED

At December 31, 2020, AIGPR reported assumed premium of \$62,000 from Triple S Propiedad, Inc., a U.S. unaffiliated insurer and a domestic insurance company of Puerto Rico.

CEDED

The Company places substantially all of its reinsurance with the following affiliated reinsurers:

- New Hampshire Insurance Company (IL)
- American Home Assurance Company (NY)
- National Union Fire Insurance Company of Pittsburg (PA)

There were no material changes in the reinsurance structure or the underlying affiliated reinsurance agreements during the examination period.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Office of the Commissioner of Insurance of Puerto Rico and present the financial condition of the Company as of and for the period ending December 31, 2020. The accompanying notes on financial statements reflect no adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

AIG INSURANCE COMPANY – PUERTO RICO

ASSETS

DECEMBER 31, 2020

	<u>Per</u> <u>Company</u>	<u>Examination</u> <u>Adjustments</u>	<u>Per</u> <u>Examination</u>
Bonds	\$96,222,569	\$ -	\$96,222,569
Common stocks	956,406		956,406
Cash, cash equivalents and short-term investments	25,138,256		25,138,256
Investment income due and accrued	505,896		505,896
Uncollected premiums and agents' balances in course of collection	8,291,716		8,291,716
Amounts recoverable from reinsurers	14,942,388		14,942,388
Net deferred tax asset	2,424,312		2,424,312
Electronic data processing equipment and software	60,980		60,980
	<hr/>		
Total Assets	\$148,542,523	\$ -	\$148,542,523
	<hr/>		

AIG INSURANCE COMPANY — PUERTO RICO
LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2020

	<u>Per</u> <u>Company</u>	<u>Examination</u> <u>Adjustments</u>	<u>Per</u> <u>Examination</u>
Losses (Note 1)	\$16,490,301	\$ -	\$16,490,301
Loss adjustment expenses (Note 1)	4,482,000		4,482,000
Commissions payable, contingent commissions and other similar charges	822,694		822,694
Other expenses (excluding taxes, licenses and fees)	10,152,369		10,152,369
Taxes, licenses and fees (excluding federal and foreign income taxes)	37,709		37,709
Current federal and foreign taxes	5,227,333		5,227,333
Unearned premiums	8,750,052		8,750,052
Advance premium	1,593,097		1,593,097
Ceded reinsurance premiums payable (net of ceding commissions)	4,806,000		4,806,000
Amounts withheld or retained by company for accounts of others	307,763		307,763
Provision for reinsurance	2,001,200		2,001,200
Payable to parent, subsidiaries and affiliates	1,249,223		1,249,223
Aggregate write-ins for liabilities:			
Deferred net commission	2,755,796		2,755,796
Other liabilities and unprocessed items	1,109,689		1,109,689
Guaranty fund assessments payable	452,072		452,072
Reserve for catastrophic insurance losses pursuant to Rule 72 Article 25.03	6,094,822		6,094,822
Total liabilities	\$66,332,120	\$ -	\$66,332,120
Aggregate write-ins for special surplus funds:			
Reserve for catastrophic insurance losses pursuant to Chapter 25	54,136,856		54,136,856
Common capital stock	2,600,000		2,600,000
Gross paid in and contributed surplus	17,973,720		17,973,720
Unassigned funds (surplus)	7,499,826		7,499,826
Surplus as regards policyholders (Note 2)	\$82,210,402	\$ -	\$82,210,402
Total liabilities, surplus and other funds*	\$148,542,522	\$ -	\$148,542,522

*Balance fails to foot due to rounding

AIG INSURANCE COMPANY — PUERTO RICO
STATEMENT OF INCOME
DECEMBER 31, 2020

Underwriting Income

Premiums earned	<u>\$16,632,997</u>
Deductions	
Losses incurred	\$9,272,709
Loss adjustment expenses	(\$167,299)
Other underwriting expenses incurred	<u>(\$1,511,185)</u>
Total underwriting deductions	<u>\$7,594,225</u>
Net underwriting gain	<u>\$9,038,772</u>

Investment Income

Net investment income earned	\$2,393,973
Net investment income earned	<u>(\$2,319)</u>
Net investment gain	<u>\$2,391,654</u>

Other Income

Aggregate write-ins for miscellaneous income	
Other income	<u>\$10,000</u>
Total other income	\$10,000
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$11,440,426
Dividends to policyholders	<u>\$ -</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$11,440,426
Federal and foreign income taxes incurred	<u>\$2,623,852</u>
Net income	<u><u>\$8,816,574</u></u>

AIG INSURANCE COMPANY – PUERTO RICO
CAPITAL AND SURPLUS ACCOUNT
DECEMBER 31, 2020

Capital and Surplus 12/31 prior year	\$101,492,679
Net Income (Loss)	8,816,574
Change in net unrealized capital gains	(283,774)
Change in net deferred income tax	(463,359)
Change in nonadmitted assets	598,355
Change in provision for reinsurance	(1,199,600)
Capital Changes:	
Paid in	-
Surplus Adjustments:	
Paid in	-
Dividends to stockholders	(20,000,000)
Aggregate write-ins for gains and losses in surplus	(6,750,471)
Net Change in Capital & Surplus	<u>(19,282,275)</u>
Capital & Surplus at end of year*	<u><u>\$82,210,404</u></u>

**Balance fails to foot due to rounding*

AIG INSURANCE COMPANY – PUERTO RICO
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS
DECEMBER 31, 2020

Surplus as Regards Policyholders
December 31, 2020, Per Annual Statement \$82,210,402

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS	\$148,542,523	\$148,542,523	\$ -
LIABILITIES	\$66,332,121	\$66,332,121	\$ -
Net Change in Surplus			<u>\$ -</u>

Surplus as Regards Policyholders
December 31, 2020, Per Examination \$82,210,402

AIG INSURANCE COMPANY — PUERTO RICO
RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST EXAMINATION
DECEMBER 31, 2020

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and Surplus 12/31 prior year	\$85,550,200	\$91,372,445	\$86,753,216	\$91,675,596	\$101,492,679
Net Income (Loss)	5,012,825	315,008	6,394,793	7,374,980	8,816,574
Change in net unrealized capital gains	(322,010)	2,324,731	(154,979)	229,172	(283,774)
Change in net deferred income tax	(417,598)	(255,545)	(644,654)	(158,620)	(463,359)
Change in nonadmitted assets	1,008,762	2,495,576	(355,020)	662,510	598,355
Change in provision for reinsurance	69,262	(117,968)	(439,385)	77,000	(1,199,600)
Capital Changes:					
Paid in	1,001,720	(1,117,000)	0	0	0
Surplus Adjustments:					
Paid in	0	0	0	0	0
Dividends to stockholders	(440,667)	0	0	0	(20,000,000)
Aggregate write-ins for gains and losses in surplus	(90,049)	(8,264,031)	121,625	1,632,041	(6,750,471)
Net Change in Capital & Surplus	5,822,245	(4,619,229)	4,922,380	9,817,083	(19,282,275)
Capital & Surplus at end of year*	91,372,445	86,753,216	91,675,596	101,492,679	82,210,404

*Balances fail to foot due to rounding

NOTES ON FINANCIAL STATEMENTS

NOTE 1: ACTUARIAL REVIEW

Losses	\$16,490,301
Loss adjustment expenses	\$4,482,000

The PID engaged INS Consultants, Inc. (INS) and Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), to perform actuarial pricing and reserving review services, respectively. As part of these actuarial review services, certain risks required detailed examination procedures that were performed by INS and Oliver Wyman according to the guidelines contained in the Handbook.

The Statement of Actuarial Opinion and Actuarial Opinion Summary for 2020 were prepared and signed by the Company's appointed actuary, AIG's Senior Vice President and Actuary Richard Brassington, ACAS, MAAA. The Actuarial Opinion was prepared and submitted timely in accordance with Section 2 of Rule No. 96 of the Regulations of the Puerto Rico Insurance Code.

Based upon the work performed and results obtained, the loss and LAE reserves for the Company were reasonably stated as of December 31, 2020. In addition, the liabilities comply with actuarial standards, and the methodologies appeared reasonable.

NOTE 2: TOTAL CAPITAL AND SURPLUS

The total capital and surplus of \$82,210,402 at December 31, 2020, as determined by this examination, is the same as the amount reported by the Company on its 2020 Annual Statement.

SUBSEQUENT EVENTS

Management Changes at AIG, Inc.

Effective October 29, 2021, Richard Brassington, Chief Finance Actuary, was replaced by Steven Turner.

COVID-19 Pandemic

The COVID-19 pandemic has created ongoing economic uncertainty and volatility. Sufficient information is not available to adequately evaluate and quantify the potential long-term financial impact to the Company's business operations and future financial condition.

SUMMARY OF RECOMMENDATIONS

Special Premium Tax - Article 7.022 of the Puerto Rico Insurance Code (ISS.4)

The Company must submit their Special Premium Tax as required by Article 7.022.

Required Capital - Article 3.090 and 3.100 of the Puerto Rico Insurance Code (ISS.5)

The Company must take action to ensure that they comply with the minimum capital requirements as required by Articles 3.090 and 3.100.

Detail of Policies In Force – Ruling Letter 2008-89-AP (ISS.6)

The Company must comply with the provisions of the Ruling Letter.

Ceded Reinsurance - Article 46.030(3) of the Puerto Rico Insurance Code (ISS.8)

The Company must take action to ensure that they comply with the authorization requirements as required by Article 46.030(3).

Required Investment in Puerto Rican Securities - Article 3.160(2) of the Puerto Rico Insurance Code (ISS.9)

The Insurer must request, from the Commissioner, a waiver annually if they will not maintain investments of at least one-half of its capital requirement in Puerto Rican securities.

CONCLUSION

The Accounting Practices and Procedures Manual as promulgated by the NAIC has been followed in ascertaining the financial condition of AIGPR as of December 31, 2020, consistent with the insurance laws of the Office of the Commissioner of Insurance of Puerto Rico. In addition to the undersigned, the following individuals participated in the examination:

Office of the Commissioner of Insurance of Puerto Rico

Rafael Ruffat, OCI Compliance Examiner

The INS Companies

Cheryl B. Plozicka, CFE, ARM-E, Financial Regulation Supervisor (through February 28, 2022)

Jim Davis, CFE, Financial Regulation Senior Examiner

David Gordon, MBA, CISA, CIA, CFE (Fraud), CDF, IT Examination Manager

John Albertini, CISA, CISM, CISSP, CDFE, MBA, IT Examination Supervisor

David J. Macesic, ACAS, MAAA, Vice President and Chief Property/Casualty Actuary

Michael W. Morro, ACAS, MAAA, Peer Review Actuary

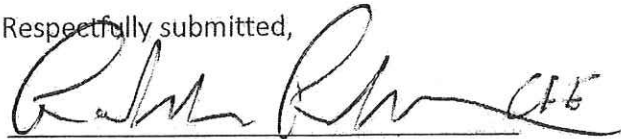
Oliver Wyman Actuarial Consulting, Inc.

Molly Colleary, FCAS, MAAA, Actuary

Bill Stanfield, ACAS, MAAA, Actuary

Rajesh Sahasrabuddha, FCAS, MAAA, Actuary

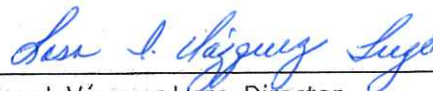
Respectfully submitted,



Robbie Robinson, CFE

Examiner-in-Charge

INS Regulatory Insurance Services, Inc.



Rosa I. Vázquez Lugo, Director

Examiners Division

Office of the Commissioner of Insurance