

IN RE:)	
AIU Insurance Company)	
American Home Assurance Company)	
Chartis Property Casualty Company)	
Commerce and Industry Insurance Company)	
Granite State Insurance Company)	CONSENT AGREEMENT
Illinois National Insurance Company)	Docket No. INS-10-240
The Insurance Company of the State of Pennsylvania)	
National Union Fire Insurance Company of Pittsburgh, Pa.)	
New Hampshire Insurance Company)	

THIS CONSENT AGREEMENT is entered into by and among AIU INSURANCE COMPANY, AMERICAN HOME ASSURANCE COMPANY, CHARTIS PROPERTY CASUALTY COMPANY, COMMERCE AND INDUSTRY INSURANCE COMPANY, GRANITE STATE INSURANCE COMPANY, ILLINOIS NATIONAL INSURANCE COMPANY, THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA, NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA. and NEW HAMPSHIRE INSURANCE COMPANY, each of which is a subsidiary of Chartis Inc., a subsidiary of American International Group (collectively, the “Companies” or “Chartis Group”; individually, a “Company”), the SUPERINTENDENT OF THE MAINE BUREAU OF INSURANCE (the “Superintendent”), the MAINE WORKERS’ COMPENSATION BOARD (the “Board”), and the OFFICE OF THE MAINE ATTORNEY GENERAL. Its purpose is to bring to a halt, without resort to an adjudicatory proceeding, violations of 39-A M.R.S.A. § 359(2) certified to the Superintendent by the Board pursuant to 39-A M.R.S.A. § 359(2) and confirmed in the Examination, defined below, violations of 39-A M.R.S.A. § 359(2) set forth in the Board’s 2009 Report, also defined below, and written allegations of violations received by the Board before January 1, 2009.

I

STIPULATIONS

1. The Superintendent is the official charged with administering and enforcing Maine’s insurance laws and regulations. The Board is the agency charged with administering and enforcing Maine’s workers’ compensation laws and regulations.
2. Each Company is organized and domiciled, and is licensed to do business in Maine, as follows:

Name of Company	Domicile	NAIC Code	Maine License Number	Date of First Maine License
AIU Insurance Company	New York	19399	PCF308	09/14/1929
American Home Assurance Company	New York	19380	PCF367	12/31/1954
Chartis Property Casualty Company	Pennsylvania	19402	PCF393	09/08/1954
Commerce and Industry Insurance Company	New York	19410	PCF413	04/28/1956

Name of Company	Domicile	NAIC Code	Maine License Number	Date of First Maine License
Granite State Insurance Company	Pennsylvania	23809	PCF452	09/01/1901
Illinois National Insurance Company	Illinois	23817	PCF53254	12/31/1997
The Insurance Company of the State of Pennsylvania	Pennsylvania	19429	PCF482	02/17/1914
National Union Fire Insurance Company of Pittsburgh, Pa.	Pennsylvania	19445	PCF527	07/27/1904
New Hampshire Insurance Company	Pennsylvania	23841	PCF531	08/01/1901

Each Company has authority to insure employers for claims arising under the Maine Workers' Compensation Act of 1992, M.R.S.A. Title 39-A, as amended, and regulations of the Board issued thereunder (the "WCA").

3. In 2005, the Board's Monitoring Audit & Enforcement Division (the "MAE Division") audited the records of the Companies with respect to claims filed under the WCA with dates of injury between January 1, 2004 and December 31, 2004. This audit focused on compliance with WCA requirements for form filing, timeliness of indemnity payments, and accuracy of indemnity benefits.
4. On April 5, 2006, the Board issued a Compliance Audit Report detailing its findings (the "2005 Report"). The 2005 Report's findings relevant to questionable claims-handling practices that violated 39-A M.R.S.A. § 359(2) included non-filing of forms, late and inaccurate forms filings, untimely and inaccurate indemnity payments (overpayments and underpayments), failure to discontinue benefits appropriately, and failure to maintain an employee or claims agent in Maine empowered to investigate claims as required by 39-A M.R.S.A. § 102(14).
5. In June 2006, the Board and the Chartis Group entered into twenty consent decrees, in lieu of administrative hearings, related to the findings in the 2005 Report. In one such decree, the Chartis Group agreed that it had violated 39-A M.R.S.A. § 359(2) by failing to:
 - a. maintain a claims representative in Maine,
 - b. file certain forms timely with the Board,
 - c. report accurate information on filed forms,
 - d. discontinue benefits appropriately,
 - e. pay claims timely;
 - f. calculate injured workers' benefits accurately, and
 - g. pay indemnity benefits due to injured workers.
6. On June 28, 2006, the Board certified these findings to the Superintendent pursuant to 39-A M.R.S.A. § 359(2).
7. Between October 16 and 18, 2006, the Companies attended Board training to address the claims-handling issues identified in the 2005 Report.

8. In March 2007, the Chartis Group entered into a Corrective Action Plan at the request of the MAE Division to address specific issues raised in the 2005 Report.
9. Maine Bureau of Insurance (the "Bureau") staff performed a targeted market conduct examination based on a statistical sampling of all open indemnity claims for the period October 1, 2006 through June 30, 2007, with dates of injury on or after January 1, 1993 (the "Examination"). The purpose of the Examination was to determine whether the violations of 39-A M.R.S.A. § 359(2) found by the Board and agreed to by the Chartis Group still existed as of Examination period. The Examination focused on whether the Chartis Group timely filed all required Board forms, accurately calculated indemnity benefits and timely distributed benefit payments as required by the WCA.
10. During the Examination, Bureau staff found that the Chartis Group's compliance ratios had generally improved over those established by the 2005 Report, but that the ratios remained unacceptably low for the period of the Examination. Of particular concern to the Bureau were continuing errors in calculating average weekly wages and indemnity benefits.
11. Notwithstanding the findings of the 2005 Report, the consent decrees entered into with the Board, the findings of the Examination and the 2009 Report, the Chartis Group has not conducted a formal review for accuracy of indemnity claims paid since January 1, 2004.
12. In 2009, the MAE Division audited the records of the Companies with respect to claims filed under the WCA with dates of injury between January 1, 2008 and December 31, 2008. This audit focused on compliance with WCA requirements for form filing, timeliness of indemnity payments, and accuracy of indemnity benefits.
13. On October 22, 2009, the Board issued a Compliance Audit Report detailing its findings (the "2009 Report"). The 2009 Report's findings relevant to questionable claims-handling practices that violated 39-A M.R.S.A. § 359(2) included non-filing of forms, late and inaccurate forms, filings, untimely indemnity payments, and failure to discontinue benefits appropriately.

II

MAINE LAW

14. 39-A M.R.S.A. § 359(2) provides in part that:

[T]he [workers' compensation] board ... upon finding, after hearing, that an employer, insurer or 3rd-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims ... shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt.

III

CONCLUSIONS OF LAW

15. Each Company engaged in violations of 39-A M.R.S.A. § 359(2) through December 31, 2008.

IV

COVENANTS

16. Each Company shall bring to a halt all violations of 39-A M.R.S.A. § 359(2) as set forth in this Agreement and represents that it has put into effect procedures to file Board forms timely and accurately and to pay benefits as required by the WCA, as stated on Exhibit A to this Agreement.
17. Within thirty (30) days after executing this Agreement, each Company shall deliver to the Superintendent a civil penalty of Eleven Thousand One Hundred Eleven Dollars (\$11,111). Each Company confirms its understanding and agreement that:
- a. this penalty results from its failures, as documented by the Examination and the 2009 Report, to halt through December 31, 2008 the violations of 39-A M.R.S.A. § 359(2) established by the September 2005 consent decrees between the Chartis Group and the Board and confirmed by the 2009 Report;
 - b. the amount of this penalty will not limit further measures, penalties or remedies that the Superintendent, Board or Office of the Maine Attorney General may impose or seek under paragraph 31 below;
 - c. should the Superintendent or the Board determine either, upon audit or examination:
 - i. within twelve (12) months after the Companies deliver the last self-audit quarterly report referred to in paragraph 21, that the Companies on a twelve-month aggregate basis did not meet or exceed the benefit payment and form filing benchmarks in Exhibit A during the self-audit quarterly review period described in paragraph 21, or,
 - ii. within twelve (12) months after the Companies deliver the indemnity claim review report referred to in paragraph 22(d), that the Companies did not (A) accurately pay indemnity benefits, with the penalties and interest due thereon, pursuant to the WCA, in at least 93% of the claims required to be reviewed under the indemnity claim review described in paragraph 22 and (B) pay all additional benefits, penalties and interest determined to still be due by the Superintendent or the Board, with the original determination sent to Chartis Claims, Inc's electronic mailbox, Maineboardmail@chartisinsurance.com, and a copy of any such determination to Chartis Claims, Inc., Law Department, 180 Maiden Lane, 29th Floor, New York, NY 10038.
- then the Chartis Group shall deliver to the Superintendent within thirty (30) days of receiving the determination an additional civil penalty of Four Hundred Thousand Dollars (\$400,000).
18. Within thirty (30) days after executing this Agreement, the Chartis Group shall deliver to the Board proof of payment of penalties of Twelve Thousand (\$12,000) to injured employees in accordance with Exhibit B. Each Company confirms its understanding and agreement that: (i) these penalties result from its failures, as documented by the 2009

Report, to pay weekly compensation benefits or accrued weekly benefits as required by the WCA, and (ii) the amount of these penalties will not limit further civil penalties that the Superintendent or Board may impose for violations occurring after December 31, 2008.

19. Within thirty (30) days after executing this Agreement, the Chartis Group shall deliver to the Board payment of a civil penalty of Twenty Thousand Dollars (\$20,000) payable to the Treasurer, State of Maine. Each Company confirms its understanding and agreement that this penalty results from its failures, as documented by the 2009 Report, to halt through December 31, 2008 the violations of 39-A M.R.S.A. § 359(2) established by the September 2005 consent decree between the Chartis Group and the Board, and (ii) the amount of this penalty will not limit further civil penalties that the Superintendent or Board may impose for violations occurring after December 31, 2008.
20. Within thirty (30) days after executing this Agreement, the Chartis Group shall deliver to the Board payment of a civil penalty of Three Thousand Eight Hundred Dollars (\$3,800) payable to Treasurer, State of Maine in accordance with the 2009 Report. Each Company confirms its understanding and agreement that: (i) this penalty results from its failures, as documented by the 2009 Report, to file forms as required by the WCA, and (ii) the amount of these penalties will not limit further civil penalties that the Superintendent or Board may impose for violations occurring after December 31, 2008.
21. Within thirty (30) days after executing this Agreement, the Chartis Group shall adopt, and deliver to the Superintendent for approval, with a copy to the Deputy Director, MAE Division, written procedures that ensure that all claims for indemnity benefits under the WCA are paid in compliance with Maine law. At a minimum, such procedures must include plans for:
 - a. hiring and retaining supervisory and front-line staff experienced in handling workers' compensation claims in Maine;
 - b. training in-house and third-party administrator claims personnel on the provisions of the WCA concerning derivation of benefit levels from average weekly wages and accuracy of indemnity payments;
 - c. maintaining claims payment standards through ongoing staff education and supervision;
 - d. implementing adequate claim review procedures, to include monitoring the accuracy of indemnity payments; and
 - e. performing quarterly audits, as set forth below, of all claims activity within the applicable quarter for all claims with dates of injury on or after January 1, 1993, to ensure compliance with the benchmarks outlined in Exhibit A.

The Chartis Group shall deliver to the Superintendent and the Deputy Director, MAE Division, the results of the quarterly audits referred to in subparagraph (e) for four (4) successive calendar quarters starting with the quarter in which the Chartis Group executes this Agreement. The Chartis Group shall deliver each report, consolidated for the Companies, no later than thirty (30) days after the end of the applicable calendar quarter. Each report shall be an Excel spreadsheet and contain the following data, safeguarded in accordance with the WCA, for each claim: the Board number, if known; the claimant's

Social Security number (general format, no dashes); the claimant's last and first name (in that order); the date of injury; the Company claim number; and the TPA, if any. Within forty-five (45) days after delivery of each of the first three reports, the Superintendent and the Board may call a meeting with the Chartis Group to discuss any concerns they may have with the Chartis Group's claims performance during the period covered by such report. Failure to call any such meeting shall not be considered a waiver by the Superintendent, the Board or the Office of the Maine Attorney General of any claims performance that does not meet the Exhibit A benchmarks. The Chartis Group shall deliver with the last quarterly audit report a certification for the Companies in the aggregate, substantially in the form attached as Exhibit C, as to the accuracy of all claims performance audit information required under this paragraph. The Chartis Group shall also deliver, upon request, any and all work papers and documents, in any format, in its possession, custody or control, related to each such claim audit.

22. Within three hundred and sixty five (365) days after executing this Agreement, the Chartis Group shall, for activities during the period starting January 1, 2004 and ending as of the effective date of this Agreement:
- a. review the indemnity claims, with dates of injury on or after January 1, 1993, except those discharged under 39-A M.R.S.A. § 352, presented to any Company under the WCA, which shall include a review of the incapacity periods and indemnity benefits, penalties and interest originally paid thereon;
 - b. recalculate the benefits, penalties and interest to ensure their compliance with the WCA;
 - c. pay to the appropriate claimants any deficiencies, with the penalties and interest provided for in the WCA, and file with the Board such related forms as the WCA requires; and
 - d. deliver to the Superintendent and the Deputy Director, MAE Division an Excel spreadsheet report containing each claim so reviewed. The report shall contain the following data, safeguarded in accordance with the WCA, for each claim: the Board number, if known; the claimant's Social Security number (general format, no dashes); the claimant's last and first name (in that order); the date of injury; Company name and claim file number; the incapacity periods; the amount of indemnity originally paid; whether or not the claim was settled under 39-A M.R.S.A. § 352 (Y or N) and the date of such settlement; the amount of indemnity paid after review; the amount of penalties paid after review; the amount of interest paid after review; the amount of overpayment upon review; and the name of the person conducting the review. The Chartis Group shall deliver with the report a certification as to the accuracy of all information in the report, substantially in the form attached as Exhibit C.

This paragraph shall not apply to any claims that are subject to the quarterly audits described in paragraph 21, to any claims that have been discharged under 39-M.R.S.A § 352, or to any claims that were previously presented to any Company or third-party administrator working on behalf of a Company that were previously audited by either the Board or the Superintendent and subsequently corrected by the Company or third-party administrator.

23. The Chartis Group shall pay, as provided by law, the Superintendent's and the Board's reasonable costs and expenses of enforcing the Chartis Group's obligations under, and its compliance with, this Agreement. The Chartis Group shall not recoup any payments of refunds, interest, or civil penalties made under this Agreement or any costs associated with complying with this Agreement in any future rate adjustments.
24. The Chartis Group shall ensure that third-party administrators working on behalf of the Companies comply with the Covenants set forth in this Agreement. If any third-party administrator fails to comply with the Covenants or the WCA, the Companies will consider the removal of such non-compliant third-party administrator from Chartis' Maine Third Party Administrator Approved Panel. The Companies acknowledge their continued responsibility for the actions of any third-party administrator not removed from the Maine Third Party Administrator Approved Panel.

V

MISCELLANEOUS

25. Any action that this Agreement permits the Superintendent or Board to take may be taken against all or any of the Companies.
26. The Companies waive:
 - a. formal hearing in this matter and will make no appeal from this Agreement;
 - b. all defenses raised in their September 10, 2009 response to the Board August 21, 2009 audit Exit Conference; and
 - c. certification under the WCA to the Superintendent of the findings of the 2009 Report.
27. The Companies acknowledge that this Agreement is a public record within the meaning of 1 M.R.S.A. § 402 and will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408, and will be reported to the National Association of Insurance Commissioners' Regulatory Information Retrieval System database.
28. The Companies have been advised of their right to consult with counsel and have, in fact, consulted with counsel before executing this Agreement.
29. Nothing herein shall affect any right or interest of any person or entity not a party to this Agreement or limit the Superintendent's or Board's ability to seek any available legal remedy for alleged or actual violations of the WCA or the Maine Insurance Code against any Chartis Group affiliate or subsidiary not a party to this Agreement or against any entity from which any Company obtains WCA claims administrator services.
30. Nothing in this Agreement shall limit the ability of the Superintendent or Board to examine:
 - a. The Chartis Group's indemnity claims having dates of injury on or after January 1, 2009, as the Superintendent or the Board, in their sole discretion, at any time may determine advisable in order to determine whether any Company has brought to a halt the violations of 39-A M.R.S.A. § 359(2) found by the Board;
 - b. the self-audit quarterly review described in paragraph 21 to determine its accuracy; or

- c. the indemnity claim review described in paragraph 22 to determine its accuracy.
31. In consideration of the Companies' execution of and compliance with the terms of this Agreement, the Superintendent, the Board, and the Office of the Maine Attorney General agree to forgo pursuing further disciplinary measures or other civil or administrative sanctions for the actions described in this Agreement, and actions and violations alleged by any person and communicated to the Board prior to January 1, 2009 other than those agreed to herein. Should any Company violate this Agreement, nothing herein shall prohibit the Superintendent or the Office of the Maine Attorney General from seeking against the Company or the Chartis Group any available legal remedy for such violation, including without limitation imposition of additional civil penalties, and the limitation, suspension or revocation of workers' compensation authorities issued to any Company by the Superintendent.
 32. The effective date of this Agreement is the date entered in the Superintendent's signature line below.
 33. This Agreement may be modified only by the written mutual consent of all parties.

Dated: October 5, 2010

AIU INSURANCE COMPANY

MARK BIANCHI
 Notary Public, State of New York
 No. 02BI6014203
 Qualified in Orange County
 Commission Expires October 5, 2014

By: *P. D. Aroni*
 Its: *Charlie DeLuca, Chief President*
 Printed Name and Title

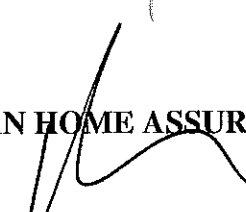
Subscribed and sworn to before me this 5th day of October, 2010.

Mark Bianchi
 Notary Public
Mark Bianchi
 Printed name
10/5/14
 Date commission expires

Dated: October 5, 2010

AMERICAN HOME ASSURANCE COMPANY

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

By: 
Its: Richard Woollams - SUP
Printed Name and Title

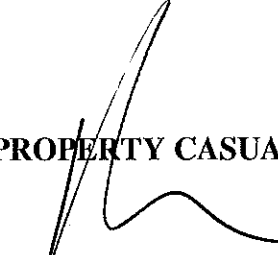
Subscribed and sworn to before me this 5th day of October, 2010.

Mark Bianchi
Notary Public
Mark Bianchi
Printed name
10/5/14
Date commission expires

Dated: October 5, 2010

CHARTIS PROPERTY CASUALTY COMPANY

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

By: 
Its: Richard Woollams - SUP
Printed Name and Title


Subscribed and sworn to before me this 5th day of October, 2010.

Mark Bianchi
Notary Public
Mark Bianchi
Printed name
10/5/14
Date commission expires

Dated: October 5, 2010

COMMERCE AND INDUSTRY INSURANCE COMPANY

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

By: 
Its: Richard Woollams - SUP
Printed Name and Title

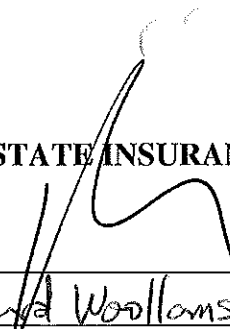
Subscribed and sworn to before me this 5th day of October, 2010.

Mark Bianchi
Notary Public
Mark Bianchi
Printed name
10/5/14
Date commission expires


Dated: October 5, 2010

GRANITE STATE INSURANCE COMPANY

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

By: 
Its: Richard Woollams - SVP
Printed Name and Title

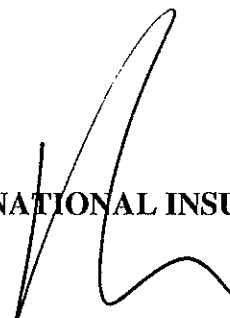
Subscribed and sworn to before me this 5th day of October, 2010.


Notary Public
Mark Bianchi
Printed name
10/5/14
Date commission expires


Dated: October 5, 2010

ILLINOIS NATIONAL INSURANCE COMPANY

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

By: 
Its: Richard Woollams - SVP
Printed Name and Title

Subscribed and sworn to before me this 5th day of October, 2010.


Notary Public
Mark Bianchi
Printed name
10/5/14
Date commission expires

Dated: October 5, 2010

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

By: _____
Its: Richard Woollams - SUP
Printed Name and Title

Subscribed and sworn to before me this 5th day of October, 2010.

Mark Bianchi
Notary Public
Mark Bianchi
Printed name
10/5/14
Date commission expires

Dated: October 5, 2010

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

By: _____
Its: Richard Woollams - SUP
Printed Name and Title

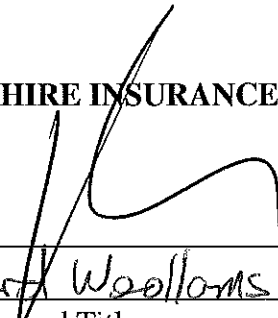
Subscribed and sworn to before me this 5th day of October, 2010.

Mark Bianchi
Notary Public
Mark Bianchi
Printed name
10/5/14
Date commission expires

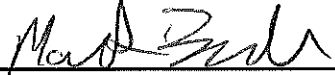
Dated: October 5, 2010

MARK BIANCHI
Notary Public, State of New York
No. 02BI6014203
Qualified in Orange County
Commission Expires October 5, 2014

NEW HAMPSHIRE INSURANCE COMPANY

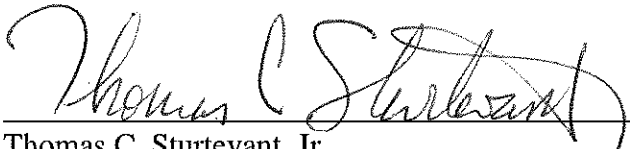
By: 
Its: Richard Woolloms - SUP
Printed Name and Title

Subscribed and sworn to before me
this 5th day of October, 2010.


Notary Public
Mark Bionchi
Printed name
10/5/14
Date commission expires


Dated: October 21, 2010

**MAINE OFFICE OF THE ATTORNEY
GENERAL**


Thomas C. Sturtevant, Jr.
Assistant Attorney General

Effective
Date: October 22, 2010

MAINE BUREAU OF INSURANCE


Mila Kotman
Superintendent

Date: 10-28-10, 2010

MAINE WORKERS' COMPENSATION BOARD



Paul Dionne
Executive Director

Exhibit C
Form of Certification

IN RE:)	
AIU Insurance Company)	
American Home Assurance Company)	
Chartis Property Casualty Company)	AFFIDAVIT OF
Commerce and Industry Insurance Company)	CORPORATE OFFICER
Granite State Insurance Company)	
Illinois National Insurance Company)	
The Insurance Company of the State of Pennsylvania)	Docket No. INS-10-240
National Union Fire Insurance Company of)	
 Pittsburgh, Pa.)	
New Hampshire Insurance Company)	

The undersigned, being duly sworn, says:

1. Terms used but not defined in this affidavit shall have the meanings given them in the Consent Agreement entered into between the above Companies, the Superintendent, the Board and the Office of the Maine Attorney General under Bureau docket number INS-10-240.
2. I have read and understand the Consent Agreement and exhibits attached thereto.
3. I understand that the Board and Bureau may rely on the truthfulness of the information contained in and materials attached to this affidavit and that the truthfulness of this information is material to the ability of the Superintendent and the Board to evaluate the Companies' compliance with the Consent Agreement.
4. I have read the materials attached to this affidavit. They accurately and completely summarize the information contained therein, as required by [paragraph 21/paragraph 22] of the Consent Agreement.
5. I hold the position identified below and have obtained all necessary authority from each of the Companies to give this affidavit on its behalf in connection with the proceedings undertaken as Bureau Docket No. INS-10-240.

(name typed or printed)

(position typed or printed)

(company name typed or printed)

Acknowledgement

State of _____
County of _____

Personally appeared before me on _____, 2010, the above named _____
_____ and, being duly sworn, affirmed that this affidavit is based upon his or her personal
knowledge and is true and correct.
Before me,

Notary Public/Attorney-at-Law

Printed Name: _____

My Commission Expires: _____

[seal]