

No. **2023-7770**

**Official Order  
of the  
Texas Commissioner of Insurance**

**Date: 02/01/2023**

**Subject Considered:**

AIG Property Casualty Company  
1271 Avenue of the Americas FL 37  
New York, NY 10020-1303

Consent Order  
TDI Enforcement File Nos. 29707 and 30837

**General remarks and official action taken:**

This is a consent order with AIG Property Casualty Company (AIGPCC). The department alleges that AIGPCC assigned a premium consequence to homeowners policies for losses caused by natural causes and for properly remediated appliance-related water damage claims. Additionally, AIGPCC self-reported a rating error to the department that resulted in overcharges to certain automobile policyholders. AIGPCC has agreed to pay an administrative penalty of \$75,000 and restitution to the affected policyholders.

**Waiver**

AIGPCC acknowledges that the Texas Insurance Code and other applicable law provide certain rights. AIGPCC waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

**Findings of Fact**

1. AIGPCC is a foreign fire and casualty company that holds a certificate of authority to transact the business of insurance in Texas.

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### Homeowners Rating Error

2. An insurer cannot use a prior appliance-related water damage claim filed as a basis for determining the rate to be paid if the prior appliance-related water damage claim was properly remediated and was inspected and certified by a person knowledgeable and experienced in remediation of water damage under TEX. INS. CODE § 544.353.
3. An insurer is prohibited from assessing a premium surcharge at renewal for claims resulting from a loss caused by natural causes under TEX. INS. CODE § 551.107.
4. Under 28 TEX. ADMIN. CODE § 21.1004 a rating plan cannot assign a premium consequence regarding residential insurance through a premium surcharge or claims free program based on claims resulting from a loss caused by natural cases, claims not paid or payable, or claims prohibited by TEX. INS. CODE § 544.353.
5. During a filing review, it was discovered that a previously filed rating algorithm included natural cause and appliance-related water damage claims as tier rating variables. The use of those claims as tier rating variables resulted in a premium impact to certain policyholders.

### Automobile Rating Error

6. TEX. INS. CODE § 2251.101(a) requires each insurer to file with the commissioner all rates, applicable rating manuals, supplementary rating information, and additional information as required by the commissioner.
7. AIGPCC made an automobile rate filing, which was effective December 1, 2018. For policies where the insured vehicles' engine size data was missing, a factor of zero was applied instead of the filed factor. This error resulted in overcharged premium to certain policyholders.
8. AIGPCC identified the error in a self-audit and reported it to the department in May 2022. AIGPCC represents the error was corrected for new and renewal policies with an effective date on or after January 24, 2021.
9. AIGPCC identified all policyholders who were charged a higher premium than what was prescribed in the rate filing effective December 1, 2018. AIGPCC paid restitution via checks or account credits to the affected policyholders, which

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included the overcharge and simple interest of five percent. AIGPCC represents a total of 1,983 policyholders were affected and the amount of restitution and interest paid was \$645,961.40.

### Mitigation

10. AIGPCC represents it has implemented internal rate monitoring process improvements in an effort to reduce the risk of future rate errors.

### **Conclusions of Law**

1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051–82.055, 84.021–84.044, 544.353, 551.107, 801.051-801.053, and 2251.101.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. AIGPCC has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. AIGPCC violated TEX. INS. CODE § 544.353 and 28 TEX. ADMIN. CODE § 21.1004(c) by assigning a premium consequence for properly remediated appliance-related claims.
5. AIGPCC violated TEX. INS. CODE § 551.107 and 28 TEX. ADMIN. CODE § 21.1004(c) by assigning a premium consequence for claims caused by natural causes.
6. AIGPCC violated TEX. INS. CODE § 2251.101 by using a rate different than that on file with the department.
7. Pursuant to TEX. INS. CODE § 82.053, the commissioner is authorized to direct AIGPCC to make complete restitution to each policyholder impacted by the violations.

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## Order

It is ordered that AIGPCC pay an administrative penalty of \$75,000 within 30 days from the date of this order. The administrative penalty must be paid as instructed in the invoice, which the department will send after entry of this order.

AIGPCC is further ordered to comply with the following:

- a. AIGPCC must identify all homeowners insurance policies issued in Texas with effective dates from September 1, 2017, to August 22, 2022 (the "Review Period").
- b. For each policy in the Review Period, AIGPCC must calculate the Corrected Premium without assigning a premium consequence for claims caused by natural cases or appliance-related water damage claims that were properly remediated. If the premium charged is more than the Corrected Premium, the difference constitutes the "Overcharge."
- c. AIGPCC must pay restitution in the form of a company check or account credit to each policyholder identified in the Review Period as having an Overcharge (the "Qualifying Policyholders"). The restitution check and/or account credit must include both the dollar amount of the overcharge, plus simple interest due on the overcharge. The rate of interest is five percent per annum.
- d. AIGPCC must mail the restitution checks or issue the account credits to the Qualifying Policyholders on or before June 15, 2023.
- e. Any restitution checks that are returned to AIGPCC with an address correction must be promptly resent to the correct address. Funds from any restitution checks that are returned thereafter for incorrect addresses and from checks that are not negotiated must be reported and delivered to the comptroller pursuant to the procedures and deadlines set forth in TEX. PROP. CODE §§ 72.001 *et. seq.*, 73.001 *et. seq.*, and 74.001 *et. seq.*
- f. On or before August 30, 2023, AIGPCC must report the restitution paid to the Qualifying Policyholders by submitting a complete and sortable electronic spreadsheet to the department. The spreadsheet must contain the following information:

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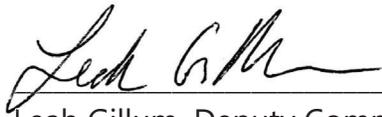
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- i. policy number;
  - ii. policyholder name;
  - iii. policyholder address;
  - iv. effective date of the policy;
  - v. expiration date of the policy;
  - vi. amount of Overcharge;
  - vii. dollar amount of simple interest;
  - viii. amount of Overcharge and interest;
  - ix. date(s) of mailing of restitution check or credits;
  - x. the total sum of all Overcharges;
  - xi. the total sum of all simple interest; and
  - xii. the total sum of all restitution paid (total Overcharges plus the total of the simple interest).
- g. AIGPCC must send all submissions required under the terms of this order by email to: EnforcementReports@tdi.texas.gov.

DocuSigned by:  
  
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\_\_\_\_\_  
Cassie Brown  
Commissioner of Insurance

Recommended and reviewed by:



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Leah Gillum, Deputy Commissioner  
Fraud and Enforcement Division



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Mandy Meesey, Associate Commissioner  
Enforcement

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**Affidavit**

**STATE OF** NJ §  
§  
**COUNTY OF** Union §

Before me, the undersigned authority, personally appeared Steven Harris, who being by me duly sworn, deposed as follows:

"My name is Steven Harris. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Vice President and am the authorized representative of AIG Property Casualty Company. I am duly authorized by said organization to execute this statement.

AIG Property Casualty Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

DocuSigned by:  
Steven Harris  
8BC038C06DCA485...  
Affiant

SWORN TO AND SUBSCRIBED before me on 1/19/2023, 2023.

(NOTARY SEAL)

JENNIFER LEUNG  
NOTARY PUBLIC  
STATE OF NEW JERSEY  
My Comm. Expires Apr. 29, 2026

DocuSigned by:  
Jennifer Leung  
091720B032AD446...  
Signature of Notary Public

Jennifer Leung  
Printed Name of Notary Public