

Department of Insurance Reaction to ...  
**AIG In The News**

September 26, 2008

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**NAIC**  
National Association of  
Insurance Commissioners

## ALDOI Commissioner Ridling Reinforces Message of Patience

9/23/2008



"Alabama consumers with insurance policies with American International Group companies should think twice before switching them to another company", Insurance Commissioner Jim L. Ridling said today.

"There are financial consequences to switching policies, and to dropping policies altogether," Commissioner Ridling said. "Be very sure that you are making a sound financial decision before you ever switch or drop a policy."

"The Alabama Department of Insurance wants to continue to assure Alabama citizens with AIG policies that the companies writing their policies are financially sound. The financial standings of the companies should not motivate anyone to change their policy."

Commissioner Ridling also warned the state's insurance sales producers to not use underhanded tactics to invoke fear as means to lure a consumer to switch policies.

"We expect the highest level of integrity from the men and women who market products to Alabama families. And we will enforce it," he said.

Commissioner Ridling reinforced the fact that AIG's financial problems are with the holding company, which is not an insurance company. The underlying subsidiaries – the insurance companies – are subject to state financial solvency laws. All are solvent and paying claims.

"The companies have continued to meet their obligations," Commissioner Ridling said. "If these companies were not, then they would be placed into receivership. That hasn't happened."

"We encourage any Alabama citizen with a question regarding this issue – or any insurance related issue – to contact us. We'll do our best to provide answers to your questions."

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### **AIG Consumer FAQ**

#### **I have an insurance policy with AIG. How does this impact me?**

AIG is an international financial holding company with businesses ranging from aircraft leasing through investment services through insurance. The policy you hold is written by an insurance company that is an operating subsidiary of AIG. Those insurance companies are financially sound. State insurance regulators and federal regulators, in cooperation with the new management of AIG, are taking steps to make sure that insurance customers of AIG subsidiaries are protected.

#### **Will the AIG insurance companies be able to pay claims?**

In short, yes. The AIG affiliated insurance companies are financially solvent and able to pay claims. The financial issues facing AIG are occurring because of investments in risky mortgage-backed securities by the parent company. The Federal Reserve is basically extending a line of credit to the parent company to help it work through these issues.

**What are regulators doing to make sure AIG insurance companies can continue to pay claims?**

The Alabama Department of Insurance and regulators from the other states are closely monitoring the financial condition of the AIG affiliated insurance companies and are reviewing any activity at the parent company that impacts insurance company assets. Any significant transaction impacting an AIG insurance company, including sale of the company, is subject to state regulator approval.

**What happens if AIG affiliated insurance companies get into financial trouble?**

State regulators have a variety of tools available if it appears that an insurer is not going to be able to fulfill its promises to policyholders. Your state regulator can take over management of an insurer through conservation or rehabilitation. Even if liquidation of an insurance company is necessary, policyholder claims will generally be paid either by the insurance company or by a guaranty fund, which all states have in place to provide coverage to policyholders.

**I own an AIG American General fixed annuity. Is that protected by state insurance solvency standards in the same way that insurance policies are?**

Yes. Fixed annuities are considered a type of life insurance, and as such are protected by the same solvency and guaranty framework as traditional life insurance. If at some point in the future AIG insurance companies or their assets and blocks of business are sold, fixed annuity-holders should experience no changes to the way their policies are administered -- other than the fact that their correspondence may come from a different company. This is not unique to AIG; insurance companies are bought and sold everyday. Your benefits as defined in the original annuity contract remain the same in a sale.

**How can I check on the financial status of a specific AIG insurance subsidiary?**

You can search for each individual AIG subsidiary in the National Association of Insurance Commissioners' [Consumer Information Source](#) (CIS). Here you will find financial information specific to the company as well as complaint data and licensing information.

**Who do I call if I have questions about my AIG policy?**

Contact the Alabama Department of Insurance at 334-269-3550. The Department has a staff of consumer specialists prepared to answer your questions.



For Immediate Release: Tuesday, September 16, 2008

## **Denn Issues Statement On AIG**

*Wilmington* – Insurance Commissioner Matt Denn issued the following statement Tuesday regarding the financial crisis involving AIG family of insurance companies:

“I have been monitoring this situation and communicating extensively with representatives of AIG, with other state regulators and with the Delaware Department of Insurance’s regulatory staff. While the situation with AIG continues to evolve, there are a few things I want to convey to Delawareans.

“First, I am approaching this situation with the protection of Delaware’s AIG policyholders as my top priority. I am also concerned with the large workforce that AIG has in Delaware.

“Second, it is important to state that the current crisis at AIG is a consequence of the financial difficulties of the non-insurance holding company of AIG, and not a result of failures at the AIG insurance companies.

“Third, while some insurance companies under the AIG umbrella are domiciled in Delaware and are regulated by our department, almost all of the policies held by Delawareans are issued by companies domiciled in and directly regulated by other state insurance departments. That is why my staff and I have been in constant communication with the insurance regulators around the country.

“Fourth, should there be any requests from AIG involving the Delaware regulated companies, every decision that I make will be for the primary and exclusive purpose of assuring that every policyholder is protected to the fullest extent of the law.

“Fifth, Delawareans should be aware that, if it becomes necessary, the Delaware insurance guaranty funds are available to provide protection to injured policyholders.

“As I have indicated, this financial crisis obviously is much larger in scope than just Delaware; however, I will use every tool that I have to protect Delaware policyholders.”

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## **Florida Insurance Commissioner McCarty Says: Leave Insurance Regulation to the States**

**Wednesday, September 24, 2008**

**TALLAHASSEE, Fla.** – Florida Insurance Commissioner Kevin McCarty today released the following comments in response to recent opinions offered, in the wake of the financial issues of the American International Group (AIG), that insurance regulation should be moved to the federal level.

Commissioner McCarty believes that insurance regulation has been successful at the state level and should remain as a state regulatory function.

“I am very concerned and deeply troubled by U.S. Treasury Secretary Henry Paulson’s comments on Sunday’s NBC program Meet the Press as well as by comments from various trade associations suggesting that the current AIG saga reinforces the need for a federal office to regulate insurance companies.

“Mr. Paulson has done a heroic job of stabilizing the financial markets in recent weeks; however, the facts of the matter regarding the AIG crisis clearly highlight that the state-based system of insurance regulation employed in the United States has actually worked in this case – as it has in the past and will in the future – to lessen the systemic impact of financial distress in the world financial markets.

“In fact, despite the staggering \$85 billion price tag for the AIG bailout, the current plan put in place by Treasury would never have worked at all had it not been for the fact that the state-based system of insurance regulation ensured that the insurance operating companies at the very core of AIG’s operations – not its current problems – were solvent and financially strong entities, fully capable of paying policyholder claims. As such, these operating companies have significant market value, as ongoing concerns, when they are sold to repay the Treasury investment. Without the diligent oversight of state insurance regulators, the bailout price tag would have been much, much higher.

“As my colleague Kansas Insurance Commissioner and National Association of Insurance Commissioners President Sandy Praeger said last week in a statement from the NAIC, we need to carefully look at all the facts behind the AIG debacle:

- American International Group Inc. is a financial holding company that owns 71 U.S.-based insurance entities. Those entities all are financially sound and fully able to pay claims presented by policyholders and claimants.
- The problems that arose occurred as a result of business decisions made by a non-insurance part of this massive conglomerate; these entities were regulated either by a U.S. federal regulator, the Office of Thrift Supervision, for the U.S. financial holding company, or by an “integrated financial regulator,” in the case of the non-U.S. entity. Simply put, the non-insurance entities wrote more risk than they could fund when the financial markets soured over the last year. The insurance

companies were not involved in these business decisions; and, as a result of this important difference, the assets of the insurance companies – under the supervision of state insurance regulators – remain intact and almost completely unaffected.

- Even throughout the AIG financial holding company’s liquidity crisis, consumers remained protected by state insurance regulatory rules that prevented the parent company from simply raiding capital from its profitable and well-capitalized insurance subsidiaries.

“Undoubtedly, careful study of what went wrong and how to prevent it from happening again will continue for decades. A critical review exercise must be undertaken with dispassionate objectivity.

“Currently there is a sentiment developing that an approach that views all parts of these complicated firms as one single entity with a common source of capital would be preferred to the current system of functional regulation.

“Notice, though, that under the proposed system, the hundreds of thousands of policyholders who rely on AIG insurance companies would have been at significant risk as all of the insurance assets would have been co-mingled to pay for the damage created by the non-insurance entities.”

“With clear objectivity, the study of the current AIG crisis will, I am sure, demonstrate that the state-based system of insurance regulation provides for a framework in which insurance companies operate in a financially prudent manner and in which policyholders can rely on the promises made in the insurance contracts they buy.

“The needs, demographics and business environments of each state are different. That is, insurance is largely a local market as it pertains to policyholders and the promises they purchase.

“Being able to closely watch and understand the unique characteristics in each state is why the regulation of insurance companies should remain where it is; residing in a competent state-based system that is continually evolving and modernizing to reflect changing conditions.”

### **About the Florida Office of Insurance Regulation**

The Florida Office of Insurance Regulation (Office) has primary responsibility for regulation, compliance and enforcement of statutes related to the business of insurance and the monitoring of industry markets. Business units within the Office are organized based on regulatory expertise and include the areas of life and health, property and casualty, specialty lines and other regulated insurance entities. It is within the Office that the mission of public protection is implemented through regulatory oversight of insurance company solvency, policy forms and rates, market conduct performance and new company entrants to the Florida market.

For more information about the Office, please visit [www.floir.com](http://www.floir.com). If you would like to review and compare homeowners insurance rates in Florida, go to [www.shopandcomparerates.com](http://www.shopandcomparerates.com).

## **Statement by Florida Insurance Commissioner Kevin McCarty on Current Situation with AIG Companies**

**Wednesday, September 17, 2008**

**TALLAHASSEE, Fla.** – “I have been monitoring the AIG situation very closely; and I have been in contact with my fellow regulators in New York and Pennsylvania – the two states with primary regulatory control over the AIG companies involved.

“The news we are continuing to hear is that the primary financial problem is with the AIG holding companies, not the insurance companies, and that the holding company issue is being resolved by the \$85 billion loan from the federal government.

“We have been told that the insurance companies are solvent and will be able to pay claims. It is important that policyholders continue to pay their premiums to ensure that their coverage does not lapse.

“I assure you that, if it should become necessary, we will immediately intervene if we feel that any one of the AIG companies operating in Florida will be unable to pay its claims and fulfill the promises made to its policyholders.

“We have 46 AIG subsidiary companies that operate in Florida – 34 sell property and casualty insurance and 12 sell life and health insurance. Only one, American General Property Insurance Co. of Florida, is headquartered in the state.

“I will not speculate any further on possible scenarios beyond what we already know. As more information becomes available, we will share it with you.”

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## Illinois Department of Financial and Professional Regulation

# NEWS

## **AIG Insurance Customers Protected by Illinois Laws**

**CHICAGO** – Illinois regulators are working to prevent a negative impact on Illinois insurance policy holders as a result of the federal government’s action yesterday to take over American International Group, Inc., (AIG). This follows the recognition that the company faced bankruptcy if it did not immediately receive new funds. AIG, Inc. is a federally regulated legal entity and its reorganization will be overseen by federal regulators. AIG has 71 US-based insurance companies. Five of its insurance companies are regulated under the laws of Illinois, which are designed to protect the interest of policyholders.

“Illinois families and businesses who have insurance policies with an AIG insurance company should know that we will make sure the company acts responsibly and meets its financial obligations to its customers,” said Dean Martinez, Secretary, Illinois Department of Financial and Professional Regulation (IDFPR).

Illinois regulators monitor insurance companies to make sure they stay fiscally sound. Illinois law requires insurance companies to use conservative accounting rules and maintain sufficient reserves to pay claims. The State also mandates quarterly reporting of assets, liabilities and investments and annual CPA audits. Additional regulatory tools include performing regular, periodic financial analysis of insurers, and on-site examinations. Through these oversight tools, Illinois makes sure that insurance companies can handle losses in down-market cycles.

“Our first responsibility as insurance regulators is to make sure AIG and other companies operate on a financially sound basis,” said Michael T. McRaith, Director, Division of Insurance, Department of Financial and Professional Regulation (IDFPR). “We are working with our counterparts in other states to ensure that AIG remains viable and that their commitments to policy holders are met.”

In the event that an insurance company can no longer meet its obligations as a stand-alone company, it is placed under supervision to make sure that company commitments to policy holders come first before any money is repaid to creditors.

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# Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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**FOR IMMEDIATE RELEASE**

Sept. 23, 2008

*For more information, contact:*

Bob Hanson, KID Public Information Officer

785-296-7807

Scott Holeman, NAIC Communications Director

816-783-8909

**Editor's note: Consumer FAQs are attached to this release.**

## AIG policyholders should be careful if approached to replace policies

*Insurance companies are financially sound; switching may have hidden costs; insurers, brokers and agents warned to follow consumer protection rules*

TOPEKA, Kan. — AIG's insurance companies are financially sound, with substantially more in assets than they need to pay all valid present and projected claims, Commissioner of Insurance Sandy Praeger today reassured Kansas policyholders.

“Don't worry and don't make any rash decisions if you have a policy issued by an AIG insurance company,” Commissioner Praeger said. “All your covered claims will be paid, and all your annuity checks will come. Making sure insurance companies are solvent and able to pay every valid claim is my top priority.”

Commissioner Praeger explained that the trouble with AIG is largely with AIG's noninsurance parent company, which is not regulated by the states and therefore not held to the same investment, accounting and capital adequacy standards as its state-regulated insurance subsidiaries.

The AIG insurance subsidiaries are solvent and able to pay their obligations, Commissioner Praeger said.

There are 11 life and 20 property and casualty AIG companies licensed to do business in Kansas. They had direct premiums totaling approximately \$280 million in 2007.

“If you have a life insurance or annuity policy and someone tells you to replace it because of the troubles at AIG's parent company, call the Kansas Insurance Department's toll-free hotline at 800-432-2484,” Commissioner Praeger said. “Replacing or liquidating a life insurance policy or an annuity can have heavy hidden costs and tax consequences. There may be a cancellation penalty if you cancel your automobile or homeowner's policy.”

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“If someone tells you to replace any policy because an AIG insurance company is in trouble and may not be able to pay your claim, that is not only untrue, it is against the law,” Commissioner Praeger said. “Some regulators have received reports that this is happening. We will not allow it to happen in Kansas. Call us. We will protect consumers from improper sales practices.”

## **AIG frequently asked questions and answers**

### **Question: Is AIG going bankrupt?**

Answer: AIG is an international financial holding company with numerous businesses. Your insurance and annuity policies are written by AIG's insurance companies. Those companies are financially strong and their assets are protected by state regulators.

### **Question: Are the insurance and annuity policies I purchased from AIG safe or am I going to lose my money?**

Answer: Your policies are safe. AIG's insurance companies are financially strong and fully able to honor all policyholders' claims. Kansas Insurance Department will continue to closely monitor the situation to ensure policyholders are protected and that there will continue to be sufficient assets to pay claims.

### **Question: Should I cash in my insurance and annuity policies and purchase insurance from another insurer?**

Answer: As stated above, the AIG insurance companies are financially strong so your policies are not in jeopardy. Whether you should cash in your insurance policy or switch insurance to another insurer is, as always, a personal decision. Please be aware that some policies may contain surrender charges and/or cancellation penalties. Contact the Kansas Insurance Department's toll-free hotline — 800-432-2484 to find out what information your agent or broker should give you before you make a decision. Talk to your financial adviser before making any decisions. If you have an insurance policy with an AIG company and someone tells you to replace it because of the troubles at AIG's parent company or supposed trouble at the insurance company, call the Kansas Insurance Department's toll-free hotline — 800-432-2484.

### **Question: Should I pay the insurance premium bill that I just received from AIG?**

Answer: Yes, in order for your coverage with AIG to continue, you will need to pay the insurance premiums. Failure to pay your premiums can result in the termination of your insurance policies by the insurance company.

### **Question: Would my insurance and annuity policies have been protected had AIG been declared insolvent and ordered to be liquidated by a court?**

Answer: There are guaranty funds in place in all states that act as a safety net in the event an insurer becomes insolvent.

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**Question: I heard the government may take over AIG. What are state regulators doing to make sure AIG insurance companies will continue to be able to pay claims?**

Answer: The agreement between AIG and the Federal Reserve protects the assets of the insurance companies so they will be available to pay claims. Any significant transaction affecting an AIG insurance company will need approval from state regulators.

**For more FAQs, check the NAIC Web site at [www.naic.org](http://www.naic.org).**

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*The Kansas Insurance Department, established in 1871, assists and educates consumers, regulates and reviews companies and licenses agents selling insurance products in the state. More about the department is online at [www.ksinsurance.org](http://www.ksinsurance.org).*

*Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. For more information, visit [www.naic.org/press\\_home.htm](http://www.naic.org/press_home.htm).*



# Kansas Insurance Department

## Sandy Praeger, Commissioner of Insurance

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**FOR IMMEDIATE RELEASE**

Sept. 18, 2008

*For more information, contact:*

Bob Hanson  
Public Information Officer  
785-296-7807

**Editor's Note: Consumer FAQs are attached to this release.**

## AIG policyholder protection is top priority, Insurance Commissioner Praeger says

*Company's state-regulated insurance subsidiaries are solvent*

KANSAS CITY, Mo. – National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger said the insurance companies within financially troubled American International Group (AIG) are solvent.

Commissioner Praeger issued the following statement, through NAIC, regarding the Federal Reserve action in response to financial issues facing AIG:

“State insurance regulators commend the Federal Reserve on its move to provide a line of credit to AIG's financial holding company. We have been actively participating and aiding the efforts to shore up the federally regulated portions of AIG that were under intense stress.

“As always, the primary concern of state regulators is the continuing ability of insurance companies to meet consumer expectations and pay claims. The 71 state-regulated insurance companies within AIG did not receive a bailout; they are financially solvent.

“The federal bailout of the non-insurance portions of AIG does not negatively change the solvency strength of its insurance subsidiaries.

"State insurance regulators have done what we do best. We worked together to ensure that the AIG insurance companies and the consumers they serve were not harmed by the financial troubles of the parent company.

“In discussions with AIG and the federal government, our top priority was to take whatever steps necessary to protect the ability of the insurance companies to pay claims, as well as to assist the federal government in their efforts to stabilize the broader market.”

Regarding the possible sale of any necessary AIG insurance assets, Commissioner Praeger said, “We will evaluate any potential transactions made during this process, with the ultimate goal of ensuring that policyholders remain protected.”

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AIG-related insurance companies that are licensed to do business in Kansas had direct premiums totaling approximately \$280 million in 2007, including life and annuity, homeowners, vehicle and excess lines insurance products.

Commissioner Praeger appeared on CNBC twice earlier this week to talk about AIG issues and to answer consumer questions.

Consumers with additional questions should contact The Kansas Insurance Department's Consumer Assistance Hotline, 800-432-2484

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## **AIG Consumer Frequently Asked Questions**

### **I have an insurance policy with AIG. How does this impact me?**

AIG is an international financial holding company with businesses ranging from aircraft leasing to investment services to insurance. The policy you hold is written by an insurance company that is an operating subsidiary of AIG. Those insurance companies are financially sound. State insurance regulators and federal regulators, in cooperation with the new management of AIG, are taking steps to make sure that insurance customers of AIG subsidiaries are protected.

### **Will the AIG insurance companies be able to pay claims?**

In short, yes. The AIG-affiliated insurance companies are financially solvent and able to pay claims. The financial issues facing AIG are occurring because of investments in risky mortgage-backed securities by the parent company. The Federal Reserve is basically extending a line of credit to the parent company to help it work through these issues.

### **What are state regulators doing to make sure AIG insurance companies can continue to pay claims?**

State insurance regulators are closely monitoring the financial condition of the AIG-affiliated insurance companies and are reviewing any activity at the parent company that impacts insurance company assets. Any significant transaction impacting an AIG insurance company, including sale of the company, is subject to state regulator approval.

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### **What happens if AIG-affiliated insurance companies get into financial trouble?**

State regulators have a variety of tools available if it appears an insurer is not going to be able to fulfill its promises to policyholders. Your state regulator can take over management of an insurer through conservation or rehabilitation. Even if liquidation of an insurance company is necessary, policyholder claims will generally be paid either by the insurance company or by a guaranty fund, which all states have in place to provide coverage to policyholders.

### **What if I have questions about my AIG policy?**

Contact the Consumer Assistance Hotline of the Kansas Insurance Department, 800-432-2484.

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### **About the Kansas Insurance Department**

*The Kansas Insurance Department, established in 1871, assists and educates consumers, regulates and reviews companies and licenses agents selling insurance products in the state. More about the department is online at [www.ksinsurance.org](http://www.ksinsurance.org).*

### **About the NAIC**

Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise.

Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace. For more information, visit [www.naic.org/press\\_home.htm](http://www.naic.org/press_home.htm).

MARTIN O'MALLEY  
Governor

ANTHONY G. BROWN  
Lt. Governor



RALPH S. TYLER  
Commissioner

BETH SAMMIS  
Deputy Commissioner

525 St. Paul Place, Baltimore, Maryland 21202-2272  
Direct Dial: 410-468-2007 Fax: 410-468-2005  
Email: [kbarrow@mdinsurance.state.md.us](mailto:kbarrow@mdinsurance.state.md.us)  
1-800-492-6116 TTY: 1-800-735-2258  
[www.mdinsurance.state.md.us](http://www.mdinsurance.state.md.us)

## **FOR IMMEDIATE RELEASE**

### **INSURANCE COMMISSIONER ADVISES CONSUMERS REGARDING AIG**

**Baltimore, MD (September 16, 2008)**... Insurance Commissioner Ralph S. Tyler addressed today consumer concerns regarding American International Group, Inc. (AIG). AIG is experiencing financial difficulties at the holding company level and is negotiating with the New York insurance department and others to explore solutions.

“AIG is a diverse financial services company which includes licensed insurance companies,” said Tyler. “The MIA is working closely with insurance regulators in other states and the National Association of Insurance Commissioners to maintain the strength of the insurance subsidiaries of AIG and protect consumers’ interests. Consumers who have concerns about existing policies should seek financial advice from a professional regarding their options.”

AIG wrote approximately \$782 million in premium last year in Maryland. This represented less than 1 percent of all premium written by AIG and approximately 4 percent of all premium written in life and property and casualty insurance lines of business in Maryland

State Insurance Commissioners have many tools available to protect policyholders. The MIA will continue to monitor and work closely with the NAIC and fellow regulators and will take appropriate regulatory action, if needed, to protect Maryland policyholders.

*The Maryland Insurance Administration (MIA), founded as the Maryland Insurance Division in 1872, is an independent State agency located in downtown Baltimore. This agency regulates Maryland’s \$26 billion insurance industry and makes certain that insurance companies, health plans and producers (agents and brokers) comply with Maryland insurance law. The MIA also licenses over 110,000 producers and approximately 1,500 insurance companies, regulates insurance rates, monitors insurer solvency, investigates consumer complaints and travels across the State providing consumers with educational materials on insurance. These materials may also be found at [www.mdinsurance.state.md.us](http://www.mdinsurance.state.md.us).*



AIG Insurance consumers are protected by solvency standards

For Immediate Release: September 16, 2008  
Contact: Bill Walsh (651) 296-7531

### **Regulatory Safeguards Offer 'Insurance Policy' in Times of Crisis**

KANSAS CITY, Mo. (Sept. 16, 2008) — National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger today issued the following statement in response to the financial issues facing American International Group (AIG):

"We have a very strong message for consumers: If you have a policy with an AIG insurance company, they are solvent and have the capability to pay claims. Our job is to ensure that they continue to have the ability to pay.

"In this particular instance, AIG's insurance subsidiaries are being asked to provide liquid assets to the financially distressed non-insurance parent company in exchange for non-liquid assets. The New York State and Pennsylvania Insurance Departments are working with AIG to review the transaction. State insurance regulators will only approve this type of action if they are assured it is part of a total resolution of the liquidity issue at the parent company and fairly compensates its insurance company subsidiaries.

"As a holding company, AIG is a separate, federally regulated legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. State insurance regulators are committed to protecting the interest of policyholders and will work closely with AIG management and other regulators to fulfill this commitment.

"The No. 1 job of state insurance regulators is to make sure insurance companies operate on a financially sound basis. If needed, we immediately step in if it appears that an insurer will be unable to fulfill the promises made to its policyholders. This includes taking over the management of an insurer through a conservation or rehabilitation order, the goal being to get the insurer back into a strong solvency position.

"State regulators have numerous actions they can take to prevent an insurer from failing. Claims from individual policyholders are given the utmost priority over other creditors in these matters — and, in the unlikely event that assets are not enough to cover these claims, there is still another safety net in place to protect consumers: the state guaranty funds. These funds are in place in all states. If an insurance company becomes unable to pay claims, the guaranty fund will provide coverage, subject to certain limits.

"It is a state insurance regulator's responsibility to protect policyholders and ensure a healthy, competitive market for insurance products. Strict solvency standards and keen financial oversight — based on conservative investment and accounting rules — continue to be the bedrock of state-based insurance regulation."



**Eric R. Dinallo Superintendent of Insurance 25 Beaver Street New York, N.Y.  
10004**

**ISSUED 9/22/2008**

**FOR IMMEDIATE RELEASE**

**AIG POLICYHOLDERS SHOULD BE CAREFUL IF APPROACHED TO  
REPLACE POLICIES**

***Insurance companies are financially sound; switching may have hidden costs; insurers,  
brokers and agents warned to follow consumer protection rules***

AIG's insurance companies are financially sound, with substantially more in assets than they need to pay all valid present and projected claims, Insurance Superintendent Eric Dinallo today reassured New York policyholders. Dinallo also announced he would issue notices to insurance companies, agents and brokers, reminding them of their responsibilities under New York Insurance Law to fully inform consumers of the possible costs of switching life insurance, annuity and other policies.

“Don't worry and don't make any rash decisions if you have a policy issued by an AIG insurance company,” Dinallo said. “All your covered claims will be paid and all your annuity checks will come. Making sure insurance companies are solvent and able to pay every valid claim is my number one job, and the AIG insurance companies are strong and solvent.

“If you have a life insurance or annuity policy and someone tells you to replace it because of the troubles at AIG's parent company, call the Insurance Department immediately at 1-800-339-1759,” Dinallo said. “Replacing or liquidating a life insurance policy or an annuity can have heavy hidden costs and tax consequences. That is why our Insurance Law requires that you get all the information you need to make an educated decision in your best interests. There may be a cancellation penalty if you cancel your automobile or homeowners policy. If someone tells you to replace any policy because an AIG insurance company is in trouble and may not be able to pay your claim, that is not only untrue, it is against the law. Call us. Some regulators have received reports that this is happening. We will not allow it to happen in New York. We will protect consumers from improper sales practices.”

Dinallo explained that the trouble with AIG is largely with AIG's non-insurance parent company, which is not regulated by the states and therefore not held to the same investment, accounting and capital adequacy standards as its state-regulated insurance subsidiaries. The insurance subsidiaries are solvent and able to pay their obligations.

“The financial strength of the insurance companies is why Governor Paterson was able to take a leadership role in efforts to rescue AIG,” Dinallo said. “As an example, unlike the troubled parent company, the property and casualty insurance company New York regulates has significantly more in assets over and above the reserves required to cover all valid current and future claims. As regulators, we make sure the assets of the insurance companies are walled off, protected from the parent company's troubles and available to pay all your covered claims.”

Why are the insurers in a much better position than the financially challenged parent? State insurance regulators have numerous actions they can take to prevent an insurer from failing. Rating downgrades and drops in share price do not change an insurer's ability to pay claims. From conservative accounting rules and mandatory annual CPA audits to investment regulations/limitations and minimum capital/surplus requirements, a state insurance regulator's “toolbox” allows insurers to handle greater losses than other parts of the financial sector in down-market cycles. Additional regulatory tools include performing regular, periodic financial analysis of insurers, and on-site examinations.

How are the policyholders protected, in the unlikely event that the insurer fails? Claims from individual policyholders are given the utmost priority over other creditors in these matters — and, in the unlikely event that assets are not enough to cover these claims, there is still another safety net in place to protect consumers: the state guaranty funds. These funds are in place in all states. If an insurance company becomes unable to pay claims, the guaranty fund will provide coverage, subject to certain limits, similar to the FDIC's coverage for bank accounts. This entire solvency framework and safety net for policyholders is uniform in every state.

How did the AIG parent get into financial distress? Non-insurance entities are not subject to the strict solvency framework applied to insurers. This allowed various non-insurers to engage in risky credit transactions (huge positions in credit derivative swaps on mortgage-backed securities) without the appropriate limits and minimum capital/surplus to protect the company from a downswing in the mortgage-backed security markets. Per the federal Gramm-Leach-Bliley Act (GLBA), insurance regulatory authority only applies to actual insurance entities and transactions with those entities. Within AIG, there are 71 U.S. insurers subject to this authority. The remaining 176 entities are split between foreign entities and non-insurance U.S. entities.

The New York State Insurance Department has closely monitored the financial condition of the insurance companies it regulates. Under the direction of Governor David A. Paterson, the Department worked with AIG, the Federal Reserve, the NAIC and others to facilitate transactions intended to help shore up the parent company and preserve New York jobs.

The NAIC named Dinallo chair of the working group established to oversee AIG insurance interests and ensure that policyholders of the insurance subsidiaries remain protected. This oversight will continue as AIG operates under the credit facility offered by the Federal Reserve.

The Department has undertaken various measures, including establishing an AIG hotline, to keep New York policyholders informed. A list of Frequently Asked Questions for Consumers is available at the Department's website, [www.ins.state.ny.us](http://www.ins.state.ny.us). Consumers with questions on AIG should call the Department's AIG hotline at 1-800-339-1759 from 9 a.m. to 8 p.m., Monday through Friday.

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### **AIG Frequently Asked Questions and Answers**

Question: Is AIG going bankrupt?

Answer: AIG is an international financial holding company with numerous businesses. Your insurance and annuity policies are written by AIG's insurance companies. Those companies are financially strong and their assets are protected by state regulators.

Question: Are the insurance and annuity policies I purchased from AIG safe or am I going to lose my money?

Answer: Your policies are safe. AIG's insurance companies are financially strong and fully able to honor all policyholders' claims. The New York State Insurance Department will continue to closely monitor the situation to ensure policyholders are protected and that there will continue to be sufficient assets to pay claims.

Question: Should I cash in my insurance and annuity policies and purchase insurance from another insurer?

Answer: As stated above, the AIG insurance companies are financially strong so your policies are not in jeopardy. Whether you should cash in your insurance policy or switch insurance to another insurer is, as always, a personal decision. Please be aware that some policies may contain surrender charges and/or cancellation penalties. Call the Insurance Department's AIG hotline at 1-800-339-1759 to find out all the information your agent or broker should give you before you make a decision. Talk to your financial adviser before making any decisions. If you have any insurance policy with an AIG company and someone tells you to replace it because of the troubles at AIG's parent company or supposed trouble at the insurance company, call the Insurance Department's AIG hotline immediately at 1-800-339-1759.

Question: Should I pay the insurance premium bill that I just received from AIG?

Answer: Yes, in order for your coverage with AIG to continue, you will need to pay the insurance premiums. Failure to pay your premiums can result in the termination of your insurance policies by the insurance company.

Question: Would my insurance and annuity policies have been protected had AIG been declared insolvent and ordered to be liquidated by a court?

Answer: There are guaranty funds in place in all states which act as a safety net in the event an insurer becomes insolvent. We have answers to some of your questions on New York's guaranty fund here. For policies issued to residents of New York, the Life Insurance Company Guaranty Corporation of New York protects life insurance policies as well as annuity contracts and accident and health insurance policies issued by licensed life insurers, subject to certain limitations. You may obtain information about the Guaranty Corporation by viewing the Policyholder Protection Brochure at [http://www.ins.state.ny.us/consumer/life/licgc\\_brochure.pdf](http://www.ins.state.ny.us/consumer/life/licgc_brochure.pdf) or visiting the company's website at [www.nylifega.org](http://www.nylifega.org). There are also guaranty funds in place for certain Property/Casualty insurance policies such as automobile, homeowners and Workers' Compensation insurance.

Question: I heard the government may take over AIG. What are state regulators doing to make sure AIG insurance companies will continue to be able to pay claims?

Answer: The agreement between AIG and the Federal Reserve protects the assets of the insurance companies so they will be available to pay claims. New York Insurance Superintendent Eric Dinallo heads a working group established by the National Association of Insurance Commissioners to oversee AIG insurance interests and make sure policyholders continue to be protected during this process. Any significant transaction affecting an AIG insurance company will need approval from state regulators.

Question: What can I do if I am having difficulty getting through to AIG on the telephone?

Answer: You may obtain information about filing a complaint with the New York State Insurance Department by visiting <http://www.ins.state.ny.us/complhow.htm>.

Question: What number can I call to speak with someone at the New York State Insurance Department?

Answer: The Insurance Department's AIG toll free hotline is 1-800-339-1759. As an alternative, you may e-mail us at [consumers@ins.state.ny.us](mailto:consumers@ins.state.ny.us) with your contact information and we will return your call within 24 hours.

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Ted Strickland, Governor  
Mary Jo Hudson, Director

50 W. Town Street, Third Floor - Suite 300,  
Columbus, Ohio 43215  
(614) 644-2658 www.ohioinsurance.gov

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**Contacts:** *Robert Denhard, Public Information Officer at (614) 644-3366*  
*Jarrett Dunbar, Public Information Officer at (614) 644-2475*

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**For Immediate Release**  
Tuesday, September 23, 2008

## **AIG Policyholders Should Be Careful If Approached To Replace Policies**

*Insurance companies financially sound; switching may have hidden costs; insurers, brokers and agents must follow consumer protection rules*

COLUMBUS — AIG's insurance companies are financially sound, with substantially more in assets than they need to pay all valid present and projected claims, Mary Jo Hudson, Director of the Ohio Department of Insurance, today reassured Ohio policyholders.

"Don't worry and don't make any rash decisions if you have a policy issued by an AIG insurance company," Director Hudson said. "All your covered claims will be paid and all your annuity checks will come. Making sure insurance companies are solvent and able to pay every valid claim is my number one job, and the AIG insurance companies are strong and solvent."

"If you have a life insurance or annuity policy and someone tells you to replace it because of the troubles at AIG's parent company, call the Ohio Department of Insurance toll-free hotline —1-800-686-1526," Director Hudson said. "Replacing or liquidating a life insurance policy or an annuity can have heavy hidden costs and tax consequences. That is why our Insurance Law requires that you get all the information you need to make an educated decision in your best interests. There may be a cancellation penalty if you cancel your automobile or homeowners policy. If someone tells you to replace any policy because an AIG insurance company is in trouble and may not be able to pay your claim, that is not only untrue, it is against the law. Call us. Some regulators have received reports that this is happening. We will not allow it to happen in Ohio. We will protect consumers from improper sales practices."

Director Hudson explained that the trouble with AIG is largely with AIG's non-insurance parent company, which is not regulated by the states and therefore not held to the same investment, accounting and capital adequacy standards as its state-regulated insurance subsidiaries. The insurance subsidiaries are solvent and able to pay their

obligations.

## **AIG Frequently Asked Questions and Answers**

### **Question: Is AIG going bankrupt?**

Answer: AIG is an international financial holding company with numerous businesses.

Your insurance and annuity policies are written by AIG's insurance companies. Those companies are financially strong and their assets are protected by state regulators.

### **Question: Are the insurance and annuity policies I purchased from AIG safe or am I going to lose my money?**

Answer: Your policies are safe. AIG's insurance companies are financially strong and fully able to honor all policyholders' claims. The Ohio Department of Insurance will continue to closely monitor the situation to ensure policyholders are protected and that there will continue to be sufficient assets to pay claims.

### **Question: Should I cash in my insurance and annuity policies and purchase insurance from another insurer?**

Answer: As stated above, the AIG insurance companies are financially strong so your policies are not in jeopardy. Whether you should cash in your insurance policy or switch insurance to another insurer is, as always, a personal decision. Please be aware that some policies may contain surrender charges and/or cancellation penalties. Contact the Ohio Department of Insurance toll-free hotline — 1-800-686-1526 to find out all the information your agent or broker should give you before you make a decision. Talk to your financial adviser before making any decisions. If you have any insurance policy with an AIG company and someone tells you to replace it because of the troubles at AIG's parent company or supposed trouble at the insurance company, call the Ohio Department of Insurance toll-free hotline — 1-800-686-1526.

### **Question: Should I pay the insurance premium bill that I just received from AIG?**

Answer: Yes, in order for your coverage with AIG to continue, you will need to pay the insurance premiums. Failure to pay your premiums can result in the termination of your insurance policies by the insurance company.

### **Question: Would my insurance and annuity policies have been protected had AIG been declared insolvent and ordered to be liquidated by a court?**

Answer: There are guaranty funds in place in all states which act as a safety net in the event an insurer becomes insolvent. You may obtain information about the Ohio Insurance Guaranty Association (OIGA) for property casualty business by visiting [www.ohioga.org](http://www.ohioga.org) or the Ohio Life & Health Insurance Guaranty Association (OLHIGA) for life, health and annuities at [www.olhiga.com](http://www.olhiga.com).

### **Question: I heard the government may take over AIG. What are state regulators doing to make sure AIG insurance companies will continue to be able to pay claims?**

Answer: The agreement between AIG and the Federal Reserve protects the assets of the insurance companies so they will be available to pay claims. Any significant transaction affecting an AIG insurance company will need approval from state regulators.

**Question: What can I do if I am having difficulty getting through to AIG on the telephone?**

Answer: You may obtain information about filing a complaint with the Ohio Department of Insurance by contacting 1-800-686-1526.

Ohio consumers with questions about their AIG insurance policies can call the Department's consumer hotline at 1-800-686-1526. Free information can also be obtained at [www.ohioinsurance.gov](http://www.ohioinsurance.gov).

# # #



Ted Strickland, Governor  
Mary Jo Hudson, Director

50 W. Town Street, Third Floor - Suite 300,  
Columbus, Ohio 43215  
(614) 644-2658 [www.ohioinsurance.gov](http://www.ohioinsurance.gov)

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**Contacts:** *Robert Denhard, Public Information Officer at (614) 644-3366*  
*Jarrett Dunbar, Public Information Officer at (614) 644-2475*

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**For Immediate Release**  
Thursday, September 18, 2008

## **AIG: Conversation Should Stay Focused On The Facts**

COLUMBUS — Ohio Department of Insurance Director Mary Jo Hudson, today, assured insurance consumers that necessary safeguards have been taken to ensure the protections of AIG policyholders remain in place.

"The Department continues to work with state regulators across the nation to continue monitoring the situation with AIG," said Hudson. "We are extremely pleased by the consumer protection efforts that we have been able achieve."

National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger today issued the following statement regarding American International Group (AIG):

"In times of crisis, the first questions on everyone's mind are often: Who's to blame? What went wrong? What should be done to fix it? And rightly so. However, to understand the problem that led to the crisis, one must be cautious and examine all the facts without letting politics get in the way.

"Yesterday, two major insurer trade associations violated that principle and let their own political agendas get in the way of informing the American public and its leaders on the AIG matter. Both the American Insurance Association (AIA) and the American Council of Life Insurers (ACLI) released statements saying that the recent crisis and the \$85 billion line of credit offered by the Federal Reserve to American International Group, Inc., demonstrate the need for a federal insurance regulatory presence.

"An examination of the facts will clearly show that these organizations have gotten it wrong and are letting their desire to have an optional federal charter get in the way of making a common sense recommendation to address the problem."

**What are the facts?**

- Although AIG is generally known to the public as the world's largest insurer, in truth, AIG is a financial services conglomerate.
- American International Group, Inc., is a financial holding company that owns 71 U.S.-based insurance entities and 176 other financial services companies throughout the world. These include banks, securities firms and non-U.S. insurers, along with other related businesses like premium finance companies.
- The 71 state-regulated insurance entities are not the problem. They are all financially sound — or, in insurance regulatory terms, “solvent” — and fully able to pay claims presented by policyholders and claimants.
- The problem lies with the AIG financial holding company that is subject to federal regulatory oversight by the U.S. Office of Thrift Supervision (OTS).
- The AIG financial holding company took on more risk than they could handle when investing in collateralized debt instruments, such as credit derivative swaps on mortgage-backed securities. It is important to note that these types of investments are financial products, not state-regulated insurance products. When the U.S. housing markets experienced a downturn, these risky investments lost lots of money for the AIG financial holding company.
- State insurance regulators are proud of the important work they do every day to protect America's insurance consumers — using conservative accounting and investment rules. It is this conservative approach to investments that keeps insurers from investing inordinate sums in risky investments, such as the mortgage-based securities, which is what caused difficulties for the AIG financial holding company.
- Even throughout the AIG financial holding company's liquidity crisis, consumers remained protected by insurance regulatory rules that prevented the parent company from simply raiding capital from its profitable and well-capitalized insurance subsidiaries. A coordinated effort by the nation's insurance regulators ensured that no policyholder assets were used for any part of this transaction.
- State insurance regulators have authority over intercompany transactions with the AIG insurers. They are closely monitoring any proposed transactions to ensure they will not threaten the ability of the insurers to pay policyholder claims.
- Insurance regulators from every state — but especially those regulators who oversee a large number of AIG insurance subsidiaries — have been involved in every step of this process, with the primary focus of safeguarding the assets of the insurers so that they are available for the protection of policyholders and claimants.

### **What is the solution?**

- Let's start with what is not the solution. There is no reason to believe that an optional federal charter for insurers would have done anything to address this problem. Remember: AIG is a federally regulated financial holding company that took on excessive risk and is suffering the consequences of its poor judgment. Because this financial holding company is not an insurer, it would not have been regulated by a federal insurance regulator, if there were one.
- The solution lies in not adding more regulation by either the states or the federal government — but, rather, in making the markets for these risky securities more

transparent so that the buyers of them know about the underlying elements of each bundled security that they are purchasing.

- There are ways to create the necessary transparency for these transactions. One way is to create a transaction platform where market participants — as well as state and federal regulators — have access to view the disclosures and the transaction details so that the markets become transparent, rather than opaque. Transparent information about the transaction details will keep everyone honest, while allowing all parties to make a reasonable profit from the transactions placed through the platform.
- Illuminating the markets is the best way to keep all market participants — and all market regulators — informed with the best available information to make the best financial decisions. Remember: The reason for the financial difficulties was the lack of understanding, through lack of transparency, by the AIG financial holding company regarding the financial instruments they had purchased.
- State insurance regulators also suggest that federal banking regulators look to state insurance regulation regarding, among other things, restrictions on derivative activities; limits on high concentrations in investment types; and appropriate minimum capital and surplus requirements.
- State insurance regulators regularly collaborate with and provide information to our state and federal banking and securities counterparts. We would welcome the opportunity to coordinate efforts to help enhance the stability of our nation's financial markets, minimize disruption to our economy and — above all — ensure that every Americans' financial future is protected.

Ohio consumers with questions about their AIG insurance policies can call the Department's consumer hotline at 1-800-686-1526. Free information can also be obtained at [www.ohioinsurance.gov](http://www.ohioinsurance.gov).

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## AIG RESOURCE PAGE

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The Federal Reserve Board on Tuesday, September 16, announced that it authorized the Federal Reserve Bank of New York to lend up to \$85 billion to the American International Group (AIG) to provide the liquidity necessary to assist AIG in meeting its obligations. The Federal Reserve Board said the loan will facilitate a process under which AIG will sell certain of its businesses in an orderly manner, after determining that “a disorderly failure of AIG could add to already significant levels of financial market fragility and lead to substantially higher borrowing costs, reduced household wealth and materially weaker economic performance.”

AIG is working with state regulators, including the Texas Department of Insurance, and federal authorities to develop plans to address liquidity and capital concerns at the holding company. Texas is actively engaged in these discussions. The Federal Reserve Bank loan will facilitate the development of plans that will minimize disruptions to the insurance marketplace and policyholders.

American International Group, Inc., (AIG) is a publicly traded holding company located in New York City and listed on the NYSE. The holding company is comprised of a number of operating segments, including insurance companies, financial services and brokerage services. AIG writes a wide array of products covering life, accident and health and annuity insurance through its life segment and personal, commercial and mortgage guaranty insurance through its property and casualty segment. AIG’s life insurance companies are domiciled in the States of Arizona, Tennessee, Missouri, Illinois, Delaware and Texas. AIG’s property and casualty insurance companies are domiciled in Pennsylvania, New York, North Carolina, Missouri, Mississippi, Connecticut, Louisiana, Texas, and California. As a holding company AIG is the ultimate parent and owner of the insurance companies, but is not itself an insurance company.

The life insurance companies domiciled in Texas are American General Life Insurance Company, AIG Annuity Insurance Company and The Variable Annuity Life Insurance Company. The property and casualty insurance company domiciled in Texas is 21<sup>st</sup> Century Insurance Company of the Southwest.

As a holding company, AIG is a separate legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. For example, the Texas Holding Company Act creates a firewall between AIG, the holding company, and the insurance companies. TDI is committed to protecting the interests of policyholders and will work closely with AIG management and other regulators to fulfill this commitment.

## FREQUENTLY ASKED QUESTIONS

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**Q: Is my insurance company going bankrupt?**

**A: Recent news reports about potential bankruptcy have been about American International Group (AIG), a publicly traded holding company, not about any of the insurance companies owned by AIG. As a holding company, AIG is a separate legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. None of the issues affecting AIG have changed the operations of the insurance companies. The insurance companies continue conducting business as usual and paying all claims.**

**Q: What happens to my family's whole life policies if AIG declares bankruptcy? Are we protected? I also have an annuity. How safe is my money?**

**A: Recent news reports about potential bankruptcy have been about American International Group (AIG), a publicly traded holding company, not about any of the insurance companies owned by AIG. As a holding company, AIG is a separate legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. None of the issues affecting AIG have changed the operations of the insurance**

**companies. The insurance companies continue conducting business as usual and paying all claims.**

**Under federal and state laws, insurance companies are not permitted to file for bankruptcy. Insurance companies are regulated by state insurance departments, who have various tools at their disposal when dealing with companies that may be experiencing financial duress. These tools are designed to protect policyholders' interests. In the event company issues cannot be resolved, state regulators (not the insurance company) can place a company into receivership, where additional tools are available to rehabilitate a company. In the event rehabilitation is not possible, state guaranty associations are required to pay covered policyholder claims, subject to certain statutory limits and other restrictions.**

**Q: Can I receive money from an annuity policy? Can I take my money out without penalties?**

**A: Please check the terms of your policy. Annuity policies often have charges associated with surrendering the policy. Over time, these charges generally decrease or disappear.**

**Q: Should I change car insurance?**

**A: Please work with your agent regarding your specific insurance needs. Recent news reports about potential bankruptcy have been about American International Group (AIG), a publicly traded holding company, not about any of the insurance companies owned by AIG. As a holding company, AIG is a separate legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. None of the issues affecting AIG have changed the operations of the insurance companies. The insurance companies continue conducting business as usual and paying all claims.**

## ***PRESS RELEASE***

For Immediate Release  
September 24, 2008

Contact: Jason L. Butcher  
Public Information Specialist  
304-558-6279 x1237

### **AIG POLICYHOLDERS SHOULD BE CAREFUL IF APPROACHED TO REPLACE POLICIES**

*Insurance companies are financially sound; switching may have hidden costs; insurers, brokers and agents warned to follow consumer protection rules*

**Charleston, WV** – “AIG's insurance companies are financially sound, with substantially more in assets than they need to pay all valid present and projected claims,” West Virginia Insurance Commissioner, Jane L. Cline today reassured West Virginia policyholders.

"Don't worry and don't make any rash decisions if you have a policy issued by an AIG insurance company," Commissioner Cline said. "All your covered claims will be paid and all your annuity checks will come. Making sure insurance companies are solvent and able to pay every valid claim is my number one job, and the AIG insurance companies are strong and solvent."

"If you have a life insurance or annuity policy and someone tells you to replace it because of the troubles at AIG's parent company, call the West Virginia Offices of the Insurance Commissioner toll-free hotline at 888-TRY-WVIC," Commissioner Cline said.

"Replacing or liquidating a life insurance policy or an annuity can have heavy hidden costs and tax consequences. That is why our Insurance Law requires that you get all the information you need to make an educated decision in your best interests. There may be a cancellation penalty if you cancel your automobile or homeowner's policy. If someone tells you to replace any policy because an AIG insurance company is in trouble and may not be able to pay your claim, that is not only untrue, it is against the law. Call us. Some regulators have received reports that this is happening. We will not allow it to happen in West Virginia. We will protect consumers from improper sales practices."

Commissioner Cline explained that the trouble with AIG is largely with AIG's non-insurance parent company, which is not regulated by the states and therefore not held to the same investment, accounting and capital adequacy standards as its state-regulated insurance subsidiaries. The insurance subsidiaries are solvent and able to pay their obligations.

#### **AIG Frequently Asked Questions and Answers**

**Question:** Is AIG going bankrupt?

**Answer:** AIG is an international financial holding company with numerous businesses.

Your insurance and annuity policies are written by AIG's insurance companies. Those companies are financially strong and their assets are protected by state regulators.

**Question:** Are the insurance and annuity policies I purchased from AIG safe or am I going to lose my money?

**Answer:** Your policies are safe. AIG's insurance companies are financially strong and fully able to honor all policyholders' claims. The West Virginia Offices of the Insurance Commissioner will continue to closely monitor the situation to ensure policyholders are protected and that there will continue to be sufficient assets to pay claims.

**Question:** Should I cash in my insurance and annuity policies and purchase insurance from another insurer?

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**Question:** Would my insurance and annuity policies have been protected had AIG been declared insolvent and ordered to be liquidated by a court?

**Answer:** There are guaranty funds in place in all states which act as a safety net in the event an insurer becomes insolvent. You may obtain that information by calling the West Virginia Offices of the Insurance Commissioner toll-free hotline — 888-TRY-WVIC.

**Question:** I heard the government may take over AIG. What are state regulators doing to make sure AIG insurance companies will continue to be able to pay claims?

**Answer:** The agreement between AIG and the Federal Reserve protects the assets of the insurance companies so they will be available to pay claims. Any significant transaction affecting an AIG insurance company will need approval from state regulators.

**Question:** What can I do if I am having difficulty getting through to AIG on the telephone?

**Answer:** You may obtain information about filing a complaint with the West Virginia Offices of the Insurance Commissioner by calling 888-TRY-WVIC.



*Date: September 19, 2008*

*For more information contact: Jim Guidry, (608) 264-6239 or [jim.guidry@wisconsin.gov](mailto:jim.guidry@wisconsin.gov)*

## **Consumers Urged to be Cautious about Liquidating or Replacing Their Annuities**

*Madison, WI*—Wisconsin Insurance Commissioner Sean Dilweg cautions insurance consumers about replacing or liquidating their annuities, particularly those that may be underwritten by the AIG insurance companies, despite the current volatility in financial markets.

"Consumers should understand the full impact of any decisions they may make to liquidate or replace annuities they already hold," said Dilweg. "If you liquidate or replace an annuity you currently own, you may be incurring significant surrender charges or experience adverse tax consequences. My office will be monitoring the suitability of annuity sales for activity that would appear to take advantage of the recent turmoil in financial markets."

Annuities are insurance products regulated by the Office of the Commissioner of Insurance (OCI). OCI licenses both companies and agents and monitors their activities. Dilweg reminded consumers that state law requires a suitability analysis before the sale or replacement of any annuity product. A suitability analysis should include an evaluation of a consumer's financial position, income needs and cost of liquidating any assets. Consumers are encouraged to discuss any changes to their financial plan with a trusted advisor or family member before altering their investments.

Consumers should be particularly cautious if they are approached to liquidate annuities issued by an AIG insurance company because of the recent activity concerning AIG Holdings, Inc. Commissioner Dilweg said, "The AIG insurance companies are separately regulated by state insurance regulators and do not have the financial stress that AIG Holdings, Inc. is experiencing. They are meeting all their obligations to their policyholders. Consumers who feel pressured to replace annuities because of claims the insurer is under financial stress are encouraged to contact OCI."

More consumer tips regarding annuities are in the Wisconsin Buyers Guide to Annuities which can be found at [http://oci.wi.gov/pub\\_list/pi-016.pdf](http://oci.wi.gov/pub_list/pi-016.pdf) or by contacting the OCI at 1-800-236-8517.

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Created by the Legislature in 1871, Wisconsin's Office of the Commissioner of Insurance (OCI) was vested with broad powers to ensure that the insurance industry responsibly and adequately met the insurance needs of Wisconsin citizens. Today, OCI's mission is to lead the way in informing and protecting the public and responding to its insurance needs.

## **AIG: CONVERSATION SHOULD STAY FOCUSED ON THE FACTS**

**KANSAS CITY, Mo. (Sept. 18, 2008)** — National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger today issued the following statement regarding American International Group (AIG):

“In times of crisis, the first questions on everyone’s mind are often: Who’s to blame? What went wrong? What should be done to fix it? And rightly so. However, to understand the problem that led to the crisis, one must be cautious and examine all the facts without letting politics get in the way.

“Yesterday, two major insurer trade associations violated that principle and let their own political agendas get in the way of informing the American public and its leaders on the AIG matter. Both the American Insurance Association (AIA) and the American Council of Life Insurers (ACLI) released statements saying that the recent crisis and the \$85 billion line of credit offered by the Federal Reserve to American International Group, Inc., demonstrate the need for a federal insurance regulatory presence.

“An examination of the facts will clearly show that these organizations have gotten it wrong and are letting their desire to have an optional federal charter get in the way of making a common sense recommendation to address the problem.”

### **What are the facts?**

- Although AIG is generally known to the public as the world’s largest insurer, in truth, AIG is a financial services conglomerate.
- American International Group, Inc., is a financial holding company that owns 71 U.S.-based insurance entities and 176 other financial services companies throughout the world. These include banks, securities firms and non-U.S. insurers, along with other related businesses like premium finance companies.
- The 71 state-regulated insurance entities are not the problem. They are all financially sound — or, in insurance regulatory terms, “solvent” — and fully able to pay claims presented by policyholders and claimants.
- The problem lies with the AIG financial holding company that is subject to federal regulatory oversight by the U.S. Office of Thrift Supervision (OTS). The AIG financial holding company took on more risk than they could handle when investing in collateralized debt instruments, such as credit derivative swaps on mortgage-backed



### **Contacts**

**Communications Division**  
(816) 783-8909  
[news@naic.org](mailto:news@naic.org)

**Scott Holeman**  
Communications  
Director

**Jeremy Wilkinson**  
Electronic Communications  
Manager

**Heidi Cline**  
Communications  
Specialist

**Vanessa Sink**  
Communications  
Specialist

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Communications Division!

securities. It is important to note that these types of investments are financial products, not state-regulated insurance products. When the U.S. housing markets experienced a downturn, these risky investments lost lots of money for the AIG financial holding company.

- Even if there was an optional federal charter for insurers, and some or all of the 71 U.S. based AIG insurance entities had selected to be regulated by the federal insurance regulator, the problem at the AIG parent company level would not have been prevented.
- State insurance regulators are proud of the important work they do every day to protect America's insurance consumers — using conservative accounting and investment rules. It is this conservative approach to investments that keeps insurers from investing inordinate sums in risky investments, such as the mortgage-based securities, which is what caused difficulties for the AIG financial holding company.
- Even throughout the AIG financial holding company's liquidity crisis, consumers remained protected by insurance regulatory rules that prevented the parent company from simply raiding capital from its profitable and well-capitalized insurance subsidiaries. A coordinated effort by the nation's insurance regulators ensured that no policyholder assets were used for any part of this transaction.
- State insurance regulators have authority over intercompany transactions with the AIG insurers. They are closely monitoring any proposed transactions to ensure they will not threaten the ability of the insurers to pay policyholder claims.
- Insurance regulators from every state — but especially those regulators who oversee a large number of AIG insurance subsidiaries — have been involved in every step of this process, with the primary focus of safeguarding the assets of the insurers so that they are available for the protection of policyholders and claimants.

### **What is the solution?**

- Let's start with what is not the solution. There is no reason to believe that an optional federal charter for insurers would have done anything to address this problem. Remember: AIG is a federally regulated financial holding company that took on excessive risk and is suffering the consequences of its poor judgment. Because this financial holding company is not an insurer, it would not have been regulated by a federal insurance regulator, if there were one.
- The solution lies in not adding more regulation by either the states or the federal government — but, rather, in making the markets for these risky securities more transparent so that the buyers of them know about the underlying elements of each bundled security that they are purchasing.
- There are ways to create the necessary transparency for these transactions. One way is to create a transaction platform where market participants — as well as state and federal regulators — have access to view the disclosures and the transaction details so that the markets become transparent, rather than opaque. Transparent information about the transaction details will keep everyone honest, while allowing all

parties to make a reasonable profit from the transactions placed through the platform.

- Illuminating the markets is the best way to keep all market participants — and all market regulators — informed with the best available information to make the best financial decisions. Remember: The reason for the financial difficulties was the lack of understanding, through lack of transparency, by the AIG financial holding company regarding the financial instruments they had purchased.
- State insurance regulators also suggest that federal banking regulators look to state insurance regulation regarding, among other things, restrictions on derivative activities; limits on high concentrations in investment types; and appropriate minimum capital and surplus requirements.
- State insurance regulators regularly collaborate with and provide information to our state and federal banking and securities counterparts. We would welcome the opportunity to coordinate efforts to help enhance the stability of our nation's financial markets, minimize disruption to our economy and — above all — ensure that every Americans' financial future is protected.

## **STATE REGULATORS: AIG INSURERS ABLE TO PAY CLAIMS**

*State Solvency Standards Protect Policyholders*

**KANSAS CITY, Mo. (Sept. 17, 2008)** — In the wake of news that the non-insurance parent company of American International Group (AIG) is facing a financial crisis, state insurance regulators quickly mobilized to ensure that policyholders of the insurance subsidiaries remained protected. This oversight will continue as AIG operates under the credit facility offered by the Federal Reserve.

The National Association of Insurance Commissioners (NAIC) has established a working group to oversee AIG insurance interests in this financial situation and to coordinate with federal regulators as needed. New York State Insurance Superintendent Eric Dinallo is chair of the working group and Pennsylvania Insurance Commissioner Joel Ario will serve as vice-chair.

“AIG’s non-insurance parent company is federally regulated and, therefore, not held to the same investment, accounting and capital adequacy standards as its state-regulated insurance subsidiaries,” said NAIC President and Kansas Insurance Commissioner Sandy Praeger. “The insurance subsidiaries are solvent and able to pay their obligations. In fact, it will likely be the insurance subsidiaries — or their valuable blocks of business and high-quality assets — that will be sold in an attempt to return the AIG parent company to a more stable financial position.”

Why are the insurers in a position to help out the financially challenged parent? State insurance regulators have numerous actions they can take to prevent an insurer from failing. Rating downgrades and drops in share price do not change an insurer’s ability to pay claims. From conservative accounting rules and mandatory annual CPA audits to investment regulations/limitations and minimum capital/surplus requirements, a state insurance regulator’s “toolbox” allows insurers to handle greater losses than other parts of the financial sector in down-market cycles. Additional regulatory tools include performing ongoing financial analysis of insurers, and on-site examinations.

How are the policyholders protected, in the unlikely event that the insurer fails? Claims from individual policyholders are given the utmost priority over other creditors in these matters — and, in the unlikely event that assets are not enough to cover these claims, there is still another safety net in place to protect consumers: the state guaranty funds. These funds are in place in all



### **Contacts**

**Communications Division**  
(816) 783-8909  
[news@naic.org](mailto:news@naic.org)

**Scott Holeman**  
Communications  
Director

**Jeremy Wilkinson**  
Electronic Communications  
Manager

**Heidi Cline**  
Communications  
Specialist

**Vanessa Sink**  
Communications  
Specialist

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states. If an insurance company becomes unable to pay claims, the guaranty fund will provide coverage, subject to certain limits, similar to the FDIC's coverage for bank accounts.

This entire solvency framework and safety net for policyholders is uniform in every state as evaluated by the NAIC's Financial Regulation and Accreditation Program.

How did the AIG parent get into financial distress? Non-insurance entities are not subject to the strict solvency framework applied to insurers. This allowed various non-insurers to engage in risky credit transactions (huge positions in credit derivative swaps on mortgage-backed securities) without the appropriate limits and minimum capital/surplus to protect the company from a downswing in the mortgage-backed security markets.

Per the federal Gramm-Leach-Bliley Act (GLBA), insurance regulatory authority only applies to actual insurance entities and transactions with those entities. Within AIG, there are 71 U.S. insurers subject to this authority. The remaining 176 entities are split between foreign entities and non-insurance U.S. entities. The lead U.S. regulator of AIG financial holding company is the Office of Thrift Supervision (OTS), a federal banking regulator.

“The key distinction here is that AIG’s insurance subsidiaries did not cause this crisis — rather, they will play a critical role in the solution,” Praeger added. “Calls for federal regulation of insurance in light of these events are simply unable to be supported. State regulatory oversight has kept the AIG insurance subsidiaries solvent, despite the actions of its federally regulated parent and non-insurance entities. If future developments challenge that solvency, there are state insurance regulatory safeguards in place to protect policyholders.”

**FOR IMMEDIATE RELEASE**

## **POLICYHOLDER PROTECTION IS TOP PRIORITY**

*AIG's State-Regulated Insurance Subsidiaries Are Solvent*

**KANSAS CITY, Mo. (Sept. 17, 2008)** — National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger today issued the following statement regarding the Federal Reserve's action in response to financial issues facing American International Group (AIG):

“State insurance regulators commend the Federal Reserve on its move to provide a line of credit to AIG's financial holding company. We have been actively participating and aiding the efforts to shore up the federally regulated portions of AIG that were under intense stress.

“As always, the primary concern of state regulators is the continuing ability of insurance companies to meet consumer expectations and pay claims. The 71 state-regulated insurance companies within AIG did not receive a bailout; they are financially solvent. The federal bailout of the non-insurance portions of AIG does not negatively change the solvency strength of its insurance subsidiaries.

“State insurance regulators have done what we do best. We worked together — under the leadership of New York State Insurance Superintendent Eric Dinallo and Pennsylvania Insurance Commissioner Joel Ario — to ensure that the AIG insurance companies and the consumers they serve were not harmed by the financial troubles of the parent company.

“In discussions with AIG and the federal government, our top priority was to take whatever steps necessary to protect the ability of the insurance companies to pay claims, as well as to assist the federal government in their efforts to stabilize the broader market.

“State insurance regulators are committed to continuing to work cooperatively with each other — as well as with AIG, its insurance company affiliates and the federal government — as any necessary sales of AIG insurance assets proceed. We will evaluate any potential transactions made during this process, with the ultimate goal of ensuring that policyholders remain protected.”



### **Contacts**

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## **INSURANCE CONSUMERS PROTECTED BY SOLVENCY STANDARDS**

*Regulatory Safeguards Offer 'Insurance Policy' in Times of Crisis*

**KANSAS CITY, Mo. (Sept. 16, 2008)** — National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger today issued the following statement in response to the financial issues facing American International Group (AIG):

“We have a very strong message for consumers: If you have a policy with an AIG insurance company, they are solvent and have the capability to pay claims. Our job is to ensure that they continue to have the ability to pay.

“In this particular instance, AIG’s insurance subsidiaries are being asked to provide liquid assets to the financially distressed non-insurance parent company in exchange for non-liquid assets. The New York State and Pennsylvania Insurance Departments are working with AIG to review the transaction. State insurance regulators will only approve this type of action if they are assured it is part of a total resolution of the liquidity issue at the parent company and fairly compensates its insurance company subsidiaries.

“As a holding company, AIG is a separate, federally regulated legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. State insurance regulators are committed to protecting the interest of policyholders and will work closely with AIG management and other regulators to fulfill this commitment.

“The No. 1 job of state insurance regulators is to make sure insurance companies operate on a financially sound basis. If needed, we immediately step in if it appears that an insurer will be unable to fulfill the promises made to its policyholders. This includes taking over the management of an insurer through a conservation or rehabilitation order, the goal being to get the insurer back into a strong solvency position.

“State regulators have numerous actions they can take to prevent an insurer from failing. Claims from individual policyholders are given the utmost priority over other creditors in these matters — and, in the unlikely event that assets are not enough to cover these claims, there is still another safety net in place to protect consumers: the state guaranty funds. These funds are in place in all states. If an insurance company becomes unable to pay claims, the guaranty fund will provide coverage, subject to certain limits.



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“It is a state insurance regulator’s responsibility to protect policyholders and ensure a healthy, competitive market for insurance products. Strict solvency standards and keen financial oversight — based on conservative investment and accounting rules — continue to be the bedrock of state-based insurance regulation.”