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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

Salt Lake City, UT: Sept. 24, 2008 – AIG's insurance companies are financially sound, with substantially more in assets than they need in order to pay claims, D. Kent Michie, State Insurance Commissioner today reassured Utah policyholders.

"Don't worry and don't make any rash decisions if you have a policy issued by an AIG insurance company," Commissioner Michie 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 Utah Insurance Department's toll-free hotline 1-800-439-3805 then press 4 then 3 or call directly to 801-538-3066," encouraged Commissioner Michie. "Replacing or surrendering 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 Utah. We will protect consumers from improper sales practices."

Commissioner Kent Michie explained that the trouble with AIG is largely with AIG's non-insurance parent company. It 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 financially strong 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 Utah 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 Insurance Department's toll-free hotline — 1-800-439-3805 then press 4 then 3 or call directly to 801-538-3066, 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 toll-free hotline — 1-800-439-3805 then press 4 then 3 or call directly to 801-538-3066.

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 Utah Life and Health Insurance Guaranty Association by visiting their website at www.utlifega.org.

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 Utah Insurance Department by calling 1-800-439-3805 then press 4 then 3 or call directly to 801-538-3066.