

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

Boston, MA September 23, 2008 – AIG's insurance companies are financially sound at this time, with substantially more in assets than they need to pay all valid present and projected claims, Nonnie S. Burnes, Massachusetts Commissioner of Insurance, today reassured Massachusetts policyholders.

"Don't make any rash decisions if you have a policy issued by an AIG insurance company," Burnes said. "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 Massachusetts Division of Insurance consumer hotline — (617) 521-7794," Burnes 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. We will protect consumers from improper sales practices."

Burnes 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 at this time and able to pay their obligations. State regulators make sure the assets of the companies are walled off, protected from the parent company's troubles and available to pay covered claims. The state insurance departments closely monitor the financial condition of the insurance companies they regulate.

Why are the insurers in a much better position than the financially challenged parent company? 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 those 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 is uniform in every state.

How did the AIG parent company get into financial distress? Non-insurance entities are not subject to 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 downsizing in the mortgage backed securities 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 entities.

AIG Frequently Asked Questions and Answers

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 at this time. AIG's insurance companies are financially strong and fully able to honor all policyholders' claims. The Massachusetts Division 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 Massachusetts Division of Insurance consumer hotline — (617) 521-7794 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 Massachusetts Division of Insurance consumer hotline — (617) 521-7794.

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

Answer: The Massachusetts Insurers Insolvency Fund acts as a safety net in the event an insurer becomes insolvent. You may obtain information about the Massachusetts Insurers Insolvency Fund by visiting www.gfms.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 Massachusetts Division of Insurance by contacting (617) 521-7794 or visiting ww.mass.gov/doi.