



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

FOR IMMEDIATE RELEASE

Sept. 23, 2008

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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.

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.

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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.

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.