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## March 2008

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### **INSURANCE DEPARTMENT IMPOSES RECORD FINE ON AIG**

Penalty, Payment Reflect Largest Sum Ever Paid to Department

**HARRISBURG** – Acting Insurance Commissioner Joel Ario announced a settlement today that requires American International Group Inc., AIG, to pay more than \$9 million in penalties and investigative costs for filing false financial information.

The agreement also resolves bid-rigging allegations against the company and requires AIG to implement new compliance measures to ensure accurate reporting and increase the transparency of commission payments to agents and brokers.

“Financial reporting must be accurate for us to protect insurance consumers and be certain that companies are solvent,” Commissioner Ario said. “When there is any indication of problems with a company’s financial reporting, we investigate, take action and hold insurers accountable. Our ability to fairly regulate the business of insurance requires that we must be able to rely upon the truthfulness of financial reports filed by companies doing business here.

“AIG is paying the largest penalty ever to the Insurance Department to resolve violations of our insurance laws. This reflects the seriousness of the violations and the fact that Pennsylvania is the primary regulator of AIG commercial property-casualty insurance companies.”

Under the terms of this settlement, AIG will:

- Pay \$9.1 million to the state in penalties and investigative costs for financial misreporting;
- Provide detailed annual reports regarding the company’s reinsurance arrangements;
- Provide extensive commission disclosure to commercial customers; and
- Implement business reforms and cooperate in any related investigations.

In February, a former AIG executive and four former Gen Re executives

were found guilty in federal court for their part in a transaction related to the financial misreporting that is the subject of the Insurance Department's actions. In addition to the false reporting, the department's investigation of AIG focused on improper activity relating to their bid-rigging and commission practices. The department is also currently working with other states to conduct a comprehensive examination of a third area of AIG's misconduct related to the under-reporting of workers' compensation premiums.

The settlement document is available at [www.insurance.state.pa.us](http://www.insurance.state.pa.us). AIG companies provide property-casualty and life insurance products to commercial, institutional and individual customers in addition to providing retirement services, financial services and asset management. The company has numerous Pennsylvania-based insurance subsidiaries for which the state Insurance Department is the primary regulator. The department has previously settled related bid-rigging allegations against broker Marsh Inc., Zurich Insurance Company, and ACE INA Holdings Inc.  
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