



## PUBLIC PROTECTION CABINET

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Notice To All Agents:

We wanted to share some information with you regarding the recent turmoil in the market, particularly concerning American International Group (AIG).

The Kentucky Department of Insurance has participated in numerous national conference calls with other regulators, including those in the lead states of New York and Pennsylvania. We have been assured that the insurance subsidiaries of AIG are solvent and able to pay claims. As a matter of fact, the insurance portion of AIG's business will play a critical role in the solution to the financial problems of the company.

As the AIG story has unfolded, we have begun receiving reports of agents who are using this as an opportunity to contact AIG insureds with offers to replace coverage. We also have received calls from consumers who have been advised to take actions clearly not in their best interests.

We want to remind you of two statutes – **304.12-060 - Defamation** (go to <http://www.lrc.state.ky.us/KRS/304-12/060.PDF>) and **304.12-030 - Replacement life insurance – “Twisting” prohibited** (go to <http://www.lrc.state.ky.us/KRS/304-12/030.PDF>). Please be aware that we take allegations of twisting or defamation very seriously and will not hesitate to take appropriate action against agents in violation of those two statutes.

Although we are responding to general questions, we are advising consumers to contact their agents, attorneys, tax planners or other financial consultants for more specific guidance. For your information we have included the AIG Consumer FAQ.

The Department continues to monitor the situation. Please check our Web site for updates as they become available at <http://doi.ppr.ky.gov>

Sharon P. Clark  
Commissioner

# 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 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 the parent company (which is not an insurance company) made investments in mortgage-backed securities and engaged in credit default transactions with troubled investment banks and financial firms. 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, including those in Kentucky, 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. 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. This protection applies to direct business written by authorized licensed insurers. For more information on the Kentucky Life and Health Insurance Guaranty Association, go to <http://www.klhiga.org/faq.cfm>

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

If you need to file a complaint or have a general question, you can call the Kentucky Department of Insurance at 1-800-595-6053 and ask for David Howe. However, before making any changes to existing coverage, we advise a consumer to contact his/her agent, attorney, accountant or other financial/tax consultant.