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**American International Group (AIG) companies fined
for violating insurance, workers' comp laws**

Fine is \$5 million, with \$4 million suspended based on future compliance

(Salem) — The Oregon Department of Consumer and Business Services (DCBS) today imposed a \$5 million fine on nine insurers in the American International Group (AIG) for numerous violations of Oregon insurance and workers' compensation laws — some of them dating back to 1985. AIG must pay \$1 million of the fine within 45 days. DCBS has suspended the remaining \$4 million and will withdraw or impose it next year depending on whether the companies meet certain conditions. AIG has agreed to the fine and the conditions.

DCBS cited the AIG companies for failing to comply with Oregon laws for processing claims of injured workers and reporting proof of insurance coverage. For example, the companies have failed to meet state standards in such areas as timely payment of medical benefits to injured workers and accurate reimbursements of costs for related services.

“We take these issues very seriously,” said DCBS Director Cory Streisinger. “Injured workers depend on their insurance carriers to pay claims accurately and on time, and our other major carriers succeed in doing so. AIG hasn't lived up to the standards Oregon injured workers are entitled to expect, and it's our job to hold them accountable.”

DCBS also cited the AIG companies for using insurance policy forms that hadn't been approved by the state. Advance approval of policy forms by DCBS is required to protect workers and ensure that policies comply with Oregon regulations.

In addition, DCBS found that the AIG companies failed to accurately report workers' compensation premiums and claims data, which the department uses to develop the base rates employers pay to cover their workers. Premium information also is used to calculate each insurer's assessments to fund parts of the state workers' compensation system. AIG's inaccurate reporting led to an underpayment of required assessments, and in addition to the fines imposed, AIG has paid DCBS approximately \$3 million in previously unpaid assessments and interest. Today's order gives the AIG companies 60 days to provide DCBS with documentation showing whether additional assessments are due.

“The Oregon workers' compensation system relies on participation by every insurer and employer, and we depend on accurate data reporting to make sure that everyone is paying their fair share,” Streisinger said. “When one insurance company fails to report accurately, the integrity of our system can be placed at risk.”

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AIG companies have demonstrated an ongoing pattern of violations. The recent problems in Oregon came to light following an investigation of AIG's financial statements by state and federal regulators in New York, where most of the companies are headquartered. Prior enforcement actions against AIG companies in Oregon include a suspension in 1989, followed by a settlement in 1991; an average of 36 civil penalties per year for claims and coverage compliance violations between 1990 and 2004; and an average of 68 civil penalties per year for claims and coverage compliance violations in 2005 and 2006.

The AIG companies must comply with all of the corrective actions contained in the DCBS order to avoid paying the additional \$4 million fine. The corrective actions include meeting state compliance standards for claims processing and proof of coverage reporting, and not issuing or renewing any policies using unapproved policy forms. Streisinger will decide whether to withdraw or impose the suspended fine by September 30, 2008. According to DCBS, AIG has already demonstrated improvement in some of these areas, and DCBS will be closely monitoring their performance over the next year.

AIG is the third-largest provider of workers' compensation insurance in Oregon. Member companies covered by the Oregon settlement are AIU Insurance Company, American Home Assurance Company, AIG Casualty Company, Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Company, National Union Fire Insurance Company of Pittsburgh PA, New Hampshire Insurance Company, and The Insurance Company of the State of Pennsylvania.

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NOTE TO EDITORS AND NEWS DIRECTORS:

The AIG administrative order is available on the DCBS Insurance Division's Web site: www.insurance.oregon.gov. Click on *Orders*.

The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. Among its divisions are the Insurance Division, which helps ensure the financial soundness of insurers, the fair treatment of consumers, and the affordability and availability of insurance products, and the Workers' Compensation Division, which administers, monitors, and enforces Oregon's workers' compensation laws and protects employers' and injured workers' rights and benefits.