



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Acting Deputy Commissioner

**STATE OF MISSISSIPPI**  
Mississippi Insurance Department

1001 Woolfolk Building (39201)  
Post Office Box 79  
Jackson, Mississippi 39205-0079  
(601) 359-3569  
[www.mid.state.ms.us](http://www.mid.state.ms.us)

# **FREQUENTLY ASKED QUESTIONS REGARDING AIG (as of March 3, 2009)**

## **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 the AIG Holding Company are occurring because of investments in risky mortgage-backed securities initiated by AIG financial products companies. Continued loss reports are largely due to those same investments and the newly announced government funding is primarily directed at improving AIG's capital position and protecting the value of its key businesses.

## **What are state regulators doing to make sure AIG insurance companies can continue to pay claims?**

State insurance regulators 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.

## **Didn't the government just bail out AIG? Why do they still need more money?**

Due to general economic conditions, almost everyone is losing money, including AIG and other insurance companies. When the government stepped in to assist AIG, the assumption was that the AIG Holding Company could sell its valuable insurance operating subsidiaries to raise funds to pay back the loan. Unfortunately, the credit market was and continues to be basically frozen, thus the need for further support from the federal government for this systemically important company.

## **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. The Mississippi Insurance Department can take over management of an insurer through conservation or rehabilitation. 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. AIG insurance companies licensed in Mississippi participate in the Mississippi Insurance Guaranty Association (“MIGA”) and the Mississippi Life and Health Insurance Guaranty Association (“LHIGA”).

MIGA is obligated to pay covered property and casualty claims for companies that are determined to be insolvent. The limits of MIGA’s obligations are:

- Workers’ Compensation- full amount
- return of unearned premium – an amount in excess of \$50 per policy
- all other covered claims – an amount in excess of \$50 but not exceeding \$300,000 per claimant

LHIGA is obligated to pay covered life, health, and accident claims for companies determined to be insolvent. The limits of LHIGA’s obligations are:

- One life, regardless of the number of policies: \$300,000 in life insurance benefits; \$100,000 for net cash surrender/withdrawal values
- Health insurance benefits: \$100,000 for coverages not defined as disability or basic hospital, medical, surgical insurance or major medical insurance; \$300,000 for disability insurance; \$500,000 for basic hospital, medical, surgical insurance or major medical insurance
- Annuity benefits: \$100,000

**Are the insurance and annuity policies I purchased from AIG safe, or am I going to lose my money?**

Your policies are safe. AIG's insurance companies are solvent and able to honor policyholders' claims. The Mississippi 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.

**I own an AIG American General fixed annuity. Is that protected by state insurance solvency standards in the same way that insurance policies are?**

Yes. Fixed annuities are considered a type of life insurance, and as such are protected by the same solvency and guaranty framework as traditional life insurance. If at some point in the future AIG insurance companies or their assets and blocks of business are sold, fixed annuity-holders should experience no changes to the way their policies are administered -- other than the fact that their correspondence may come from a different company. This is not unique to AIG; insurance companies are bought and sold everyday. Your benefits as defined in the original annuity contract remain the same in a sale.

**Should I cash in my insurance and annuity policies and purchase insurance from another insurer?**

As stated above, the AIG insurance companies are solvent 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. For additional information regarding life insurance and annuities call the MID toll-free consumer hotline at 800-562-2957.