

Information for American International Group (AIG) Policyholders September 17, 2008

Insurance is all about peace of mind so its understandable that our members and clients insured through AIG Aviation may have questions or concerns about the recent turmoil with American International Group (AIG) and the security of their insurance coverage. That's why we're pleased to reassure members insured with AIG Aviation that their insurance coverage is secure and will try to address some "frequently asked questions":

Q: What's the latest news?

A: Late Tuesday night the U.S Federal Reserve agreed to loan American International Group (AIG) \$85 billion in return for a 79.9% stake in the company. This loan ends a liquidity crisis that threatened AIG which is the parent company of many of the insurance companies used by AIG Aviation for general aviation aircraft. The loan will allow AIG the time necessary to proceed with an orderly sale of some company assets in order to generate needed cash.

Q: Is my AIG Aviation policy secure?

A: Yes and it was throughout the situation with the parent company. Because insurance is heavily regulated at the state level, the financial problems at the AIG parent company did not affect the strength or ability of the subsidiary insurance companies to meet policyholder obligations. New York State Insurance Superintendent Eric Dinallo Wednesday morning confirmed that, "*AIG policies were always safe and their security is even more enhanced now*" noting that the government loan should end any speculation that insurance company reserves would somehow be used to meet the cash needs of the parent company. He went on to further state that the loan to AIG would not negatively affect the solvency or security of the insurance companies noting that "*liens against the parent company AIG are not liens against the insurance businesses.*"

Additionally, the financial condition of insurance companies is monitored very closely by a number of rating agencies, including Standard & Poors (S&P) and A.M Best. These rating agencies assign a rating or "grade" to an insurance company based on their opinion of its financial condition and ability to pay claims. As of Tuesday September 16, 2008 the insurance companies used by AIG Aviation were rated A+ (Strong) by S&P and "A" (Excellent) by A.M. Best. Generally insurance brokerages look for insurance companies with no less than a "B+" (Good) A.M. Best rating for their customers.

Q: Will this situation affect AIG's ability to pay claims?

A: No. The financial security of the AIG insurance companies and the capital needed to meet policyholder obligations and pay claims is intact. In fact, even in the midst of the crisis on Friday S&P made the following statement:

"We believe that AIG has sufficient capital and liquidity to meet its policy obligations and potential collateral requirements, which are significantly greater than the expected cash losses on the mortgage-related assets."

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AIG insurance companies have over \$26 billion in what's called "policyholder surplus". This is basically the excess of an insurance company's assets above its legal obligations to meet the benefits (liabilities) payable to its policyholders.

Q: What happened to drive AIG stock down?

A: The crisis was not connected to the operations of their property-casualty insurance companies. While there is debate on the specifics, in general terms most analysts agree that part of AIG's financial woes were a result of their ongoing financial exposure to mortgage-related securities such as collateralized debt obligations or CDOs. Due to the well-publicized difficulties in the housing industry, AIG's exposure to these mortgage-backed securities placed significant cash flow pressures on the company which they were unable to meet.

Q: What else do I need to know?

A: The security of our members' insurance protection is of paramount importance to AOPA. AOPA is in close and frequent contact with senior management at AIG and will continue to monitor the situation closely for further developments. Should you have any other concerns or questions, we'd be pleased to speak with you at (800) 622-2672.

AIG Commercial Insurance has also prepared a Fact Sheet for their clients (AIG Announcement 09172008).