



**NAIC** News Release  
National Association of  
Insurance Commissioners

**FOR IMMEDIATE RELEASE**

## **INSURANCE CONSUMERS PROTECTED BY SOLVENCY STANDARDS**

*Regulatory Safeguards Offer 'Insurance Policy' in Times of Crisis*

**KANSAS CITY, Mo. (Sept. 16, 2008)** — National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger today issued the following statement in response to the financial issues facing American International Group (AIG):

“We have a very strong message for consumers: If you have a policy with an AIG insurance company, they are solvent and have the capability to pay claims. Our job is to ensure that they continue to have the ability to pay.

“In this particular instance, AIG’s insurance subsidiaries are being asked to provide liquid assets to the financially distressed non-insurance parent company in exchange for non-liquid assets. The New York State and Pennsylvania Insurance Departments are working with AIG to review the transaction. State insurance regulators will only approve this type of action if they are assured it is part of a total resolution of the liquidity issue at the parent company and fairly compensates its insurance company subsidiaries.

“As a holding company, AIG is a separate, federally regulated legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. State insurance regulators are committed to protecting the interest of policyholders and will work closely with AIG management and other regulators to fulfill this commitment.

“The No. 1 job of state insurance regulators is to make sure insurance companies operate on a financially sound basis. If needed, we immediately step in if it appears that an insurer will be unable to fulfill the promises made to its policyholders. This includes taking over the management of an insurer through a conservation or rehabilitation order, the goal being to get the insurer back into a strong solvency position.

“State regulators have numerous actions they can take to prevent an insurer from failing. Claims from individual policyholders are given the utmost priority over other creditors in these matters — and, in the unlikely event that assets are not enough to cover these claims, there is still another safety net in place to protect consumers: the state guaranty funds. These funds are in place in all states. If an insurance company becomes unable to pay claims, the guaranty fund will provide coverage, subject to certain limits.



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“It is a state insurance regulator’s responsibility to protect policyholders and ensure a healthy, competitive market for insurance products. Strict solvency standards and keen financial oversight — based on conservative investment and accounting rules — continue to be the bedrock of state-based insurance regulation.”

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## About the NAIC

Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC’s overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace. For more information, visit [www.naic.org/press\\_home.htm](http://www.naic.org/press_home.htm).

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