

Jeremiah W. (Jay) Nixon  
Governor  
State of Missouri



Office of the Director

Department of Insurance  
Financial Institutions  
and Professional Registration  
John M. Huff, Director

*DIFP issued this letter to insurance companies and agents on Oct. 14, 2008*

To: All Insurance Companies Licensed in Missouri  
All Insurance Producers Licensed in Missouri

RE: Insurance Transactions Pursuant to AIG Financial Issues

The Missouri Department of Insurance, Financial Institutions & Professional Registration wants to make it clear to all insurers and producers that the cash flow challenges of American International Group's (AIG's) parent/holding company were not directly or indirectly caused by or connected with AIG's insurance operations. State-based insurance regulation ensured the financial strength of AIG's seventy-one US-based insurers. The AIG parent/holding company having the financial difficulties was regulated at the federal level by the US Office Of Thrift Supervision.

In the wake of the financial hardships surrounding AIG, federal assistance in the form of an \$85 billion line of credit has been extended the company. It is the financial strength of the seventy-one insurers that allowed this line of credit to be negotiated. The department is currently coordinating efforts with other states in which AIG conducts business and with the National Association of Insurance Commissioners (NAIC) to monitor the ongoing operations of the company. At this time, there exists no indication that the AIG insurance companies will not be able to pay consumers' insurance claims as they arise.

Insurance companies are cautioned not to take advantage of misinformation in the market and in the press to mislead consumers and producers about the financial strength of the AIG insurers. The department is already seeing evidence of insurers that are using misinformation to encourage producers and consumers to churn the AIG business. This department will take a hard look at any attempts by insurers or producers that encourage consumers to turn over their accounts for inappropriate reasons.

The department is issuing this correspondence to reiterate that it will not tolerate attempts to take advantage of unsuspecting insurance consumers by churning, twisting or moving policies among insurers when such action is not for the primary purpose of doing what is in the best interests of the insured. High surrender charges, changes in deductibles and other features that may be inherent to these transactions may cause harm to consumers and therefore, such actions may also be subject to disciplinary action by the department.

Producers are cautioned to make every reasonable attempt to perform the necessary due diligence with respect to the handling of client accounts and any subsequent transactions.

Producers are to ensure that transactions are executed with the primary purpose being that which keeps the client's best needs in mind. Producers are instructed to avoid transactions within a client's portfolio that are based upon fear involving the AIG companies. Changes or modifications to accounts based on any assertion by an insurer or producer that the AIG insurer is not financially sound will be investigated.

Individuals or insurers found to have willfully committed acts relating to AIG products that are detrimental to a client's account may be subject to discipline under §374.144, RSMo (Supp 2007). Violations of this magnitude are defined as level four violations and, as such, carry penalties of up to \$10,000 per violation up to a maximum of \$250,000 per annum for multiple violations, or when court imposed penalties can be \$20,000 per violation, up to an aggregate of \$1,000,000 per annum. §374.049.2(2) & §374.049.3.(4), RSMo (Supp 2007). Further, producers found to violate Missouri laws relating to fraudulent, coercive, or dishonest practices in the insurance industry are subject to revocation of producer license. §375.146.1, RSMo (Supp 2007). It is important to note that the producer may be subject to disciplinary procedures not only for making false statements to a client regarding another company, but also for making statements that are maliciously critical or derogatory to the financial condition of any insurer. §375.936(2) & (5), RSMo (Supp 2007).

If you have any questions regarding the information contained within this statement or regarding the appropriateness of any contemplated transaction, I strongly encourage you to contact the department for clarification.