

**STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

**Bulletin 2008-13-INS**

**In the matter of**

**AIG Insurance Subsidiaries and the Duties  
of Competing Insurers and Producers**

---

Issued and entered  
this 25<sup>th</sup> day of September 2008  
by **Ken Ross**  
Commissioner

**INFORMATIONAL STATEMENT**

Recent news reports concerning AIG Holdings have had a significant impact on the financial markets. The Federal Reserve provided an \$85 billion revolving loan to assist AIG Holdings in meeting its liquidity needs. As part of that transaction, the Federal Reserve received a nearly 80% ownership interest in AIG Holdings.

The 42 AIG insurance subsidiaries authorized or eligible to do business in Michigan are protected by, and continue to report compliance with, state insurance solvency regulations. The AIG insurance subsidiaries, including life and annuity insurers, continue to function as viable insurance operations. The National Association of Insurance Commissioners (NAIC) has established a working group to oversee AIG insurance interests in this financial situation and to coordinate with federal regulators as needed.

Michigan insurers and insurance producers are reminded that they are obligated under several provisions of Michigan law to ensure that AIG life and annuity policyholders are not subject to misleading or unsuitable replacement solicitations:

- MCL 500.2005(a) and (f) [misrepresentation of policy advantages];
- MCL 500.2005(f) [misrepresentation to induce lapse of policies]
- MCL 500.2007 [false advertising as to a competitor]
- MCL 500.2009 [false statement derogatory to the financial condition of a competitor]
- MCL 500.2014 [false statement of competitor's financial condition]

- MCL 500.2064 [misrepresentation to induce lapse of policies]
- MCL 500.4155 [suitability requirements in the sale of annuities]
- R 500.1377(14) [complete policy comparisons required and no unfair description of competitors in advertising]

In addition, insurers and producers need to take the following into account:

1. An annuity insurer is required to supervise its insurance producers to ensure that such solicitations do not occur. Annuity insurers are fully aware of the current market environment and the danger of fear-induced sales. Annuity insurers have an obligation to take proactive steps to prevent improper solicitations.
2. An insurance agency selling annuities is subject to the same legal obligation to supervise its insurance producers to prevent improper annuity solicitations and is similarly obligated to take preventive measures.
3. An insurance producer is prohibited by law from making an improper solicitation. Insurance producers should be prepared to document that any AIG life or annuity policy replacement recommendation is suitable and based on proper representations of the AIG insurer's status.
4. Misleading statements regarding the financial condition of an insurer may be greatly detrimental to the insurer. Insurers are accountable for advertisements for solicitation of life or annuity sales. Insurers should immediately implement measures to remind insurance producers of the requirements established by the laws cited above.

The Office of Financial and Insurance Regulation (OFIR) will be carefully monitoring the replacement activity affecting the AIG life and annuity insurers. OFIR will review the measures insurers and insurance producers implement to prevent improper solicitation of AIG life and annuity policyholders. Insurers and agents are reminded of the requirements to preserve under R 500.604 any sales proposals used and notices to applicants regarding replacement life insurance for OFIR examination.

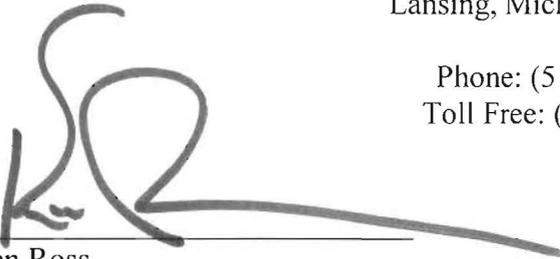
OFIR monitoring, through data calls, examination, or complaint review, that identifies an insurer's or insurance producer's failure to implement appropriate supervisory measures, or disproportionate AIG life or annuity replacements, may lead to an enforcement investigation. Any strategy to replace life and annuity products of AIG insurers primarily on the basis that they are AIG products will be viewed as an unsuitable replacement. Misrepresentations about the status of these companies in order to induce fear into consumers is unlawful and will lead to enforcement action.

Of course, suitable replacements of these products, properly done and in compliance with replacement standards, are acceptable.

Any questions regarding this bulletin should be directed to:

Office of Financial and Insurance Regulation  
Market Conduct Division  
611 West Ottawa Street  
P.O. Box 30220  
Lansing, Michigan 48909-7720

Phone: (517) -335-4350  
Toll Free: (877) 999-6442



Ken Ross  
Commissioner