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### AIG TO BE AUDITED FOR ALLEGED MISREPORTING OF WORKERS' COMPENSATION PREMIUMS

Attorney General Eliot Spitzer and Insurance Superintendent Howard Mills today announced that the Insurance Department would appoint a consultant to audit years of alleged improper booking of workers' compensation premiums at American International Group (AIG).

The practice to be audited, now apparently discontinued, involved booking premiums for workers' compensation coverage as premiums for general liability coverage. The conduct appears to have taken place for over a decade, and continued even after AIG insiders repeatedly challenged its legality.

By booking the income as something other than workers' compensation premiums, AIG avoided paying its true share into various workers' compensations funds. One AIG document dating from the early 1990s roughly estimated unlawful benefit to AIG at tens of millions of dollars annually.

A purpose of the consultant is to determine what of this money, if any, is owed to the State of New York or others.

In 1992, an internal AIG legal memorandum to top management reported that the practice was illegal. This followed similar warnings made years earlier. It remains unclear when the practice stopped.

AIG, which has recently been cooperating with the Attorney General and Insurance Department's inquiries on this subject, has uncovered no evidence that AIG disclosed the practice to regulators or made restitution.

The assessment funds at issue are designed to pay for the operations of the workers' compensation board and provide certain other claim benefits for injured workers.

A broad investigation of the company by the Attorney General's Office and the Insurance Department is continuing.

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