

"AIG Fights for Survival Amid Crisis"

IS YOUR INSURANCE POLICY IN JEOPARDY?

Editorial Staff

That was the headline in *Business Insurance* earlier this year¹ regarding American International Group (AIG), a company that insures approximately 2,000 chiropractic doctors for malpractice insurance in the United States. As has been widely reported, AIG Insurance Company lost financial viability after engaging in billions of dollars of extremely speculative investments known as "credit default swaps."

To prevent AIG from failing, the federal government gave a \$160 billion bailout that included assuming 80 percent ownership of the company. However, that amount proved to be insufficient and another \$30 billion was requested (and given). In an effort to create a new image, AIG has now become AIU Holdings, Inc.

Business Insurance also reported that "concerns about AIG's future intensified after CNBC reported ... that the company was set to announce a roughly \$60 billion dollar fourth quarter loss ... and would need to revise terms of its Federal bailout to avoid potentially crippling ratings downgrades and a potential bankruptcy." Members of Congress and the U.S. Senate have suggested that there may be an outside limit on how much additional bailout money should be given to AIG.

What is not as widely known as AIG's recent financial woes is that the company has been a major player in the chiropractic malpractice insurance market, insuring approximately one in 30 chiropractors through a group program brokered by Arthur J. Gallagher Risk Management Services, Inc. When asked what they would tell concerned policy-holders, Karen L. Graham, CIC, CRM, ARM-P, area president for *Arthur J. Gallagher Risk Management Services, Inc.*, stated the following:

"Arthur J. Gallagher & Co. has always used the rating agencies as our guide to monitoring the financial wherewithal with the companies with whom we do business. Gallagher Companies use *A.M. Best Company, Inc.*'s rating services to evaluate the financial condition of insurers whose policies we propose to deliver. The rating agencies are insiders. They have access to the details of the financial structure of the companies that we work with. Arthur J. Gallagher & Co. does not have access to that information.

"Gallagher Companies make no representations and warranties concerning the solvency of any carrier, nor do we make any representation or warranty concerning the rating of the carrier, which may change. In particular, we have watched A.M. Best's Guide very closely whenever there have been indications of financial distress with one of our underwriting companies. At present, A.M. Best rates AIU Holdings as A 15."

DC is continuing to watch this story closely and will report on any developments that could impact doctors of chiropractic insured with *AIU Holdings, Inc.*

References

1. ["AIG Fights for Survival Amid Crisis."](#) *Business Insurance*, March 2, 2009.
2. ["Asset Sale Proves Tough in Constricted Credit Market."](#) *Business Insurance*, March 2, 2009.

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