



## RICHARD CORDRAY OHIO ATTORNEY GENERAL

**FOR IMMEDIATE RELEASE**  
July 16, 2010

**MEDIA CONTACTS:**  
**Ted Hart: (614) 728-4127**  
cell: (614) 743-2286  
**Kim Kowalski: (614) 728-9692**  
cell: (614) 893-6018

### **Cordray Secures Record Settlement with AIG** *Total case expected to recover over \$1 billion for shareholders*

(COLUMBUS, Ohio) — Ohio Attorney General Richard Cordray today announced a \$725 million securities class action settlement against international insurance and financial services organization American International Group, Inc. (AIG) and certain individual directors and officers. The settlement resolves allegations of AIG's wide-ranging fraud from October 1999 to April 2005 involving anti-competitive market division, accounting violations and stock price manipulation, and brings total expected recovery for AIG shareholders to over \$1 billion. The settlement is subject to court approval.

"This historic settlement is an excellent result for all shareholders harmed by AIG's misconduct, including Ohio's teachers, firefighters, police officers, and public employees. Ohio is determined to send a strong message to the marketplace that companies who don't play by the rules will pay a steep price," said Cordray.

Three Ohio public pension funds, represented by the Attorney General, led the class action suit: the Ohio Public Employees Retirement System (OPERS), the State Teachers Retirement System of Ohio and the Ohio Police and Fire Pension Fund (collectively the "Ohio Funds").

"The OPERS Board of Trustees has been an active participant in securities litigation cases on behalf of our members and retirees," said Ken Thomas, OPERS board chair. "This is a fiduciary responsibility that the board takes very seriously, and it is consistent with past actions the board has taken to encourage corporate governance reform and to seek compensation for unlawful behavior. We intend to continue an aggressive posture to protect the integrity of the marketplace for all investors and the citizens of Ohio."

William J. Estabrook, Executive Director of the Ohio Police and Fire Pension Fund said: "Our Board of Trustees authorized this action on behalf of Ohio's police and firefighters not just to recover our fund's losses, but to help ensure the integrity of the public markets on which both institutional and private investors rely. We are pleased that after years of fighting for this principle the Attorney General was able to secure a monetary expression that the corporate behavior at issue in this litigation is unacceptable and will not be tolerated."

Taken together, recovery for AIG shareholders in this case is expected to be \$1.0095 billion, Cordray said. It is the tenth-largest securities class action settlement in U.S. history, and the first and only billion-dollar class action settlement since the financial crisis began to unfold in 2008.

As part of the total case involving AIG, the Ohio Funds and the Ohio Attorney General's Office previously announced a \$72 million settlement with General Reinsurance Corporation, a \$97.5

million settlement with PricewaterhouseCoopers LLP and a \$115 million settlement with CEO Maurice R. "Hank" Greenberg and other AIG executives (Howard I. Smith, Christian M. Milton and Michael J. Castelli) and related corporate entities (C.V. Starr & Co., Inc. and Starr International Co., Inc.).

AIG has agreed to pay \$725 million to the shareholder class in the primary settlement. An initial payment of \$175 million will be payable after entry of a court order granting preliminary approval of the settlement. The remaining \$550 million may be funded by AIG through one or more common stock offerings. If AIG does not fund the \$550 million before court approval of the settlement, the plaintiffs may terminate the agreement, elect to acquire freely transferable shares of AIG common stock with a market value of \$550 million provided AIG is able to obtain all necessary approvals, or extend the period for AIG to complete a stock offering in order to fund the remainder of the settlement.

This case involved three types of claims:

- AIG engaged in accounting fraud, culminating in a \$3.9 billion restatement in May 2005 that included numerous different types of transactions, including allegations relating to a \$500 million no-risk fraudulent reinsurance transaction that AIG entered into with General Reinsurance Corp. in order to artificially boost AIG's reported claims reserves. One AIG executive and four Gen Re executives were found guilty of securities fraud in relation to that transaction.
- AIG paid tens of millions of dollars in undisclosed contingent commissions to insurance brokers and participated in a bid-rigging scheme with insurance brokers and certain insurance companies in order to divide the market for certain types of insurance.
- AIG engaged in straightforward stock price manipulation, in which company executives ordered company traders to inflate AIG stock price.

Labaton Sucharow LLP, in New York City, and Hahn Loeser & Parks, LLP, which has offices in Cleveland and Columbus, represented the Ohio Attorney General and the Ohio Funds in the case.

Since taking office in January 2009, Attorney General Cordray has aggressively sought accountability of Wall Street institutions and executives who violated laws and harmed Ohio investors, workers, retirees and families. Cordray has pursued eight major lawsuits including those against Bank of America, Fannie Mae, Freddie Mac, Marsh, Merrill Lynch, the Rating Agencies and United Health Care. With today's announcement, more than \$2.7 billion has been recovered through these suits.

For more background: [www.OhioAttorneyGeneral.gov/SecuritiesLitigationBriefing](http://www.OhioAttorneyGeneral.gov/SecuritiesLitigationBriefing) .