

Insurers uncertain of AIG impact

Local firms yet to see clients switching over

By **ARIELLE KASS**

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Commercial insurers based in Northeast Ohio say any talk that clients of wounded competitor American International Group Inc. could come rushing their way is either premature or unfounded.

Troubled AIG's need for an \$85 billion bailout from the Federal Reserve might be expected to create concern about the company's stability among its commercial insurance customers. However, because AIG's insurance subsidiaries remain solvent, local insurers said it's too early to tell what impact, if any, the parent company's travails will have on their businesses.

"It's a developing situation," said Gary Monda, vice president and chief investment officer at National Interstate Corp., a property and casualty insurer based in Richfield that focuses on the transportation industry.

"We don't know how it's going to impact us or insurance in general," Mr. Monda said.

Gary Christy, a spokesman for Westfield Insurance, which operates in 17 states and provides both commercial and personal insurance, said because Westfield works in the middle market and AIG has clients worldwide, he doesn't expect many customers will defect to Westfield from AIG.

Mr. Christy said Westfield had not gotten more calls from prospective clients interested in switching insurers as a result of news surrounding AIG.

"We're not hearing anything. We don't write typically the same business," Mr. Christy said. "To say that some financial issue at one insurance company would have any impact on our business is a stretch."

But the phones have been ringing at the Ohio Department of Insurance, where director Mary Jo Hudson said consumers are often confused about whether their AIG insurance policies are still viable. The answer is yes.

That's because AIG's insurance subsidiaries — and the money attached to them — are sealed off from AIG's problematic securities business.

Ms. Hudson said the department continues to monitor the situation, but it's too soon to tell what the full impact will be. AIG has 38 insurance companies licensed to do business in the state, but none of them list Ohio as their state of domicile. "It's still in the early stages," she said.

At the Ohio Insurance Institute, president Dan Kelso said the only potential impact to any other insurance company would be the loss of value of AIG stock in an insurer's investment portfolio. For example, auto insurer Progressive Corp., in a Sept. 11 report on its results for the month of August, said it took \$278 million in writedowns last month that were related to the preferred and common stock of mortgage giants Fannie Mae and Freddie Mac, which were taken over by the federal government this month.

Mr. Kelso hopes consumers don't make a run on the company, adding he doubts other insurers would try to profit from AIG's position.

"I would find it highly unlikely that any carrier would market against AIG," he said. "One thing I never want to have in the insurance business is a run on the bank."

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