Fact Sheet

Hank Greenberg: Not the AIG Hearing that was Promised

- **On December 16, 2008, Rep. Elijah Cummings (D-MD) wrote to Chairman Towns and Ranking Member Issa to request a hearing on AIG compensation policies:**

  "I write today to request that you convene in the full Committee on Oversight and Government Reform a hearing to examine American International Group, Inc.'s (AIG) use of taxpayer dollars, specifically with regards to compensation policies and expenditures and corporate events."

- **On December 17, 2008, Rep. Cummings told *Bloomberg News* that Chairman Towns "agreed with me 100 percent. He's told me we would be proceeding to a hearing."**

- **On December 18, 2008, *CongressDaily* wrote:**

  "Edolphus Towns, D-N.Y., said he is inclined to grant a request by Rep.Elijah Cummings, D-Md., to investigate AIG's compensation policy."

- **On December 23, 2008, *The Hill* quoted a spokeswoman for Chairman Towns:**

  "Rep. Towns is looking forward to working with Rep. Cummings to investigate AIG's compensation policy with respect to the retention bonuses. This is a priority in the 111th Congress."

- **In January, 2009, Ranking Member Issa asked Chairman Towns to sign a document request letter to the Department of the Treasury asking for:**

  "The TARP-related contracts between the Department of Treasury and the following ten companies: AIG, Bank of America, Bank of New York Mellon Corporation, Citigroup, Goldman Sachs, JPMorgan Chase, Merrill Lynch, Morgan Stanley, State Street Corporation, and Wells Fargo" as well as "All records or communications between Treasury Department officials and officers of the aforementioned ten companies regarding the provisions or conditions placed on the companies in order to receive the TARP funds."

  Chairman Towns would not agree to sign the letter.

- **On March 24, 2009, Rep. Issa asked Chairman Towns to include current AIG CEO Edward Liddy in the April 2 hearing. Two days later, he requested that a representative of the Administration also testify.**

- **On March 25, 2009, Rep. Cummings, in a letter to Towns and Issa requested that Mr. Edward Liddy testify before the committee.**

Source: Oversight and Government Reform Committee Republican Staff

EDOLPHUS TOWNS, NEW YORK
CHAIRMAN

DARRELL E. ISSA, CALIFORNIA
RANKING MINORITY MEMBER

ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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April 1, 2009

Honorable Edolphus Towns
Chairman
House Oversight and Government
Reform Committee
Rayburn 2157
Washington, DC 20515

Dear Chairman Towns:

I am writing to express my concern about the credibility of our witness at tomorrow's hearing. As you may be aware, Mr. Maurice "Hank" Greenberg is involved either directly or tangentially in no less than nine lawsuits.

Most notably, a U.S. Attorney has identified Mr. Greenberg as a co-conspirator in a criminal securities fraud case that has already resulted in five convictions. News reports indicate SEC action against Mr. Greenberg on these securities fraud charges could come at any day and there are good reasons to believe he could face even more significant legal problems involving the alleged misappropriation of shares from Starr International Company, a trust fund to be used solely for the purpose of providing long-term deferred compensation for AIG employees.

Historically, the Committee Republicans have taken exception to hearings which provide individuals of impeachable character a forum to rehabilitate themselves.[1] I hope you will reconsider allowing Mr. Greenburg to testify before the Committee or at the very least, join me in publically acknowledging the veracity of his testimony is questionable.

Sincerely,

Darrell Issa
Ranking Member

[1] Letter from Rep. Tom Davis, Ranking Member, the Committee on Oversight and Government Reform (the Committee) to Rep. Henry A. Waxman, Chairman, the Committee (Sept. 6, 2007) (regarding the arrests and convictions of Committee witness Mr. Rory Mayberry at the hearing entitled "Allegations of Waste, Fraud, and Abuse at the New U.S. Embassy in Iraq).

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MAY 20, 2008

Greenberg Role Seen In AIG-Gen Re Case

By AMIR EFRATI

A federal judge said in a recent ruling that at a trial earlier this year the government had presented "sufficient evidence" for a jury to conclude that a conspiracy to fraudulently boost the financials of American International Group Inc. started with a phone call by former Chief Executive Maurice R. "Hank" Greenberg.

The conclusion is the first by a judge to implicate Mr. Greenberg in the case, in which five former insurance executives were found guilty of participating in a sham deal between AIG, a large insurer, and General Re Corp., a reinsurance company that is a unit of Berkshire Hathaway Inc.

Mr. Greenberg hasn't been charged and has maintained his innocence. He was identified by prosecutors as an unindicted alleged co-conspirator.

A spokesman for Mr. Greenberg said he "did seek to buy a loss portfolio from Gen Re," which is a "normal transaction in the insurance industry," but that "as evidence in the case demonstrated, it was three conspirators at Gen Re who appear to have created a fraudulent transaction for their own purposes in mid-November 2000."

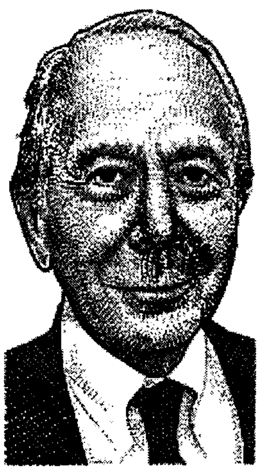
The Justice Department declined to comment.

The remarks by U.S. District Judge Christopher F. Droney, who presided over the trial, were part of a decision issued last week that denied the defendants a new trial and paved the way for their sentencing.

After the trial, in Hartford, Conn., prosecutors said they would "work up the ladder" in a continued effort to ferret out wrongdoing. The judge's comments don't necessarily have any firm legal implications.

Mr. Greenberg left AIG in 2005 as it came under investigation for its accounting practices. He is still fighting civil charges related to his time at AIG. He also holds a large number of AIG shares, and heads a company, Starr International Co., that is AIG's largest shareholder. Recently, he sent a letter to AIG's board saying that the insurer, which recently reported the largest quarterly loss in its history, is in "crisis."

Prosecutors in the criminal case had accused the executives of inflating AIG's reserves by $500 million in 2000 and 2001 through fraudulent reinsurance deals that improperly burnished the financials of AIG -- Gen Re's largest client -- by making it look like the company had a bigger cushion against losses, thereby boosting its stock price. Reinsurance allows insurance companies to completely or partly insure the risk they have assumed for their customers.



Judge Droney wrote that evidence showed that "starting with Greenberg's October 31, 2000, phone call to Ferguson, there was an agreement to carry out a transaction to artificially inflate AIG's loss reserves and deceive AIG's investors about the amount of the company's loss reserves and the quality of its earnings."

His comments arose with regard to an argument by one of the defendants, former General Re CEO Ronald Ferguson, that no rational jury could find that the charged conspiracy began on or about Oct. 31, 2000, because there was no evidence that a "no-risk" deal was considered prior to mid-November. But the judge found that the government presented sufficient evidence that the conspiracy began with Mr. Greenberg's call to Mr. Ferguson.

Judge Droney said that "[e]ven though calculating loss reserves usually requires an actuarial assessment after the fact...Greenberg specified the amount of loss reserves he wanted from the deal during that call" and that he "asked for a short-term transaction lasting only six to nine months, but he specified that he wanted the portfolio of insurance contracts ceded through the deal to contain longer tailed lines of business" -- in which claims don't develop until further into the future -- "thereby minimizing any potential losses to AIG."

Judge Droney wrote that "[o]ther evidence also strongly implied that those at AIG familiar with the transaction knew that, despite the written terms of the deal, it entailed no risk for AIG: no one from AIG ever asked Gen Re for the documents necessary to conduct an actuarial analysis of the risk associated with the $500 million of contracts Gen Re ostensibly ceded to AIG through the deal."

—Liam Pleven contributed to this article.

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AIG Debacle Not My Fault, Says Greenberg; Testifies Today

By LIAM PLEVEN

As Congress presses for answers on what went wrong at American International Group Inc. and what to do next, lawmakers are turning Thursday to the man who built the small insurer into a world-wide conglomerate.

Maurice R. "Hank" Greenberg, 83 years old, is scheduled to appear before the House Committee on Oversight and Government Reform. He plans to argue for slimming down the government's stake in AIG and pressuring trading partners that got huge payments as a result of the insurer's bailout to funnel some of that money back into AIG as an investment.

"Somebody should lean on them," Mr. Greenberg said in an interview.

Thursday's testimony will mark Mr. Greenberg's first public appearance under oath since the government's initial rescue of AIG in September.

"I don't think we can really get a handle on the AIG situation without talking to him," said Rep. Edolphus Towns (D., N.Y.), the House committee's chairman. "He can give us some insight as to where we go next."

Mr. Greenberg knows more about AIG than just about anyone, making him both an appealing sounding board and a potential target for criticism. During his 38-year reign as CEO, he was behind the expansion push that included creating the financial-products unit that nearly sank the firm after he left in 2005. Mr. Greenberg also hired many executives who still work at AIG.

Rep. Henry Waxman (D., Calif.), the House committee's former chairman, said at an October hearing that Mr. Greenberg missed because of an illness that some people think the former CEO "sowed the seeds that led to AIG's failure."

The committee's ranking minority member, Rep. Darrell Issa (R-Calif.), urged Rep. Towns in a letter late Wednesday to "reconsider" allowing Mr. Greenberg to testify, "or at the very least, join me in publicly acknowledging the veracity of his testimony is questionable."

Lee Wolosky, a lawyer for Mr. Greenberg, issued a statement in response to Rep. Issa's letter saying a "few civil allegations are still being investigated by regulators," but contending those "have nothing to do with AIG's current situation." He said Mr. Greenberg "welcomes the opportunity" to discuss his plan for AIG "on the merits."

Mr. Greenberg stepped down as AIG came under pressure during an investigation of the company's accounting practices. He still is fighting civil charges related to that inquiry, and denies any wrongdoing. Mr. Greenberg also has spent much of the last four years sparring with AIG over various legal matters.

"I don't feel any responsibility at all" for AIG's problems, Mr. Greenberg said in the interview. "How can I be responsible for something that occurred when I'm not there?"

Mr. Greenberg remains a major shareholder in AIG, though the value of his holdings has declined by hundreds of millions of dollars since the start of 2008. Mr. Greenberg, who also controls a company that is AIG's largest private shareholder, played down the impact of the stock's slide on him personally.

"Of course, I lost considerable net worth," said Mr. Greenberg, who also heads another firm, C.V. Starr & Co. "But I'm working. My life is not materially changed."

Rep. Towns said the House committee wants to ask Mr. Greenberg what went wrong at AIG that led to the bailout. The former CEO also is likely to be asked about the history of the financial-products unit. Rep. Towns said the committee is planning additional hearings into AIG.

Among the issues being wrestled with by lawmakers is what the federal government's exit strategy should be. That is particularly noteworthy in the wake of the controversy over retention bonuses paid to employees in AIG's financial-products unit.

Mr. Greenberg has pushed for a new approach since the September bailout. By easing certain terms imposed on AIG, the government has moved closer to Mr. Greenberg's position in recent months.

He now wants the government to lower the burden on AIG even more, with the aim of returning it to profitability. Mr. Greenberg says taxpayers should be willing to take less from AIG upfront to improve their chances of getting repaid in full down the road.

Reducing the federal government's stake in AIG to 15% from the current level of nearly 80% would attract private investors, Mr. Greenberg wrote in his prepared testimony to Congress. Shrinking the government's ownership could be politically unpalatable, given public frustration with government bailouts of financial firms.

Mr. Greenberg is expected to call for putting pressure on AIG's trading partners, which include large U.S. and foreign banks that have received large payments since the bailout. In his testimony, Mr. Greenberg will call for those trading partners to funnel some of that money back to AIG in the form of an investment, thus making them shareholders, and giving them a stake in AIG's success.

Many of AIG's trading partners had purchased credit default swaps from the financial-products unit. The swaps are insurance-like contracts that required AIG to post billions in collateral when the investments they protected fell in value amid the housing crisis.

In a statement, AIG said that when Mr. Greenberg left in March 2005, the unit had already sold about half of the swaps that caused the biggest problems. AIG added that AIG's exposure under the contracts wasn't hedged.

Mr. Greenberg said the amount of exposure AIG faced under the contracts when he left was beside the point. When AIG lost its triple-A credit rating, which came after his departure as CEO, he would have hedged the exposure and tried to modify the collateral requirements, he said in the interview.

Mr. Greenberg and AIG also are involved in various legal disputes, and the Federal Reserve, which made the initial bailout loan to AIG, has been tracking legal matters involving AIG. Thomas Baxter, the top lawyer at the New York Federal Reserve Bank, recently wrote a letter expressing support for mediation between AIG and Mr. Greenberg "to resolve their outstanding disputes."

A lawyer for Mr. Greenberg, Lee Wolosky, said: "We don't believe these litigations with AIG belong in court."

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