

Maryland congressman decries AIG's pattern of deception

Posted: Wed 03.04.2009 07:05 am EST

By Keith L. Martin



Elijah Cummings

With astronomical amounts of federal aid now at its disposal, a Maryland congressman is calling for American International Group's leadership to come back to Earth.

Congressman Elijah E. Cummings (D-Md.) said in a statement that he was not surprised insurer AIG "came back to beg the government" for another \$30 billion, bringing their total federal aid to \$180 billion.

The troubled company received word on Monday (March 2) that it would receive the additional funds through the U.S. Treasury's TARP program to help keep the company afloat amid massive losses, including \$61.7 billion in the fourth quarter of last year.

AIG's CEO, Edward Liddy, said the company felt "additional tools are needed to enable success" as the insurer tries to restructure itself "at a time when the global economy and capital markets are in turmoil."

"[The government's actions] provide the necessary U.S. government support for a plan to establish separate capital structures, including outside ownership, for certain AIG companies," Liddy said in a statement. "AIG's underlying businesses remain strong, well-capitalized, and competitive."

Cummings said he was "disturbed" AIG returned so soon to ask for more money as Liddy "told me on January 15th that he expected to re-pay the government early."

"To me, this means that Mr. Liddy was either once again being less than honest or that he has no idea what is happening with his company—and both of these scenarios are unacceptable," said Cummings, a senior member of the House Committee on Oversight and Government Reform and a member of the Joint Economic Committee.

Cummings has been a steady critic of the government's bailout of the insurer dating back to last year when AIG first sought \$85 billion in aid and ended up with a restructured \$150 billion dollar deal before the latest allocation of federal funds.

Cummings said American taxpayers have already invested a great deal in keeping AIG afloat, recognizing the risks to the U.S. financial system if it fails, but also said there are "too many unanswered questions" about how the insurer spent its first portion of TARP funds.

"We cannot allow the pattern of deception by this company to continue. Transparency and accountability are more critical than ever," he said.

Specifically, Cummings questioned recent financial statements indicating that AIG spent \$57 million on "retention payments" to employees expected to be terminated, a expenditure he called "ludicrous."

"It tells me that this company has no respect for the aid it is receiving or for the Americans whose hard-earned taxpayer dollars are keeping the company alive," the congressman said. "Equally disturbing in the 10-K filing are AIG's strong complaints against the limits on executive compensation that were established by the American Recovery and Reinvestment Act. If it were not for TARP assistance, these executives would not be making any money at all."

Cummings had a simple message for Liddy following what he deemed a rejection of "commonsense accountability measures" to protect taxpayers.

"It is time for Mr. Liddy to come back from whatever planet he is on and visit us here in reality," he said. "I am puzzled by AIG's statement that it has 'embraced a pay-for-performance philosophy.' Surely this cannot be in reference to the approximately \$450 million in retention payments being given to employees of the Financial Products division whose performance brought the company down in the first place."

The Maryland congressman renewed his call for better accounting and accountability by the insurer as the government, and American taxpayers "essentially own AIG."

"This information must include a complete review of the company's compensation policies, with particular emphasis paid to the more than \$1 billion in 'retention payments' that have been distributed even while the company is failing," he said. "We also need to seriously re-evaluate the leadership at AIG and determine whether a change would be appropriate at this point. Each passing week brings to light more recklessness and disorganization by this company."