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NEWS RELEASE

INSURANCE COMMISSIONER POIZNER ANNOUNCES COURT UPHOLDS \$500 MILLION AWARD AGAINST U.S. LIFE INSURANCE CO.

Ninth Circuit Says Workers' Compensation Reinsurer Must Also Pay Millions in Interest

California Insurance Commissioner Steve Poizner today announced that the United States Ninth Circuit Court of Appeals upheld an arbitration award requiring U.S. Life Insurance Co. to pay reinsurance of more than \$500 million to Superior National Insurance Companies, workers' compensation insurer in liquidation.

"This is huge and welcome news," Commissioner Poizner said. "Upholding this award means that that hundreds of millions of dollars will be available to pay the claims of workers injured on the job through the California Insurance Guarantee Association (CIGA) and other guarantee associations. I thank our staff for working hard on this matter."

U.S. Life is a subsidiary of American International Group (AIG) and was a reinsurer for five California workers' compensation insurance companies that were liquidated in 2000. U.S. Life argued that Superior National and its affiliates failed to disclose to U.S. Life all pertinent information regarding the adequacy of its outstanding reserves for payment of claims, and exposing U.S. Life to substantial losses.

On June 25, 2007 the U.S. District Central District in Los Angeles entered an original judgment against U.S. Life for \$443,515,724. U.S. Life subsequently appealed to the Ninth Circuit. Fourteen months after arguments were heard and the case submitted, the original judgment was unanimously upheld by a three-judge panel. U.S. District Court Judge Edward F. Shea wrote the opinion confirming the original judgment against U.S. Life.

Including post-judgment interest, the judgment is now more than \$517 million. Interest will continue to accrue until payment is received from U.S. Life.

Although the court upheld the judgment, U.S. Life still may seek to file a motion to reconsider or request a hearing en banc, which may be filed within 14 days, or within 90 days of the judgment being affirmed it may seek review by the United States Supreme Court. Given that this appeal relates to the affirmation of an arbitration award, it is not expected the Court will grant further review.

At no time were people in the workers' compensation system at risk of not being paid. The California Insurance Guarantee Association has been paying the claims of injured workers whose policies were reinsured by U.S. Life. Once the money is collected from U.S. Life or from the \$600 million bond AIG posted as security, it will be distributed to CIGA and other guaranty associations. CIGA will receive about 90 percent of the final amount.

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