

RISKY BUSINESS

TEMPLE UNIVERSITY, FOX SCHOOL OF BUSINESS, DEPARTMENT OF RISK, INSURANCE AND HEALTHCARE MANAGEMENT

AIG: IOU?

American International Group's deal with the government is a bankruptcy liquidation in all but name, and the \$85 billion it has borrowed may not be enough extra money to pay off all its obligations, particularly in its derivatives books. **AIG had \$971.7 billion of liabilities** at the end of June, but a subsidiary also has about **\$447 billion of credit derivatives** on its books. That compares with a little more than **\$1 trillion of assets**. There is a real question mark around the credit derivatives.

The \$447 billion is the amount of principal the company has protected, but how that translates to actual losses is difficult to forecast without detail about the real risk. But even if AIG does not ultimately make payouts on the credit default contracts, it could have to post more collateral and write down the derivatives as markets gyrate. Financial companies have continually underestimated their potential risk during the credit crisis, and this time may not be different. **"There is substantial risk in that credit derivatives book,"** said Sean Egan, co-founder of rating agency Egan-Jones Rating Co. AIG declined to comment.

The government has a major role in AIG's operations now -- it essentially named a new chief executive, Edward Liddy, and owns nearly 80 percent of the company's stock. But the government is widely expected to **sell off AIG's assets to get its money back**, rather than aggressively pursue new business, because the United States' main

priority is to get its money back, rather than to maximize profit for shareholders, experts said. **"I can't imagine they'll be in business creation mode,"** said Dan Alpert, a banker at Westwood Capital in New York.

Customers, meanwhile, are likely to try to reduce their business with AIG. Worried clients in Singapore thronged the office of an AIG unit earlier this week to try to redeem their policies. Press reports said the same happened elsewhere in Asia, one of AIG's most important markets. **"To say that confidence has been shaken is an understatement. In the insurance business, trust is of the utmost importance,"** said Walter Todd, portfolio manager at Greenwood Capital Associates in Greenwood, South Carolina. In other words, **AIG can't grow out of its problems**, and will in fact likely be forced to shrink. But selling off assets to meet obligations is difficult when most other financial institutions around the world are reducing the assets, depressing valuations.

When it's all said and done, **AIG might not have enough assets to meet its obligations**, which is why the company's corporate bonds are trading at less than 50 cents on the dollar, analysts said.

"Attorneys will spend the next five years sorting through this mess," said Egan-Jones' Egan.

Adapted from "National News" Insurance Journal, September 2008

H. WAYNE SNIDER DISTINGUISHED GUEST LECTURER SERIES

MARCUS PAYNE
 MANAGING DIRECTOR
 ALL RISKS LTD. - DALLAS, TX
WEDNESDAY, SEPTEMBER 24TH, 2008
11:30 AM - 12:40 PM WALK AUDITORIUM



Marcus Payne is a Managing Director for All Risks Ltd. of Hunt Valley, Maryland. He began with All Risks as a consultant in January 2003 and joined the company as Managing Director later that year. Among other duties he is heavily involved in the All Risks University. As such he works with the intern program and teaches a sales course for the University students. He also serves as Educational Coordinator of NAPSLO where he coordinates and

teaches in four schools and two symposiums. He previously served as President and COO of Crump Insurance Services until his retirement in June 2000. He remained with the company until the end of 2002 as a consultant. He serves on the Board of Directors of Insurance House, Marietta, Georgia, and has served as a Trustee of the Derek Hughes / NAP-SLO Educational Foundation. In 1996 he received NAPSLO's highest award, the Industry Award for Outstanding Achievement. Mr. Payne is a graduate of Austin College, in Sherman, Texas, is Past President of the National Alumni Association and presently serves on the Senior Board of Trustees. He received the Austin College Alumni Association's Distinguished Alumni Award in 1994, and in 1998 was presented the Distinguished Student Award from Sherman High School. He was a commissioned officer in the United States Marine Corps

attaining the rank of Captain. After leaving the Marine Corps he joined the Unigard Insurance Group, serving in various positions and locations until leaving the company as Senior Vice President of Field Operations to join Crump. Marcus and his wife, Betty, reside in Waxahachie, Texas, and have two children, five grandchildren and one great grandchild.



UPCOMING SPEAKER:

MARK DUNGAN
 PRINCIPAL
 RETIREMENT PRACTICE
 TOWERS PERRIN
 PHILADELPHIA, PA
OCTOBER 1ST, 2008

Friday Enrichment Workshops

Risk Management and Insurance Majors	Actuarial Science Majors	Graduating Seniors
<p>Underwriter Panel Friday, September 26th, 2008 Student Center 217AB 11:30 AM - 12:30 PM</p> <p>This workshop allows members an opportunity to learn current underwriters' experiences. The type of tasks, career information and a variety of useful information on what it is like to be an underwriter in the P&C and Benefits side will be detailed. Underwriters from ACE, USLI and CIGNA will share their personal experiences.</p> <p>Any questions regarding this event, contact Tiffany Calhoun: Tiffany.Calhoun@temple.edu</p>	<p>What it's like to be a Consulting Actuary Friday, September 26th, 2008 Student Center 217C 11:30 AM - 12:30 PM</p> <p>The career path of a consulting actuary is different than being an actuary of a traditional insurance company. If you are interested in learning what it is like to be a consulting actuary, come listen to real consultants! Learn the type of work, types of clients and daily activities which take place in this chosen profession.</p> <p>Any questions regarding this event, contact Tiffany Calhoun: Tiffany.Calhoun@temple.edu</p>	<p>The Do's and Don'ts of Golf Friday, September 26th, 2008 Student Center 223 11:40 AM - 12:30 PM</p> <p>Entertaining clients, underwriters and other professionals is an imperative part of our industry. This workshop will teach you valuable aspects of your golf game that could make you seem like a pro...whether you play like one or not. Current lifetime golfers will share their tips and key etiquette for this networking sport.</p> <p>Any questions regarding this event, contact Tiffany Calhoun: Tiffany.Calhoun@temple.edu</p>

Sigma Chapter Bake Sale!!
 Friday, September 26th, 2008
 Speakman Hall - 9 AM - 3 PM

All proceeds benefit: 'Children's Alopecia Project'



THE STRENGTH

Sigma Chapter Bake Sale!!
 Friday, September 26th, 2008
 Speakman Hall - 9 AM - 3 PM

All proceeds benefit: 'Children's Alopecia Project'

Senior Interview Workshop

The *Senior Career Reception* will be held on **Friday, October 24, 2008**, with more than 30 companies expected to attend. It is very important that you begin to take the necessary steps to be placed in the resume book.

Friday, September 26th, 2008 3:45 PM - 6:00 PM
 Tuttleman Room 300AB

Friday, October 3rd, 2008 3:45 PM - 6:00 PM
 Tuttleman Room TBA

Any questions regarding this event, contact Bill Gant: Bill.Gant@temple.edu



THE SKILL

RMI 3682 - Community Service Event
 Saturday, September 27th, 2008
 Carpenter's Woods
 9:00 AM - 12:00 PM

The Sigma Chapter will partner with Friend's of Carpenter Woods to clean up the environment. Members will meet at **North Broad and Cecil B Moore at 8:10 sharp**. A sign up sheet has been posted on the Sigma Chapter door. Space is limited! **This event satisfies the RMI 3682 Community Service Requirement.**

Any questions regarding this event, contact James Bankhead: James.Bankhead@temple.edu

This week in Time - Numbers

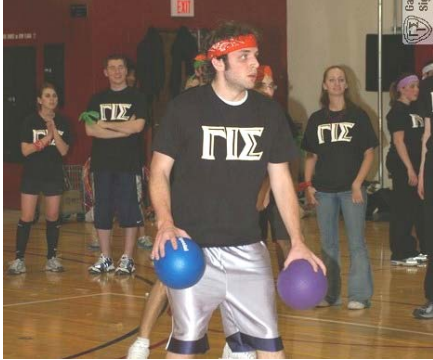
59% Percentage decrease in applications for U.S. citizenship since January, after Immigration Services raised the fee from \$400 to \$675

100 Number of aid vehicles hijacked in Darfur since January; 43 drivers are still missing.

\$72 Amount AIG's stock was trading in 2007. It has recently dropped to as low as \$1.86 a share

2 Number of times Ed Boyanoski has annihilated Dr. Drennan in bowling. A sport RBD claims that he is unmatched and unexcelled.

\$1B Amount lost by United Airlines shareholders after an article on the company's 2002 bankruptcy was mistakenly picked up as a breaking story. UAL stock dropped 75% in 11 minutes.



THE VALOR

This week in Time - Quotes

'Pakistan and Afghanistan are like twins, conjoined'

Hamid Karzai - President of Afghanistan, speaking at the inauguration of Pakistan's new president, Asif Ali Zardari, about the enduring troubles of both countries

'Democracy is a process, not a destination'

Jardo Muekalia - representative for Angola's Unita, a rebel movement turned opposition party, on the nation's first election in 16 years. Unita later lost by a landslide.

'I believe global warming is just God huggin' us closer'

Tina Fey - Professional Sarah Palin impersonator. Poking fun at many media misperceptions concerning Governor Palin's Policies. Palin's popularity soared after Fey's jest.

'A combination of a pit-bull dog, a young Mike Tyson and... an alligator'

Richard Williams - Father of Serena Williams, describing his daughter after she won the U.S. Open championship

Gamma Games!

Wednesday, September 24, 2008
Pearson Hall 145
5:30 PM - 8:00 PM

