OPENING STATEMENT OF CHAIRMAN PAUL E. KANJORSKI

SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE, AND GOVERNMENT SPONSORED ENTERPRISES

HEARING ON AMERICAN INTERNATIONAL GROUP'S IMPACT ON THE GLOBAL ECONOMY: BEFORE, DURING AND AFTER FEDERAL INTERVENTION

MARCH 18, 2009

We meet today to scrutinize American International Group, a company that has so far gained access to more than $182 billion in taxpayer assistance. At this hearing, we will learn more about why we needed to save AIG. We will also examine how AIG is using the money it has received. Additionally, we will explore when AIG expects to repay the American taxpayer in full, and with interest.

Our committee has previously held hearings on the banks that have received assistance from the Troubled Assets Relief Program, but I wanted to address AIG's situation separately. AIG is unique from other TARP recipients in at least two respects. First, it is not a bank. Second, the Treasury Department and the Federal Reserve have provided AIG with extraordinary assistance, above and beyond any other financial institution participating in TARP.

Without question, today we will engage in a lively and energetic debate with our witnesses. Because of scheduling concerns, however, the Treasury Department and the Federal Reserve could not accommodate our requests to join us today. They are now the overseers of AIG, and we need to hear from them directly and publicly.

As a result, I have worked with Chairman Frank to convene a full committee hearing on March 24. I am pleased that Treasury Secretary Geithner and Federal Reserve Chairman Bernanke will join us at that time to discuss AIG. They have much to explain not only to us, but also to the American people. I look forward to their appearances.

During our first panel, we will hear from the Office of Thrift Supervision, AIG's holding company regulator. We will also hear from Pennsylvania's insurance commissioner on the regulation of AIG's insurance subsidiaries. I expect both of them to speak frankly about the failures of the current regulatory system in monitoring AIG's regulated and unregulated operations. Now is the time for them to accept responsibility, not to provide excuses.

Additionally, the Government Accountability Office is here to discuss its study, which Member Bachus and I requested, into how AIG is spending the government funds it has received, and whether the company might be using this money to undercut competition. Standard & Poor's will also discuss how it rates AIG and the need for providing ongoing federal assistance to AIG. I look forward to hearing from both of them about these important matters.

Most significantly, we will hear from Mr. Edward Liddy, AIG's CEO. Immediately after the government intervened for the first time six months ago, Mr. Liddy took over the company's helm. He assumed a treacherous job, and he has traveled down a rocky road since then. This road became considerably more difficult to navigate this past weekend when the public learned the identity of AIG's counterparties receiving billions of dollars of the taxpayers' money.

Even more troubling, the taxpayers also learned that their money helped to cover the million dollar plus retention bonuses of executives at the very unit that caused AIG to teeter on the brink of collapse. A million dollars is a sizable sum to the typical American family earning just $60,000 a year, and a million dollars is a lottery prize for anyone who has just lost a job.

Something is seriously out of whack, and AIG needs to fix it now. We face the most challenging economy since the Great Depression. Many have made personal sacrifices to survive these difficult times. AIG and its employees should do the same.

Moreover, it is regrettable that we have even reached this point. When the press first reported about the AIG Financial Products retention bonuses in late January, I called Mr. Liddy to express my concerns that paying out such sums at the very division that engaged in the risky behavior that warranted the government's bailout would rightfully incite a public outcry.

My colleague, Joe Crowley, and I had previously worked cooperatively with Mr. Liddy to withhold $93.3 million in planned deferred compensation distributions. I had hoped that AIG might take similar actions again. Unfortunately, my sound advice went unheeded, the company hid behind legal technicalities, and the public outcry that I predicted happened: AIG has become the subject of considerable public scorn, and the public's interest in providing ongoing, sustainable support to repair our struggling financial system has plummeted.

We will undoubtedly spend much time today discussing these retention bonuses and counterparty payments, but I must urge my colleagues to focus on the bigger picture, too. We need to ask what happened, why it happened, what is happening now, and what we can do going forward to prevent similar situations. To protect the taxpayers, we must also ensure that AIG acts prudently and pays back its borrowed funds promptly. I am committed to doing just that.