

CRC Insurance Services Market Security Update

American International Group (AIG) averted their severe liquidity crisis by receiving an \$85 Billion, secured bridge loan from the Federal Government. This loan will provide time for AIG to raise capital as well as sell some subsidiaries to raise cash to “right the ship” and stay as a viable business entity. As of 12/31/07, AIG had over \$1 Trillion in assets. Their crisis today is liquidity.

The Insurance Operations of AIG remain very strong as they are well capitalized and financially strong. The one difference between their Property-Casualty and Life companies entities are the investment vehicles. The P&C companies did not suffer the investment losses that the Life companies suffered. ***ALL THE INSURANCE COMPANIES OF AIG ARE SEPARATE LEGAL ENTITIES FROM THE PARENT CORPORATION AND ARE AFFORDED SOLVENCY PROTECTION BY THE RESPECTIVE INSURANCE DEPARTMENTS IN WHICH THEY ARE DOMICILED.***

All of the rating agencies have downgraded AIG’s corporation and individual insurance company operations and we have provided you a copy of all the rating actions as an appendix to this memo. A brief summary is as follows:

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| S&P | A+ | Credit watch negative |
| Moodys | Aa3 | Rating affirmed, review for possible downgrade |
| Fitch | AA- | Rating watch negative |
| Best | A | (Formerly A+) |

Their statutory surplus for commercial insurance is \$26.7 billion with invested assets exceeding \$70 billion.

AIG remains a global leader in the insurance marketplace. While the insurance operations have been affected by the liquidity crisis of the parent corporation, the insurance operations did not cause the crisis in any way.

A new CEO has been appointed, Edward M. Liddy, who is the former CEO of Allstate. He has stated that he has no plans to sell any of their insurance operations. Their other assets will be in play to pay off their government loan.

CRC does not guarantee the financial condition of the insurer companies with whom we may place risks. CRC utilizes A.M. Best ratings as a guide to monitoring an insurer’s strength and solvency. CRC’s minimum insurer rating is an A-VI for financial strength and size. AIG’s current A.M. Best rating is A (Excellent) with a financial size category of XV (policyholder surplus over \$2B, the largest category). This rating is under watch with negative implication, which CRC will continue to carefully monitor.

Again, we will continue to monitor all the AIG actions in the coming weeks and months to keep you informed. AIG continues to be a strong and viable insurance operation.