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Press Release

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**AIG D&O ENDORSEMENT RESPONDS TO CHANGE FROM SUPREME COURT ‘FRAUD ON THE MARKET’ DECISION**

NEW YORK – June 26, 2014 – American International Group, Inc. (AIG) insurers have introduced a new policy endorsement that ensures primary D&O policy funds are immediately available to clients named as defendants in securities lawsuits for the preparation of “event studies.”

The endorsement was developed in anticipation of the U.S. Supreme Court’s June 23, 2014 decision in *Halliburton Co. v Erica P. John Fund, Inc.*, which places added importance on costly event studies early in the litigation process as a way to determine whether securities actions can be certified as a class.

AIG, one of the largest D&O carriers in the world, is first to market with this new D&O policy endorsement. The endorsement has no retention requirement. Additional premiums are not required.

In *Halliburton*, the Supreme Court addressed a significant challenge to the long-standing “fraud on the market” theory in class action litigation. The theory asserts that the price of shares traded in an “efficient market” reflects all available information, including alleged misrepresentations by defendants, so that investors are presumed to have relied on those alleged misrepresentations when making their investment. This presumption effectively allowed plaintiffs to bring securities suits as class actions.

In the ruling, the Court declined to reject the fraud on the market theory entirely. It held, however, that defendants were entitled to rebut plaintiff’s presumption of reliance on the theory with evidence that alleged misstatements had no “price impact” on share value. Presenting this evidence, in the form of event studies prepared by expert economists, may lead to significant costs for plaintiffs and defendants early in the litigation process.

“During the *Halliburton* oral argument, we noted several Justices mention the event study as a form of expert evidence to assess price impact. We felt if the Court left fraud on the market standing, it would probably permit the parties to produce event studies in defense of the class certification process,” said Chris Sparro, President, Financial Lines for AIG’s Americas Region. “We created our endorsement to provide funds to our clients, free of retention requirements, so they could obtain the event studies early in the litigation process, potentially to head off class certification.”



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AIG's D&O underwriters and claims professionals will continue to monitor interpretation of the *Halliburton* decision to determine whether additional policy endorsements or changes are necessary.

AIG offers market-leading primary and excess coverage to directors and officers of domestic and multinational public and private companies, non-profit entities, and financial institutions to protect against board level risks.

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