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ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

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May 6, 2009

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Mr. Edward M. Liddy
Chairman and Chief Executive Officer
American International Group, Inc.
70 Pine Street
New York, NY 10270

Mr. Kris Moor
President, AIU Holdings, Inc.
30th Floor
175 Water Street
New York, New York 10005

Mr. John E. Russo
Vice President for International Employer's Liability and Workers Compensation
American International Group, Inc.
70 Pine Street
New York, NY 10270

Dear Messrs. Liddy, Moor and Russo:

The Domestic Policy Subcommittee of the Committee on Oversight and Government Reform is writing to request information regarding AIG's handling of workers' compensation insurance claims for civilian contractors under the Defense Base Act (DBA) and War Hazards Compensation Act. The Subcommittee is alarmed by recent media reports resulting from a joint investigation conducted by ProPublica, the Los Angeles Times and ABC News, which reveal that AIG has been inappropriately denying and delaying legitimate health insurance claims of civilian contractors who were injured or killed while serving our country in Iraq and Afghanistan. According to the investigative report, AIG is the primary insurer retained by contracting firms, handling almost 90% of civilian claims filed in the war zones in 2007. The data revealed that last year insurance companies had collected \$1.5 billion in premiums, reaping profits of at least \$600 million on this business.¹

¹ T. Christian Miller and Doug Smith, "Injured War Zone Contractors Fight to Get Care for AIG and Other Insurers," *ProPublica*, April 16, 2009, available at

Furthermore, last year, the Oversight and Government Reform Committee found that DBA workers compensation providers were charging contractors excessive premiums, making the DBA program significantly more lucrative for the insurance providers than other workers' compensation insurance.² AIG alone reported underwriting gains under the DBA program of 38% from 2002 to 2007.³ An Army Audit Agency report from 2007 similarly found that AIG's rates appeared "unreasonably high" and "excessive."⁴ Taxpayers ultimately pay the cost of this insurance program, since the premiums are built into companies' contracts with the government. Apparently, AIG is profiting both by charging unreasonably high premiums to contracting firms and by denying or delaying legitimate claims of civilian workers for medical care and other services needed as a result of war zone injuries.

These conclusions are all the more disturbing given that AIG has received enormous federal subsidies to prevent insolvency. To date, AIG has received up to \$70 billion in taxpayer aid through the Troubled Asset Relief Program, in part to enable AIG to pay claims by financial institutions for insurance AIG sold on excessively risky financial products. Were it not for this taxpayer subsidy, AIG would cease to exist.

The Subcommittee is interested in obtaining information from AIG shedding light on why there has been such a high rate of denials and unreasonable delays in processing claims, and why it is reaping such huge profits at taxpayers' expense.

In order to assist the Subcommittee with its inquiry, I hereby request responses to the following requests for information, as well as any and all documents that support each response:

- 1) An explanation of the organizational structure of AIG's Claims Division from the most senior AIG executive to any field offices which handle AIG civilian contractor insurance claims under the DBA.
- 2) A detailed explanation of AIG's insurance claims process for civilian contractors under the DBA, including a detailed explanation of the criteria, guidelines, and rules that dictate whether and how an insurance claim is denied and/or delayed for processing. Your response should include:

<http://www.propublica.org/feature/injured-war-zone-contractors-fight-to-get-care-from-aig-416>.

² Committee on Oversight and Government Reform, Majority Staff, *Supplemental Information on Defense Base Act Insurance Costs*, Memorandum to Committee Members (May 15, 2008), available at <http://oversight.house.gov/documents/20080515102024.pdf>.

³ *Id.* at 6.

⁴ Army Audit Agency, *Audit of Defense Base Act Insurance for the Logistics Civil Augmentation Program, Audit of Logistics Civil Augmentation Program Operations In support of Operation Iraqi Freedom* (Sept. 28, 2007).

- a. An explanation of any changes in policy and procedure, and production of all relevant insurance claim administration manuals, from the period between 2002 to the present; and
 - b. An explanation and documentation of AIG's policy for determining claims made for treatment of post traumatic stress disorder from the period between 2002 to the present.
- 3) Data showing the aggregate number and type of claims processed by AIG and the outcome of those claims (i.e. accepted, denied, resolved by Department of Labor dispute resolution process) from the period between 2002 to the present.
 - 4) Data from the period between 2002 to the present showing all individual claims for compensation and/or medical services filed with AIG, and the outcome of each claim, including the amount paid to each claimant, the medical services granted or denied, and the reasoning provided to claimant for any such denial.
 - 5) Data on the profits AIG has earned from premiums, expenses from paying out claims, and net underwriting gains under the civilian contractor insurance program from the period between 2002 to the present.
 - 6) A statement and supporting documentation indicating whether AIG has ever been subject to fines or any other sanction by the Department of Labor for failing to secure the payment of compensation when required. Please list the circumstances and resolution of any such inquiries and/or sanctions.

The Oversight and Government Reform Committee is the principal oversight committee in the House of Representatives and has broad oversight jurisdiction as set forth in House Rule X. An attachment to this letter provides information on how to respond to the Subcommittee's request.

We request that you provide answers to these questions and any supporting documents as soon as possible, but in no case later than **5:00 p.m. on Monday, May 18, 2009.**

Messrs. Liddy, Moor and Russo
May 6, 2009
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If you have any questions regarding this request, please contact Claire Coleman, Counsel, at
(202) 226-5299.

Sincerely,



Dennis J. Kucinich
Chairman
Domestic Policy Subcommittee

Enclosure

cc: Jim Jordan
Ranking Minority Member

Elijah E. Cummings
Member of Congress and Subcommittee Member

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Domestic Policy Subcommittee Document Request Instruction Sheet

In responding to the document request from the Domestic Policy Subcommittee, Committee on Oversight and Government Reform, please apply the instructions and definitions set forth below.

Instructions

1. In complying with the request, you should produce all responsive documents in your possession, custody, or control.
2. Documents responsive to the request should not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Subcommittee.
3. In the event that any entity, organization, or individual denoted in the request has been, or is currently, known by any other name than that herein denoted, the request should be read also to include them under that alternative identification.
4. Each document produced should be produced in a form that renders the document capable of being copied.
5. When you produce documents, you should identify the paragraph or clause in the Subcommittee's request to which the documents respond.
6. Documents produced in response to this request should be produced together with copies of file labels, dividers, or identifying markers with which they were associated when this request was issued. To the extent that documents were not stored with file labels, dividers, or identifying markers, they should be organized into separate folders by subject matter prior to production.
7. Each folder and box should be numbered, and a description of the contents of each folder and box, including the paragraph or clause of the request to which the documents are responsive, should be provided in an accompanying index.
8. It is not a proper basis to refuse to produce a document that any other person or entity also possesses a nonidentical or identical copy of the same document.

9. If any of the requested information is available in machine-readable or electronic form (such as on a computer server, hard drive, CD, DVD, memory stick, or computer backup tape), you should consult with Subcommittee staff to determine the appropriate format in which to produce the information.
10. The Committee accepts electronic documents in lieu of paper productions. Documents produced in electronic format should be organized, identified, and indexed electronically in a manner comparable to the organizational structure called for in (6) and (7) above. Electronic document productions should be prepared according to the following standards:
 - (a) The production should consist of single page TIF files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
 - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
11. In the event that a responsive document is withheld on any basis, you should provide the following information concerning the document: (a) the reason the document is not being produced; (b) the type of document; (c) the general subject matter; (d) the date, author, and addressee; and (e) the relationship of the author and addressee to each other.
12. If any document responsive to this request was, but no longer is, in your possession, custody, or control, you should identify the document (stating its date, author, subject and recipients) and explain the circumstances by which the document ceased to be in your possession, custody, or control.
13. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you should produce all documents which would be responsive as if the date or other descriptive detail were correct.
14. This request is continuing in nature and applies to any newly discovered document. Any document not produced because it has not been located or discovered by the return date should be produced immediately upon location or discovery subsequent thereto.
15. All documents should be bates-stamped sequentially and produced sequentially. In the cover letter, you should include a total page count for the entire production, including both hard copy and electronic documents.

16. For paper productions, four sets of documents should be delivered: two sets to the majority staff and two sets to the minority staff. For electronic productions, one dataset to the majority staff and one dataset to minority staff are sufficient. Productions should be delivered to the majority staff in B-349B Rayburn House Office Building and the minority staff in B-350A Rayburn House Office Building. You should consult with Subcommittee staff regarding the method of delivery prior to sending any materials.
17. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Subcommittee or identified in a privilege log provided to the Subcommittee.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra-office communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone calls, meetings or other communications, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto). The term also means any graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, voice mails, microfiche, microfilm, videotape, recordings and motion pictures), electronic and mechanical records or representations of any kind (including, without limitation, tapes, cassettes, disks, computer server files, computer hard drive files, CDs, DVDs, memory sticks, and recordings), and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “documents in your possession, custody, or control” means (a) documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, or representatives acting on your behalf; (b) documents that you have a legal right to obtain, that you have a right to copy, or to which you

have access; and (c) documents that you have placed in the temporary possession, custody, or control of any third party.

3. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.
4. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of the request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
5. The terms “person” or “persons” means natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
6. The terms “referring” or “relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.