

Derivative Lawsuit Filed Against AIG Over Mortgage Exposure

by dow-jones

NEW YORK -(Dow Jones)- A shareholder derivative lawsuit was filed Tuesday against American International Group Inc. (AIG), its top executives and its directors over its exposure to the subprime mortgage crisis.

The lawsuit, filed in federal court in Manhattan, claims the company, under the direction of its top management and directors, improperly concealed the true extent of the company's exposure to the subprime crisis, claiming the insurance giant's portfolio was sufficiently diversified and the mortgage market would have to reach "Depression proportions" before it was negatively impacted.

"While defendants were directing AIG to issue improper statements concerning its exposure to the subprime market crisis, they were also directing AIG to repurchase over \$3.7 billion worth of its own shares at artificially inflated prices," the lawsuit said. "Even worse, certain defendants sold their personally held shares while in possession of material nonpublic information for over \$6 million in proceeds."

Earlier this month, AIG said its third-quarter net income declined 27% in part because of its exposure to adverse conditions in the U.S. residential mortgage and credit markets.

The complaint, which was filed by Doris Staehel, a California resident and AIG shareholder, is seeking damage for breaches of fiduciary duty and waste of corporate assets by AIG's top executives and directors and a directive that the company undertake efforts to reform and improve its corporate governance.

In a derivative lawsuit, shareholders file on behalf of the company and damages assessed are paid to the corporate entity, as opposed to direct payouts to shareholders.

An AIG spokesman declined comment on Tuesday.

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