

SEC CHARGES HANK GREENBERG ON AIG ACCOUNTING VIOLATIONS

You mean we had to bail out AIG because Hank Greenberg was making misrepresentations about the company's profits that enabled it to keep blowing up the bubble?

The Securities and Exchange Commission today charged former American International Group Chairman and CEO Maurice "Hank" Greenberg and former Vice Chairman and CFO Howard Smith for their involvement in numerous improper accounting transactions that inflated AIG's reported financial results between 2000 and 2005. The SEC alleges that Greenberg and Smith are liable as control persons for AIG's violations of the antifraud and other provisions of the securities laws. Smith also is charged with direct violations of the antifraud and other provisions of the securities laws.

The SEC alleges that Greenberg and Smith were responsible for material misstatements that enabled AIG to create the false impression that the company consistently met or exceeded key earnings and growth targets. According to the SEC's complaint, Greenberg publicly described AIG as the leader in the insurance and financial services industry with a history of delivering consistent double-digit growth. However, AIG faced numerous financial challenges under Greenberg's leadership that were disguised through improper accounting.

[snip]

The SEC's complaint, filed in U.S.

District Court for the Southern District of New York, charges the defendants with responsibility for the following improper accounting transactions:

- Sham reinsurance transactions to make it appear that AIG had legitimately increased its general loss reserves.
- A purported deal with an offshore shell entity to conceal multi-million dollar underwriting losses from AIG's auto-warranty insurance business.
- Economically senseless round-trip transactions to report improper gains in investment income.
- The purported sale of tax exempt municipal bonds owned by AIG's subsidiaries to trusts that AIG controlled in order to improperly recognize realized capital gains.

And do you want to guess how much a first-hand role in the bubble costs a gazillionaire? \$15 million.

Greenberg and Smith agreed to settle the SEC's charges and pay disgorgement and penalties totaling \$15 million and \$1.5 million, respectively.

Hmmm. Greenberg pays \$15 million, taxpayers pay over a hundred billion, and Eliot Spitzer remains sidelined because he (admittedly, utterly hypocritically) slept with a high priced sex worker.