



---

Portfolio Media, Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | [www.law360.com](http://www.law360.com)  
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | [customerservice@law360.com](mailto:customerservice@law360.com)

---

## AIG Says PIMCO Filed Securities Fraud Suit Too Late

By **Brandon Lowrey**

Law360, Los Angeles (April 30, 2015, 5:46 PM ET) -- American International Group Inc. on Thursday removed to California federal court a Pacific Investment Management Co. LLC securities fraud suit alleging that AIG cost investors billions by lying about its exposure to the subprime mortgage market between 2006 and 2008, and fired back with a suit seeking to have PIMCO's claims declared time-barred.

PIMCO filed its lawsuit in California state court in March, a week after a New York federal judge approved AIG's **\$970 million class action settlement** to end consolidated securities fraud claims with some 40,000 class claimants. The investment management company joins nine other pending individual suits filed by plaintiffs that opted out of the settlement.

In both the PIMCO suit and the class action, investors claimed that AIG misrepresented the true value of credit default swaps between 2006 and 2008, costing pension funds and other investors billions of dollars in losses when their true impact came to light and the insurer's stock plummeted.

"AIG's colossal bets on unregulated credit default swaps and residential mortgage-backed securities for which the company claimed its exposure was 'remote, even in severe recessionary market scenarios' lay at the heart of the financial crisis and carried AIG, once the world's largest insurance company, to the brink of insolvency," PIMCO says in its complaint filed in Orange County Superior Court. "While AIG was rescued by the federal government, its investors suffered significant harm, including plaintiffs and other investors in the company's securities offerings between 2006 and 2008 pursuant to which AIG raised more than \$27 billion, in violation of federal securities laws."

On Thursday, AIG launched a federal lawsuit in New York federal court seeking a declaration that PIMCO's claims regarding the 2006 to 2008 securities purchases are time-barred, saying that the investment firm opted out of a class settlement and took no steps to preserve its claims.

In its removal notice, AIG says that PIMCO's claims substantially overlap with nine other opt-out cases pending in New York federal court. AIG also argues that the PIMCO suit, which includes dozens of funds, should be removed because it qualifies as a class action involving 50 or more people, and the Securities Act strips state courts of jurisdiction over such cases.

The \$970.5 million settlement in New York won approval on March 20 from U.S. District Judge Laura Taylor Swain, who called the settlement "fair and reasonable" and an "outstanding result" for some 40,000 class claimants, possibly more, depending on how many more claims come in by a May deadline. The deal included a \$116 million legal fees award.

Investors, including lead plaintiff the State of Michigan Retirement Systems, claimed that AIG

misrepresented the true value of credit default swaps between 2006 and 2008, costing pension funds and other investors billions of dollars in losses when their true impact came to light and the insurer's stock plummeted.

PIMCO is represented by Blair A. Nicholas, Timothy A. Delange, David R. Kaplan, Lucas E. Gilmore and Brandon Marsh of Bernstein Litowitz Berger & Grossmann LLP.

AIG is represented by Joseph S. Allerhand, Robert F. Carangelo and Stacy Nettleton of Weil Gotshal & Manges LLP and Alan A. Greenberg, Bret D. Hembd and Adam Sechooler of Greenberg Gross LLP.

The cases are Pacific Investment Management Co. et al. v. American International Group Inc., case number 8:15-cv-00687, in the U.S. District Court for the Southern District of California, and American International Group Inc. v. Pacific Investment Management Co. LLC et al., case number 1:15-cv-03339, in the U.S. District Court for the Southern District of New York.

--Editing by Stephen Berg.

---

All Content © 2003-2015, Portfolio Media, Inc.