
Commercial Insurance Update

March 12, 2009

Commercial Insurance (CI) Performance

CI Stat Financials ¹ (\$ in millions)	2008	2007	2006	2005
Net Written Premium ²	\$23,651	\$26,174	\$26,319	\$23,573
Net Income (after tax) ²	\$1,852	\$5,460	\$3,949	\$435
Loss Ratio	77.8	67.3	69.5	90.4
Expense Ratio	24.0	20.4	20.8	19.5
Combined Ratio	101.8	87.7	90.3	109.9
Policyholder Surplus ²	\$26,633	\$27,484	\$22,474	\$17,686
NWP : PHS	0.89 to 1	0.95 to 1	1.17 to 1	1.33 to 1

- Consistent track record of profitable operations, even during the most challenging environments;
- Policyholder statutory surplus *increased* 50% from 12/31/05 to 12/31/08;
- Strong oversight from multiple regulators protects policyholder interests;
- State insurance regulators have made public statements supporting our financial strength:
 - New York: <http://www.ins.state.ny.us/press/2008/p0809222.htm>
 - Pennsylvania: <http://www.ins.state.pa.us/ins/cwp/view.asp?Q=549447&A=11>
 - Delaware: http://www.delawareinsurance.gov/departments/news/091608-Press-AIG_Statement.shtml
- Financial Strength ratings continue to be “Excellent” and affirmed by Moody’s, Fitch, AM Best and S&P on 3/2/09.

1. Includes financial data from entities owned at 12/31/08. Excludes AIU Insurance Company (\$1.3B surplus at 12/31/07) and American International Pacific Insurance Co.(AIP) (\$0.03B surplus at 12/31/06), which were transferred from CI during this period.

2. See Appendix A for detail

CI – Financial Performance

	Statutory Surplus ¹ (\$ in millions)			Net Written Premium ¹
	2008 YE	% Δ Since 3Q '08	% Δ Since 2Q '08	
CI	\$26,633	1.1%	-0.07%	\$23,651

Key CI Information

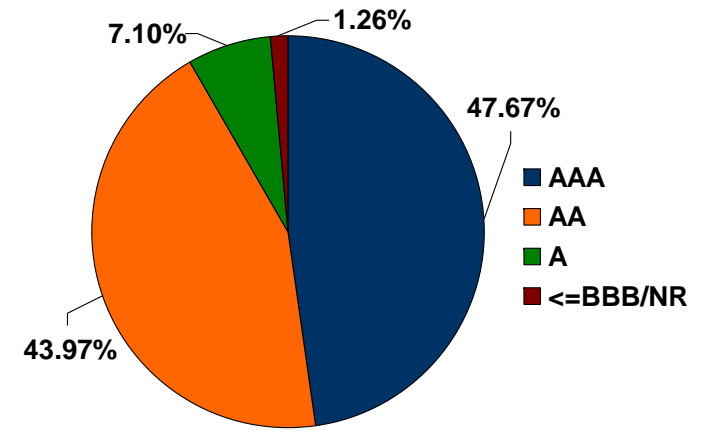
- ✓ At 12/31/2008, the CI companies' statutory surplus is more than \$5 billion greater than any of our US peers.
- ✓ The CI companies' statutory surplus is essentially flat since June 30, 2008, despite significant natural catastrophe losses, deterioration of global financial markets and the challenges faced by AIG.
- ✓ The CI companies write significantly more net premiums than any of our US peers.
- ✓ Why has CI's balance sheet performed well?
 - Our underwriting and diverse risk selection
 - Our investment portfolio is generally conservative

1. Reported at December 31, 2008; see Appendix A for detail

CI – Investment Portfolio

- Risk is generally taken on liability side of balance sheet; not compounded by risk on asset side
 - ✓ CI Companies hold approximately \$69B in invested assets.
 - ✓ Our single largest concentration of investments is in municipal bonds.
 - ✓ Structured investment products represent approximately 2% of invested assets.
 - ✓ CI does not own stock investments in AIG.

Fixed Income Portfolio
Credit Quality at 12/31/08



NAIC Quality Distribution at 12/31/08 ¹							
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total
CI	98.09%	1.18%	0.23%	0.08%	0.41%	0.01%	100.00%

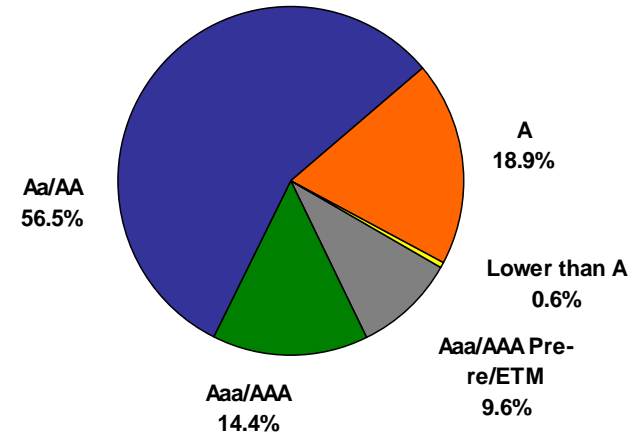
1. NAIC Classes 1 and 2 are designated as highest and high quality and are reported at amortized cost. NAIC Classes 3 through 6 are reported at the lower of amortized cost or fair value.

CI – Municipal Bond Portfolio

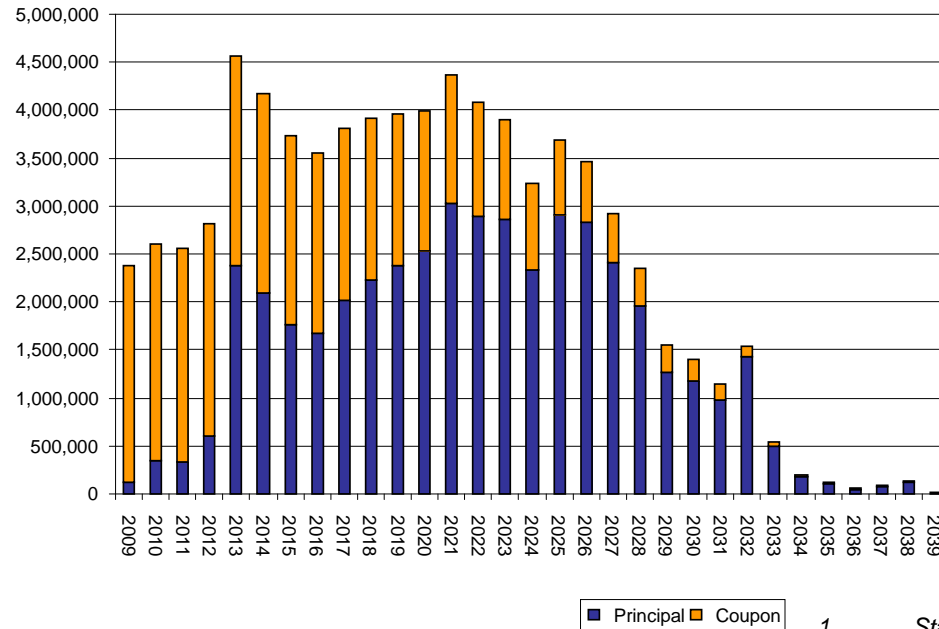
- CI has always looked through monoline guarantees on the municipal portfolio to the underlying credit quality of issuers

- ✓ Over 80% of the portfolio has an underlying rating of Aa/AA or better
- ✓ 10% of the portfolio consists of bonds whose repayment has been effectively pre-paid by the set aside of US Treasuries and Agencies securities
 - ✓ These securities provide CI a readily available source of liquidity
- ✓ Investment grade municipals have historical default rates of 0.15%¹
- ✓ CI's portfolio is overweight in essential service revenue bonds considered to be the most secure by industry standards
- ✓ Laddered expected cashflows provide for liquidity needs.

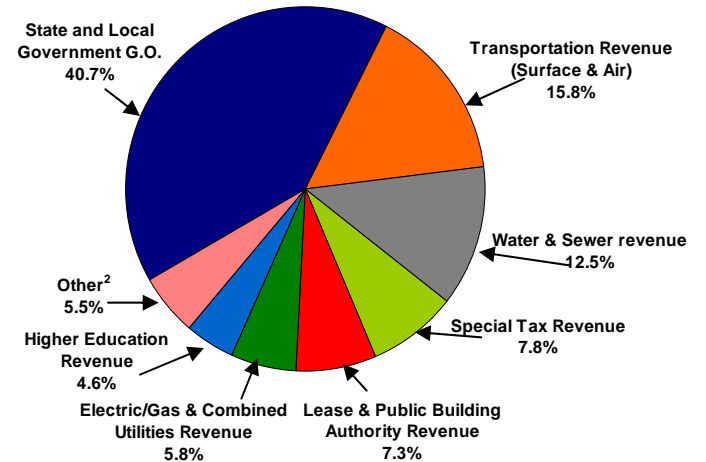
Underlying Bond Ratings
At 12/31/08



Expected Cashflow³ (000's)



Sector Allocation
At 12/31/08



- Standard and Poor's 2008 municipal transition and default study
- "Other" consists of 4.2% Housing, 0.7% Healthcare, 0.4% Industrial Development
- Expected principal and coupon without reinvestment.

AIU Holdings Worldwide P&C Insurance Companies Highlights¹

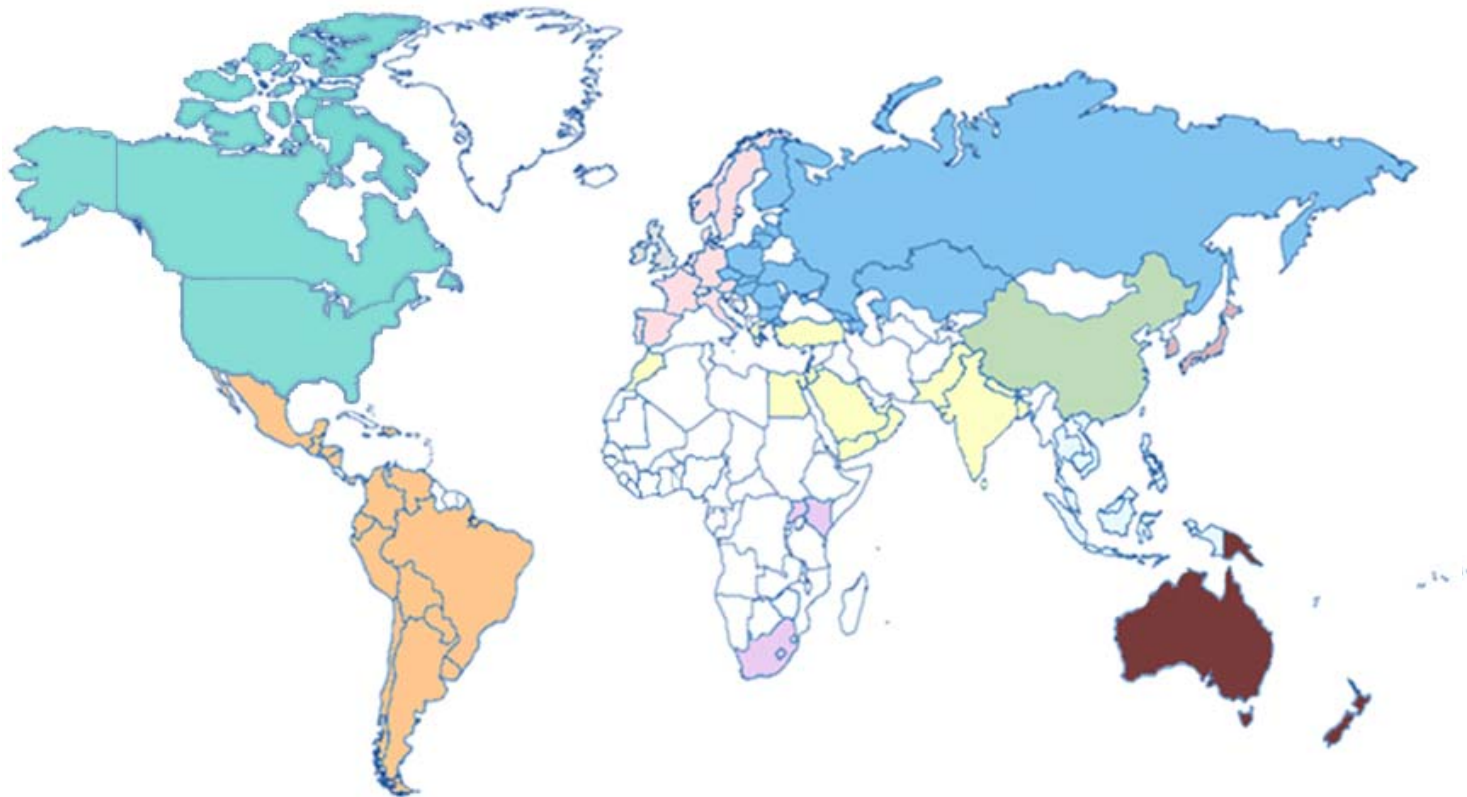
- One of the world's largest property casualty insurance organizations
- Exceptional financial strength with over \$40 billion in revenues at December 31, 2008
 - Revenues would rank 54th on 2007 Fortune 500[®]
 - Revenues would rank 145th on 2007 Forbes Global 2000[®]
- Over \$43 billion in equity at December 31, 2008
- Over \$26 billion in claims paid in 2008
- More than 80 years of underwriting experience
- Approximately 44,000 employees
- 500 products and services
- 200,000 commercial customers and over 40 million individual customers worldwide
- Senior management possesses an average of more than 20 years tenure with AIG
- Policyholder interests are protected by insurance regulators
- Leading global market share/market position in numerous product lines
- Strong presence in developed markets and an established leader in many developing markets.
- Worldwide, writes insurance for²:
 - 90% of the Financial Times 500 – Europe, with annual premiums of \$6 billion
 - 94% of the Fortune 500 – Global, with annual premiums of over \$10.5 billion
 - 97% of the Fortune 1000, with annual premiums of over \$10.2 billion
 - 81% of the Forbes 2000, with annual premiums of nearly \$15 billion

1. *Information is provided solely for the purpose of evaluating the announced restructuring of AIG's worldwide property-casualty businesses and not for the purpose of advertising the financial condition of any particular insurer to prospective policyholders.*

2. *In 2007*

AIU Holdings Worldwide P&C Insurance Companies Operations

- Office locations in over 90 countries
 - Operations in over 140 countries and jurisdictions
-



AIU Holdings Worldwide P&C Insurance Companies Financial Overview¹

Balance Sheet (\$ in millions) (As of December 31, 2008)	General Insurance		
Invested Assets		\$109,473.0	
Other Assets		57,759.2	
Total Assets		167,232.2	
Total Liabilities		123,877.2	
Total Equity		43,355.0	
		167,232.2	

Historic Income Statement	General Insurance Full Year		
	2008	2007	2006
Net Written Premium	\$39,741	\$41,060	\$38,613
GAAP U/W	1,272	5,252	4,058
Operating Income (a)	4,254	10,911	9,310
Loss Ratio	71.5%	62.6%	64.8%
Expense Ratio	25.8%	24.4%	24.1%
Combined Ratio	97.3%	87.1%	89.0%
Accident Year Loss Ratio	70.5%	64.1%	64.5%
Accident Year Loss Ratio Ex Cats	66.3%	63.6%	64.5%

Following Table Reconciles the above Operating Income to the 2008 10K	General Insurance Full Year		
	2008	2007	2006
Operating Income per 10K (a)	(\$723)	\$10,632	\$10,353
HSB	252	275	280
PLD Auto	(729)	73	431
UGC	(2,471)	(628)	332
Goodwill Write Down	(2,029)	n/a	n/a
Sub-total	(4,977)	(279)	1,043
Operating Income - Global Commercial Ins.	4,254	10,911	9,310

(a) Before Realized Capital Gains and Losses

1. Information is provided solely for the purpose of evaluating the announced restructuring of AIG's worldwide property-casualty businesses and not for the purpose of advertising the financial condition of any particular insurer to prospective policyholders.

Appendix A – 2008 CI Financials¹ (unaudited)

AIG Commercial Insurance Group, Inc. is the holding company for AIG's commercial property-casualty insurance companies in the U.S. and Canada. All products are written by insurance company subsidiaries of AIG Commercial Insurance Group, Inc. AIG Commercial Insurance's combined policyholders surplus is comprised of the insurance companies participating in the AIG Commercial Insurance intercompany pool (shown below), as well as other insurance companies writing business primarily on a non-admitted basis.²

CI Legal Entity	Net Written Premiums	Net Income (after tax)	Admitted Assets ³	Liabilities and Reserves	Policyholders Surplus ⁴
National Union Fire Insurance Co. of Pittsburgh, Pa.	\$ 6,579	\$ 1,370	\$ 33,707	\$ 21,881	\$ 11,826
American Home Assurance Company	\$ 6,846	\$ 21	\$ 26,863	\$ 21,161	\$ 5,702
Commerce and Industry Insurance Company	\$ 2,023	\$ 68	\$ 8,666	\$ 5,988	\$ 2,678
AIG Casualty Company	\$ 866	\$ 171	\$ 4,126	\$ 2,669	\$ 1,457
The Insurance Company of the State of Pennsylvania	\$ 866	\$ 140	\$ 4,694	\$ 2,682	\$ 2,012
New Hampshire Insurance Company	\$ 866	\$ 77	\$ 4,586	\$ 2,934	\$ 1,652
Illinois National Insurance Co.	\$ -	\$ 2	\$ 60	\$ 0	\$ 60
Granite State Insurance Company	\$ -	\$ 1	\$ 35	\$ 0	\$ 35
American International South Insurance Company	\$ -	\$ 1	\$ 38	\$ 0	\$ 38
Non-admitted insurance companies (not shown above)	\$ 5,605	\$ 351	\$ 26,251	\$ 18,481	\$ 7,771
Eliminations ⁵	\$ -	\$ (350)	\$ (6,596)	\$ -	\$ (6,596)
Total	\$ 23,651	\$ 1,852	\$102,429	\$ 75,796	\$ 26,633

1. As per Annual Statutory Statements as of 12/31/08; \$ in millions.

2. This disclosure is provided pursuant to the requirements of Section 1313 of the New York Insurance Law.

3. Securities carried at \$2,482M, \$1,066M, \$334M, \$208M, \$ 562M, \$163M, \$5M, \$9M, \$6M, and \$1,574M, are deposited as required by law or otherwise pledged.

4. Includes paid up capital stock of \$3,880M, \$3,979M, \$1,264M, \$713M, \$858M, \$823M, \$6M, \$6M, \$4M, and \$1,987M.

5. Represents adjustments to eliminate the effect of cross ownership within the companies

Appendix A – 2007 CI Financials¹

AIG Commercial Insurance Group, Inc. is the holding company for AIG's commercial property-casualty insurance companies in the U.S. and Canada. All products are written by insurance company subsidiaries of AIG Commercial Insurance Group, Inc. AIG Commercial Insurance's combined policyholders surplus is comprised of the insurance companies participating in the AIG Commercial Insurance intercompany pool (shown below), as well as other insurance companies writing business primarily on a non-admitted basis.²

CI Legal Entity	Net Written Premiums	Net Income (after tax)	Admitted Assets ³	Liabilities and Reserves	Policyholders Surplus ⁴
National Union Fire Insurance Co. of Pittsburgh, Pa.	\$ 7,777	\$ 1,285	\$ 34,575	\$ 22,418	\$ 12,157
American Home Assurance Company	\$ 7,660	\$ 1,348	\$ 28,856	\$ 21,559	\$ 7,297
Commerce and Industry Insurance Company	\$ 2,046	\$ 1,012	\$ 8,623	\$ 5,935	\$ 2,688
AIG Casualty Company	\$ 1,023	\$ 181	\$ 4,836	\$ 2,952	\$ 1,884
The Insurance Company of the State of Pennsylvania	\$ 1,023	\$ 208	\$ 4,807	\$ 2,907	\$ 1,900
New Hampshire Insurance Company	\$ 1,023	\$ 190	\$ 4,452	\$ 3,083	\$ 1,369
Illinois National Insurance Co.	\$ -	\$ 3	\$ 65	\$ 8	\$ 57
Granite State Insurance Company	\$ -	\$ 1	\$ 46	\$ 12	\$ 34
American International South Insurance Company	\$ -	\$ 2	\$ 38	\$ 1	\$ 37
Non-admitted insurance companies (not shown above)	\$ 5,622	\$ 1,630	\$ 21,700	\$ 15,040	\$ 6,660
Eliminations ⁵	\$ -	\$ (400)	\$ (6,599)	\$ -	\$ (6,599)
Total	\$ 26,174	\$ 5,460	\$101,399	\$ 73,915	\$ 27,484

1. As per Annual Statutory Statements as of 12/31/07; \$ in millions.

2. This disclosure is provided pursuant to the requirements of Section 1313 of the New York Insurance Law.

3. Securities carried at \$2,562M, \$2,973M, \$262M, \$196M, \$186M, \$147M, \$5M, \$9M, \$6M and \$1,461M are deposited as required by law or otherwise pledged.

4. Includes paid up capital stock of \$2,930M, \$2,967M, \$897M, \$602M, \$471M, \$390M, \$5M, \$6M, \$4M, and \$774M.

5. Represents adjustments to eliminate the effect of cross ownership within the companies

Appendix A – 2006 CI Financials¹

AIG Commercial Insurance Group, Inc. is the holding company for AIG's commercial property-casualty insurance companies in the U.S. and Canada. All products are written by insurance company subsidiaries of AIG Commercial Insurance Group, Inc. AIG Commercial Insurance's combined policyholders surplus is comprised of the insurance companies participating in the AIG Commercial Insurance intercompany pool (shown below), as well as other insurance companies writing business primarily on a non-admitted basis.²

CI Legal Entity	Net Written Premiums	Net Income (after tax)	Admitted Assets ³	Liabilities and Reserves	Policyholders Surplus ⁴
National Union Fire Insurance Co. of Pittsburgh, Pa.	\$ 7,814	\$ 1,121	\$ 31,667	\$ 21,247	\$ 10,420
American Home Assurance Company	\$ 7,884	\$ 979	\$ 28,410	\$ 22,198	\$ 6,212
Commerce and Industry Insurance Company	\$ 2,056	\$ 258	\$ 7,356	\$ 5,547	\$ 1,809
AIG Casualty Company	\$ 1,028	\$ 122	\$ 4,146	\$ 2,812	\$ 1,334
The Insurance Company of the State of Pennsylvania	\$ 1,028	\$ 159	\$ 4,344	\$ 2,822	\$ 1,522
New Hampshire Insurance Company	\$ 1,028	\$ 157	\$ 4,001	\$ 2,972	\$ 1,029
Illinois National Insurance Co.	\$ -	\$ 2	\$ 55	\$ 0	\$ 55
Granite State Insurance Company	\$ -	\$ 1	\$ 43	\$ 11	\$ 32
American International South Insurance Company	\$ -	\$ 1	\$ 35	\$ 0	\$ 35
Non-admitted insurance companies (not shown above)	\$ 5,481	\$ 1,149	\$ 18,772	\$ 13,634	\$ 5,138
Eliminations ⁵	\$ -	\$ -	\$ (5,112)	\$ -	\$ (5,112)
Total	\$ 26,319	\$ 3,949	\$ 93,717	\$ 71,243	\$ 22,474

1. As per Annual Statutory Statements as of 12/31/06, \$ in millions.

2. This disclosure is provided pursuant to the requirements of Section 1313 of the New York Insurance Law.

3. Securities carried at \$2,570M, \$2,566M, \$271M, \$202M, \$184M, \$162M, \$5M, \$10M, \$6M, and \$1,464M are deposited as required by law or otherwise pledged.

4. Includes paid up capital stock of \$2,699M, \$2,805M, \$685M, \$564M, \$433M, \$269M, \$5M, \$6M, \$4M, and \$710M.

5. Represents adjustments to eliminate the effect of cross ownership within the companies

Appendix A – 2005 CI Financials¹

AIG Commercial Insurance Group, Inc. is the holding company for AIG's commercial property-casualty insurance companies in the U.S. and Canada. All products are written by insurance company subsidiaries of AIG Commercial Insurance Group, Inc. AIG Commercial Insurance's combined policyholders surplus is comprised of the insurance companies participating in the AIG Commercial Insurance intercompany pool (shown below), as well as other insurance companies writing business primarily on a non-admitted basis.²

CI Legal Entity	Net Written Premiums	Net Income (after tax)	Admitted Assets ³	Liabilities and Reserves	Policyholders Surplus ⁴
National Union Fire Insurance Co. of Pittsburgh, Pa.	\$ 7,088	\$ 132	\$ 28,762	\$ 20,642	\$ 8,120
American Home Assurance Company	\$ 7,152	\$ (186)	\$ 24,005	\$ 18,955	\$ 5,050
Commerce and Industry Insurance Company	\$ 1,865	\$27	\$ 6,596	\$ 5,188	\$ 1,408
AIG Casualty Company	\$ 932	\$24	\$ 3,563	\$ 2,608	\$ 955
The Insurance Company of the State of Pennsylvania	\$ 932	\$31	\$ 3,792	\$ 2,645	\$ 1,147
New Hampshire Insurance Company	\$ 932	\$44	\$ 3,465	\$ 2,598	\$ 867
Granite State Insurance Company	\$ -	\$ 2	\$53	\$ 0	\$53
Illinois National Insurance Co.	\$ -	\$ 1	\$34	\$ 3	\$31
American International South Insurance Company	\$ -	\$ 1	\$35	\$ 1	\$34
Non-admitted insurance companies (not shown above)	\$ 4,672	\$ 372	\$ 16,242	\$ 12,453	\$ 3,789
Eliminations ⁵	\$ -	\$ (13)	\$ (3,768)	\$ -	\$ (3,768)
Total	\$ 23,573	\$ 435	\$ 82,777	\$ 65,091	\$ 17,686

1. As per Annual Statutory Statements as of 12/31/05; \$ in millions.

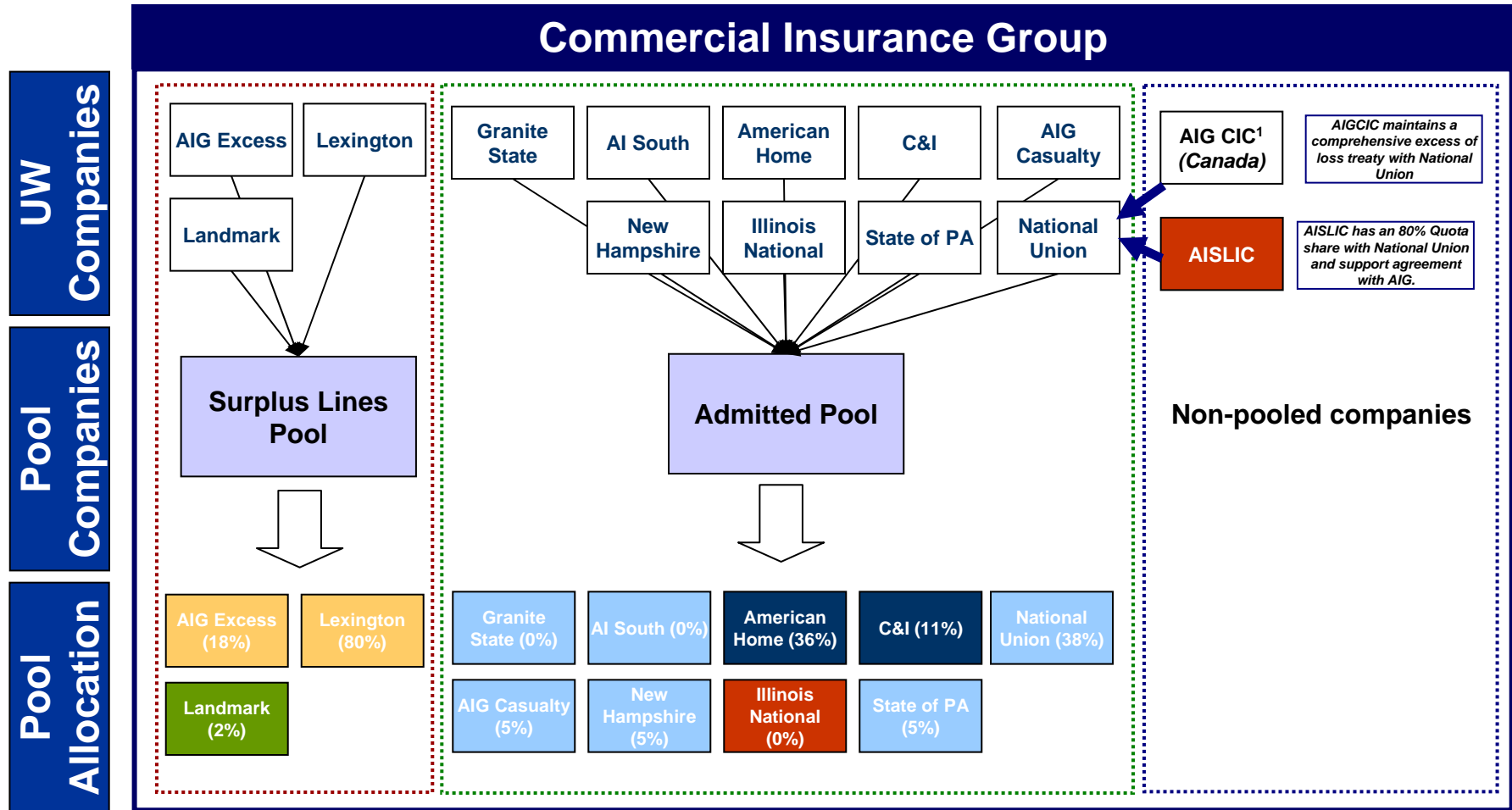
2. This disclosure is provided pursuant to the requirements of Section 1313 of the New York Insurance Law.

3. Securities carried at \$1,506M, \$2,275M, \$226M, \$165M, \$138M, \$138M, \$5M, \$11M, \$6M, and \$1,408M, are deposited as required by law or otherwise pledged.

4. Includes paid up capital stock of \$2,699M, \$2,805M, \$685M, \$564M, \$433M, \$269M, \$5M, \$6M, \$4M, and \$710M.

5. Represents adjustments to eliminate the effect of cross ownership within the companies

Appendix B - CI Pooling Structure



1 As of November 1, 2008, the Canadian branch operations of American Home were transferred to AIG CIC, which is regulated by OSFI in Canada.

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