AIG Commercial Insurance

Recent developments at AIG

- On Monday, November 10, 2008, AIG announced agreements with the U.S. Treasury and the Federal Reserve Bank of New York to establish a durable capital structure for AIG, and facilities designed to resolve the liquidity issues AIG has experienced in its credit default swap portfolio and its U.S. securities lending program.
- These major developments should significantly enhance the financial flexibility of AIG and include:
  - ✓ AIG's $85 billion loan facility has been restructured as a $60 billion facility to be repaid over 5 years with a more manageable interest rate of LIBOR plus 3%. Additionally, the commitment fee on the unused portion will be reduced to .75% from 8.5%.
  - ✓ The Fed will tap the Troubled Asset Relief Program (TARP) to invest $40 billion in AIG Preferred Stock. These preferred shares carry a 10% coupon. In connection with this purchase of preferred stock, the Treasury will also receive warrants to acquire a 2% equity interest in AIG. However, the equity interest to be issued to Treasury in connection with the credit agreement will be reduced so that the total U.S. government equity stake remains at 79.9%.
  - ✓ A Special Purpose Vehicle (SPV) will be capitalized with up to $30 billion from the Fed and $5 billion from AIG to purchase the securities underlying the most troubled of AIG Financial Products' credit default swaps, with a face value of $70 billion.
  - ✓ A second SPV will be capitalized with up to $22.5 billion from the Fed and $1 billion from AIG to purchase certain residential mortgage backed securities (RMBS) underlying AIG's domestic life insurance companies' securities lending program. This SPV will replace the $37.8 billion securities lending agreement between AIG and the Fed.
- AIG will continue to participate in the Government's Commercial Paper Funding Facility (CPFF). AIG is authorized to issue up to $20.9 billion to the CPFF and had issued approximately $15.3 billion as of November 5, 2008.
- It is important to note that AIG Commercial Insurance is not planning to access any of the facilities with the Federal government, as AIGCI's businesses remain well capitalized and financially stable.

AIG Commercial Insurance (AIGCI) is well capitalized and financially secure

- In the third quarter 2008, AIGCI recorded over $5.6 billion in Net Written Premiums, and a profitable combined ratio excluding catastrophes of 89.13%.
- There were greater than usual catastrophe losses in the third quarter 2008, primarily related to Hurricanes Ike and Gustav.
- AIGCI's financial strength ratings remain excellent and were recently affirmed by key rating agencies.
- AIGCI's expense ratio of 21.9% at September 30, 2008, is a solid competitive advantage for the organization and highlights an ongoing focus on managing expenses.
- AIGCI has ample resources to pay claims, averaging $73 million in paid claims every business day.
- AIGCI's policyholder surplus of $26.7 billion at June 30, 2008 is the highest among our US peers.
- AIGCI remains the industry leader among property-casualty carriers:
  - ✓ Worldwide property casualty business generated over $40 billion in revenue in 2007, which would rank it 59th on the Fortune 500®, ahead of all of our primary commercial property casualty competitors.
  - ✓ Customers can continue to rely on AIG's broad risk appetite, commitment to served markets and extensive global reach with boots on the ground in over 130 countries and jurisdictions.

AIGCI remains focused on the needs of customers

- AIGCI is retaining the vast majority of its customers with account retention declining 6.5% in September 2008, as compared to September 2007. October account retention was modestly lower than October 2007.
- We continue to generate substantial new business, and continue our focus on disciplined underwriting in these competitive market conditions.
- We are also successfully retaining our employees, who have been outstanding through these challenging times. Of our over 12,000 employees, retention rates remain consistent with the first nine months of 2007.
- In addition, it is worth noting that AIGCI has launched fourteen new products and services in the past several weeks.

AIGCI's unique franchise offers customers valuable advantages in managing risk

- AIGCI clients benefit from our distinct market strengths:
  - ✓ Broad risk appetite
  - ✓ Capacity for catastrophic risks
  - ✓ Financial strength and claims paying ability
  - ✓ Commitment to served markets
  - ✓ Innovative products and underwriting solutions
  - ✓ Experienced underwriters / claims professionals
  - ✓ Breadth of products / services
  - ✓ Extensive global and national network
  - ✓ Service excellence
  - ✓ Strong distribution relationships

AIG Commercial Insurance is the marketing name for the domestic commercial property casualty insurance operations of American International Group, Inc. For additional information, please visit our website at www.aig.com. All products are written by insurance company subsidiaries of AIG Commercial Insurance Group, Inc. AIG Commercial Insurance serves a wide range of customers from multinational and middle-market companies to non-profit organizations and small entrepreneurs. Its extensive product offerings include general and excess liability, property, management and professional liability, workers' compensation, accident and health, environmental liability, and integrated global programs for multinational companies. AIG Commercial Insurance also maintains dedicated industry groups to serve the insurance needs of the aviation, construction, education, energy, financial institution, healthcare, marine and real estate sectors.

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