

AIG has no plans to shed commercial lines: Execs

By Regis Coccia
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NEW YORK—American International Group Inc. does not intend to sell its U.S. and foreign commercial property/casualty businesses, senior executives at the company told *Business Insurance* Thursday.

"Domestic commercial insurance and foreign general insurance are core, and we have no plans to sell those," said Kristian Moor, AIG executive vp and chief executive officer of AIG Property Casualty Group.

"Our insurance companies remain in strong financial condition," said John Doyle, chief executive officer of AIG Commercial Insurance, the commercial lines division of AIG Property Casualty Group. The financial problems at the parent company "were never about the insurance subsidiaries."

The New York-based financial services giant was in turmoil this week amid a liquidity crisis stemming from credit default swaps written by its AIG Financial Products division. A 24-month revolving credit facility was extended by the Federal Reserve Bank of New York late Tuesday, averting a possible bankruptcy filing. AIG is expected to sell various units to raise capital to retire the Fed financing.

AIG's insurance operations maintain separate capital bases and retained high financial strength ratings from the major rating agencies.

As of June 30, AIG's domestic commercial property/casualty operations, formerly called the Domestic Brokerage Group, had "statutory surplus of \$26.7 billion. That is a 51% increase from \$17.7 billion at the end of 2005," said Rob Schimek, executive vp and chief financial officer of AIG Property Casualty Group. "We've had a significant strengthening of our financial position," with those operations reporting net income of \$1.9 billion for the six months ended June 30, he said.

In addition, as a result of the significant increase in surplus, AIG's domestic commercial lines businesses have a premium-to-surplus ratio of less than 1:1, Mr. Schimek said. By comparison, that ratio at the end of 2005 was 1.3:1, he said.

AIG Commercial Insurance's "risk tolerance" and "ability to take risk will not change," Mr. Doyle said.

"All the competitive advantages we have had—in underwriting, product development, competitiveness, capacity, our ability to meet clients' needs—none of that has changed, and none of it will change," said Mr. Moor.