NAME: American International Group - Consolidated **DOMICILE: USA**

	3-Months Ended Dec 31		12-Months Ended Dec 31	
	2008	2007	2008	2007
General Insurance Operations:				
Net Premiums Written	9,208	10,999	45,234	47,067
Net Premiums Earned	10,981	11,667	46,222	45,682
Underwriting Profit (Loss)	(3,194)	563	(4,200)	4,500
Net Investment Income	370	1,547	3,477	6,131
Income (Loss) before Net Realised Capital Gains (Losses)	(2,824)	2,110	(723)	10,632
Net Realised Capital Gains (Losses)	(2,529)	(95)	(5,023)	(106)
Operating Income (Loss)	(5,353)	2,015	(5,746)	10,526
Loss Ratio	83.1	69.7	76.9	65.6
Expense Ratio	46.0	25.5	32.2	24.5
Combined Ratio	129.1	95.2	109.1	90.2
Life Insurance & Retirement Services Operations:				
Premiums and Other Considerations	9,038	8,732	37,295	33,627
Net Investment Income	(1,628)	5,873	10,106	22,341
Income before Net Realised Capital Gains (Losses)	742	2,658	6,901	10,584
Net Realised Capital Gains (Losses)	(18,627)	(1,372)	(44,347)	(2,398)
Operating Income (Loss)	(17,885)	1,286	(37,446)	8,186
Financial Services Operations:				
Operating Loss excluding (1)	(17,592)	(10,246)	(40,364)	(8,983)
FAS 133	(20)	396	41	211
Net Realised Capital Gains (Losses)	(329)	(30)	(498)	(100)
Capital Markets Other-Than-Temporary Impairments	0	(643)	0	(643)
Operating Loss	(17,941)	10,523	(40,821)	(9,515)
Asset Management Operations:				
Operating Income (Loss) before Net Realized Capital Gains (Losses)	(705)	458	(429)	2,164
Net Realised Capital Gains (Losses)	(5,773)	(1,100)	(8,758)	(1,000)
Operating Income (Loss)	(6,478)	(642)	(9,187)	1,164
Other before Net Realised Capital Gains (Losses)	(11,034)	(400)	(13,837)	(1,731)
Other Net Realised Capital Gains (Losses)	(1,122)	(183)	(1,218)	(409)
Consolidation and Elimination Adjustments	(743)	11	(506)	722
Income (Loss) before Income Tax Expense (Benefit) and Minority Interest	(60,556)	(8,436)	(108,761)	8,943
Income Tax Expense (Benefit)	2,000	(3,413)	(8,374)	1,455
Income (Loss) before Minority Interest	(62,556)	(5,023)	(100,387)	7,488
Minority Interest, after-tax:				
Income (Loss) before Net Realised Capital Gains (Losses)	732	(267)	829	(1,272)
Net Realised Capital Gains (Losses)	165	(2)	269	(16)
Net Income (Loss)	(61,659)	(5,292)	(99,289)	6,200

(1) FAS 133, Net Realised Capital Gains (Losses) and
Capital Markets Other-Than-Temporary Impairments

JLT has access to publicly available financial data only. Whilst the information on which we rely is obtained from sources considered to be reliable, we give no assurance about nor accept any responsibility for the financial standing or performance of any (re)insurer. We do not accept any liability for financial loss or damage, howsoever caused, arising from reliance on the review process or this document.

OWNERSHIP INFORMATION

American International Group, Inc. is an international insurance organisation with operations in more than 130 countries and jurisdictions. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in Ireland and Tokyo. On 18 March 2009 the market capitalisation was $3.7 billion based on a share price of $1.38. The AIG share price has fallen from a yearly high of $49.50 on 2 May 2008, to as low as $0.38 in trading on 24 February 2009.

AIG traces its roots back 90 years when an American entrepreneur named C.V. Starr founded AIG’s earliest predecessor company in Shanghai. What began as a small insurance business grew to become one of the world’s largest companies. By early 2007 AIG had assets of $1 trillion, $110 billion in revenues, 74 million customers and 116,000 employees. Yet just 18 months later, AIG found itself on the brink of failure and in need of emergency government assistance.

RECENT EVENTS

On 2 March 2009, AIG released details of the largest quarterly loss in US corporate history with a fourth quarter 2008 loss of $61.7 billion and full year 2008 loss of $99.3 billion. Concurrently, details of a government backed re-structuring plan, with rating agency endorsement, designed to enhance the company's capital and liquidity in order to facilitate the orderly completion of the company's global divestiture program was announced. AIG's losses were primarily driven by the AIG Financial Products Division (AIGFP) and have been well documented. However, for background information a timeline of significant events leading up to the restructuring has been provided below.

Significant Loss Driver

The company is thought to currently guarantee about $300 billion of asset-backed securities and other debt. In late 2007, as the US residential mortgage market began to deteriorate, these securities were severely impacted. As a result, AIG recorded severe unrealised valuation losses on the AIGFP credit default swap portfolio. At the same time, AIG incurred heavy losses in the value of its securities lending operation, which invested in high-grade residential mortgage-backed securities. Through this programme, AIG made short-term loans of certain securities it owned to generate revenues. At the same time, other AIG real estate-related investments also suffered sharp value losses. The timeline of significant events leading up to the restructuring is as follows:

Liquidity Entering the Third Quarter of 2008

AIG entered the third quarter of 2008 with $17.6 billion of cash and cash equivalents, including the remaining proceeds from the issuance of $20 billion of common stock, equity units, and junior subordinated debt securities in May 2008. In addition, AIG’s securities lending collateral pool held $10.4 billion of cash and other short-term investments. On August 18, 2008, AIG raised $3.25 billion through the issuance of 8.25% Notes Due 2018.

Strategic Review and Proposed Liquidity Measures

From mid-July and throughout August 2008, AIG’s then Chief Executive Officer, Robert Willumstad, was engaged in a strategic review of AIG’s businesses. During this time period, AIG was engaged in a review of measures to address the liquidity concerns in AIG’s securities lending portfolio and to address the ongoing collateral calls with respect to AIGFP's super senior multi-sector credit default swap portfolio, which at July 31, 2008 totalled $16.1 billion. To facilitate this process, AIG asked a number of investment banking firms to discuss possible solutions to these issues. In late August, AIG engaged J.P. Morgan Securities, Inc. (J.P. Morgan) to assist in developing alternatives, including a potential additional capital raise.

Continuing Liquidity Pressures

Historically, under AIG’s securities lending program, cash collateral was received from borrowers and invested by AIG primarily in fixed maturity securities to earn a spread. AIG had received cash collateral from borrowers of 100 to 102 percent of the value of the loaned securities. In light of more favourable terms offered by other lenders of securities, AIG accepted cash advanced by borrowers of less than the 102 percent historically required by insurance regulators. Under an agreement with its insurance company subsidiaries participating in the securities lending program, AIG parent deposited collateral in an amount sufficient to address the deficit. AIG parent also deposited amounts into the collateral pool to offset losses realised by the pool in connection with sales of impaired securities. Aggregate deposits by AIG parent to or for the benefit of the securities lending collateral pool through August 31, 2008 totalled $3.3 billion.

In addition, from July 1, 2008 to August 31, 2008, the continuing decline in value of the super senior collateralised debt obligation (CDO) securities protected by AIGFP’s super senior credit default swap portfolio, together with ratings downgrades of such CDO securities, resulted in AIGFP posting additional collateral in an aggregate net amount of $5.9 billion. By the beginning of September 2008, these collateral postings and securities lending requirements were placing increasing stress on AIG parent’s liquidity.

Rating Agencies

In early September 2008, AIG met with the representatives of the principal rating agencies to discuss Mr. Willumstad's strategic review as well as the liquidity issues arising from AIG's securities lending program and AIGFP's super senior multi-sector CDO credit default swap portfolio. On Friday, September 12, 2008, Standard & Poor's placed AIG on CreditWatch with negative implications and noted that upon completion of its review, the agency could affirm AIG parent's current rating of AA- or lower the rating by one to three notches. AIG understood that both S&P and Moody's Investors Service (Moody's) would re-evaluate AIG's ratings early in the week of September 15, 2008. Also on Friday, September 12, 2008, AIG's subsidiaries, International Lease Finance Corporation (ILFC) and American General Finance, Inc. (AGF), were unable to replace all of their maturing commercial paper with new issuances of commercial paper. As a result, AIG advanced loans to these subsidiaries to meet their commercial paper obligations.

The Accelerated Capital Raise Attempt

As a result of S&P's action, AIG accelerated the process of attempting to raise additional capital and over the weekend of September 13 and 14, 2008 discussed potential capital injections and other liquidity measures with private equity firms, sovereign wealth funds and other potential investors. AIG kept the United States Department of the Treasury and the NY Fed informed of these efforts. AIG also engaged Blackstone Advisory Services LP to assist in developing alternatives, including a potential additional capital raise. Despite offering a number of different structures through this process, AIG did not receive a proposal it could act upon in a timely fashion. AIG's difficulty in this regard resulted in part from the dramatic decline in its common stock price from $22.76 on September 8, 2008 to $12.14 on September 12, 2008. This decrease in stock price made it unlikely that AIG would be able to raise the large amounts of capital that would be necessary if AIG's long-term debt ratings were downgraded.

AIG Attempts to Enter into a Syndicated Secured Lending Facility

On Monday, September 15, 2008, AIG was again unable to access the commercial paper market for its primary commercial paper programs, AIG Funding, ILFC and AGF. Payments under the programs totalled $2.2 billion for the day, and AIG advanced loans to ILFC and AGF to meet their funding obligations. In addition, AIG experienced returns under its securities lending programs which led to cash payments of $5.2 billion to securities lending counterparts on that day.

On Monday morning, September 15, 2008, AIG met with representatives of Goldman, Sachs & Co., J.P. Morgan and the NY Fed to discuss the creation of a $75 billion secured lending facility to be syndicated among a number of large financial institutions. The facility was intended to act as a bridge loan to meet AIG parent's liquidity needs until AIG could sell sufficient assets to stabilise and enhance its liquidity position. Goldman, Sachs & Co. and J.P. Morgan immediately commenced syndication efforts.

The Rating Agencies Downgrade AIG's Long-Term Debt Rating

In the late afternoon of September 15, 2008, S&P downgraded AIG's long-term debt rating by three notches, Moody's downgraded AIG's long-term debt rating by two notches and Fitch Ratings (Fitch) downgraded AIG's long-term debt rating by two notches. As a consequence of the rating actions, AIGFP estimated that it would need in excess of $20 billion in order to fund additional collateral demands and transaction termination payments in a short period of time. Subsequently, in a period of approximately 15 days following the rating actions, AIGFP was required to fund approximately $32 billion, reflecting not only the effect of the rating actions but also changes in market values and other factors.

The Private Sector Solution Fails

By Tuesday morning, September 16, 2008, it had become apparent that Goldman, Sachs & Co. and J.P. Morgan were unable to syndicate a lending facility. Moreover, the downgrades, combined with a steep drop in AIG's common stock price to $4.76 on September 15, 2008, had resulted in counterparties withholding payments from AIG and refusing to transact with AIG even on a secured short-term basis. As a result, AIG was unable to borrow in the short-term lending markets. To provide liquidity, on Tuesday, September 16, 2008 both ILFC and AGF drew down on their existing revolving credit facilities, resulting in borrowings of approximately $6.5 billion and $4.6 billion, respectively.

Also, on September 16, 2008, AIG was notified by its insurance regulators that it would no longer be permitted to borrow funds from its insurance company subsidiaries under a revolving credit facility that AIG maintained with certain of its insurance subsidiaries acting as lenders. Subsequently, the insurance regulators required AIG to repay any outstanding loans under that facility and to terminate it. The intercompany facility was terminated effective September 22, 2008.

Fed Credit Agreement

By early Tuesday afternoon on September 16, 2008, it was clear that AIG had no viable private sector solution to its liquidity issues. At this point, AIG received the terms of a secured lending agreement that the NY Fed was prepared to provide. AIG estimated that it had an immediate need for cash in excess of its available liquid resources. That night, AIG’s Board of Directors approved borrowing from the NY Fed based on a term sheet that set forth the terms of the secured credit agreement and related equity participation. Over the next six days, AIG elected Edward M. Liddy Director, Chairman and CEO, replacing Robert Willumstad in those positions, and negotiated a definitive credit agreement with the NY Fed and borrowed, on a secured basis, approximately $37 billion from the NY Fed before formally entering into the Credit Agreement, dated as of September 22, 2008 (as amended, the Fed Credit Agreement) between AIG and the NY Fed, which established the credit facility (Fed Facility).

On September 22, 2008, AIG entered into the Fed Credit Agreement in the form of a two-year secured loan and a Guarantee and Pledge Agreement (the Pledge Agreement) with the NY Fed.

AIG’s Strategy for Stabilisation and Repayment of the Fed Facility

In October 2008, AIG announced a restructuring of its operations, which contemplated retaining its U.S. property and casualty and foreign general insurance businesses and a continuing ownership interest in certain of its foreign life insurance operations while exploring disposition opportunities for its remaining businesses. Proceeds from sales of these assets are contractually required to be applied as mandatory prepayments pursuant to the terms of the Fed Credit Agreement. Also in October 2008, AIGFP began unwinding its businesses and portfolios. AIGFP is now entering into new derivative transactions only to maintain its current portfolio, reduce risk and hedge the currency and interest rate risks associated with its affiliated businesses. As part of its orderly wind-down, AIGFP is also opportunistically terminating contracts. Due to the long-term duration of AIGFP’s derivative contracts and the complexity of AIGFP’s portfolio, AIG expects that an orderly wind-down of AIGFP will take a substantial period of time.

On November 9, 2008, AIG, the NY Fed and the United States Department of the Treasury announced a set of transactions that were implemented during the fourth quarter of 2008 pursuant to which, among other actions, AIG issued $40 billion of fixed-rate cumulative perpetual serial preferred stock (Series D Preferred Stock) to the United States Department of the Treasury, terminated $62 billion of credit default swaps written by AIGFP and resolved and terminated its U.S. securities lending program.

On March 2, 2009, AIG, the NY Fed and the United States Department of the Treasury announced agreements in principle to modify the terms of the Fed Credit Agreement and the Series D Preferred Stock and to provide a $30 billion equity capital commitment facility. The parties also announced their intention to take a number of other actions intended to strengthen AIG’s capital position, enhance its liquidity, reduce its borrowing costs and facilitate AIG’s asset disposition program.

The main components of the restructured deal are as follows:

Preferred Equity
The U.S. Treasury will exchange its existing $40 billion cumulative perpetual preferred shares for new preferred shares with revised terms that more closely resemble common equity and thus improve the quality of AIG's equity and its financial leverage. The new terms will provide for non-cumulative dividends and limit AIG's ability to redeem the preferred stock except with the proceeds from the issuance of equity capital.

Equity Capital Commitment
The Treasury Department will create a new equity capital facility, which allows AIG to draw down up to $30 billion as needed over time in exchange for non-cumulative preferred stock to the U.S. Treasury. This facility will further strengthen AIG's capital levels and improve its leverage.

The Federal Reserve will take several actions relating to the $60 billion Revolving Credit Facility for AIG established by the Federal Reserve Bank of New York (New York Fed) in September 2008, to further the goals described above.

Repayment by Preferred Stock Interests
The Revolving Credit Facility will be reduced in exchange for preferred interests in two special purpose vehicles created to hold all of the outstanding common stock of American Life Insurance Company (ALICO) and American International Assurance Company Ltd. (AIA), two life insurance holding company subsidiaries of AIG. AIG will retain control of ALICO and AIA, though the New York Fed will have certain governance rights to protect its interests. The valuation for the New York Fed's preferred stock interests, which may be up to approximately $26 billion, will be a percentage of the fair market value of ALICO and AIA based on valuations acceptable to the New York Fed.

AIG to Form AIU Holdings, Inc., a Global Property Casualty Holding Company for Its General Insurance Businesses
The company intends to form a General Insurance holding company, including its Commercial Insurance Group, Foreign General unit, and other property and casualty operations, to be called AIU Holdings, Inc., with a board of directors, management team and brand distinct from AIG. The establishment of AIU Holdings, Inc. will assist AIG in preparing for the potential sale of a minority stake in the business, which ultimately may include a public offering of shares, depending on market conditions.

Securitisation of Life Insurance Cash Flows
The New York Fed is authorised to make new loans under section 13(3) of the Federal Reserve Act of up to an aggregate amount of approximately $8.5 billion to special purpose vehicles (SPVs) established by domestic life insurance subsidiaries of AIG. The SPVs would repay the loans from the net cash flows they receive from designated blocks of existing life insurance policies held by the parent insurance companies. The proceeds of the New York Fed loans would pay down an equivalent amount of outstanding debt under the Revolving Credit Facility. The amounts lent, the size of the haircuts taken by the New York Fed, and other terms of the loans would be determined based on valuations acceptable to the New York Fed.

Restructuring of Other Terms
After the transactions described above, the total amount available under the Facility will be reduced from $60 billion to no less than $25 billion. In addition, the interest rate on the Facility, which is three-month LIBOR plus 300 basis points, will be modified by removing the existing floor (3.5 percent) on the LIBOR rate. The Facility will continue to be secured by a lien on a substantial portion of AIG's assets, including the businesses AIG plans to retain. The other material terms of the Facility remain unchanged.

Issuance of Preferred Stock
As required by the credit agreement governing the Revolving Credit Facility, AIG has agreed to issue on March 4, 2009, shares of convertible preferred stock representing an approximately 77.9% equity interest in AIG to an independent trust for the sole benefit of the United States Treasury.

AIG must be in compliance with the executive compensation and corporate governance requirements of Section 111 of the Emergency Economic Stabilisation Act, including the most stringent limitations on executive compensation as required under the newest amendments to the Emergency Economic Stabilization Act. Additionally, AIG must continue to maintain and enforce newly adopted restrictions put in place by the new management on corporate expenses and lobbying as well as corporate governance requirements.

The deal was endorsed by the main rating agencies which removed the immediate threat of further downgrades.

Subsequent to the above, in mid-March 2009, the company was involved in further turmoil regarding the size of bonus payments to AIG executives, particularly those involved in the AIGFP division. Press reports suggest that AIG has paid "retention bonuses" totalling $165 million to some of its executives. More similar payments may be made in the future; reportedly the $165 million is part of a $450 million package of bonuses, though this has not been formally confirmed. House Financial Services Chairman Barney Frank, D-Mass., said he would ask AIG Chairman and CEO Edward Liddy for the names of bonus recipients. If the company does not provide those names, he said, Congress will formally subpoena them from the company. Further press reports suggest that the Government would seek to recover the money in one way or another.

On March 15, AIG published details of the counterparties to its CDS, GIA and Securities Lending contracts. The details can be accessed via the link below:
http://www.aig.com/aigweb/internet/en/files/CounterpartyAttachments031809_tcm385-155645.pdf

AIG Chairman and Chief Executive Officer Edward Liddy delivered the following remarks regarding AIG at a hearing held by a subcommittee of the U.S. House of Representatives on March 18.
http://phx.corporate-ir.net/phoenix.zhtml?c=76115&p=irol-newsArticle&ID=1267430&highlight=

STATE REGULATION OF INSURANCE COMPANIES

The AIG insurance companies are regulated by state law and their affairs overseen by state insurance commissioners. Those laws are designed in part to assure that regulated insurance companies are operated on a financially sound basis and their assets are protected from the financial problems of non-insurance affiliates. The insurance company subsidiaries are not subject to federal bankruptcy laws, as would be AIG and its non-insurance company subsidiaries. If AIG were to be the subject of federal insolvency proceedings, the reach of a debtor-in-possession or federal receiver would not extend to the assets of the AIG insurance company subsidiaries. All states have enacted insurance holding company statutes which authorise insurance departments to regulate the inter-company transactions involving insurance companies within holding company structures. The various state statutes are generally patterned on the Model Act adopted by the National Association of Insurance Commissioners Holding Company Regulatory Act.

These statutes provide state insurance departments with the regulatory power and responsibility to ensure that the assets of insurance companies are held separate from the other entities within the holding company system. AIG cannot legally enter into any material transaction with its insurance company subsidiaries, without the approval of the state insurance regulators. For example, approval is required for inter-company reinsurance, loans, management contracts, asset sales, swaps, or other similar transactions. The assets of the insurance business are maintained to support the insurance business underwritten by those companies and may not be hypothecated or inter-mingled with the assets of any non-insurance affiliates.

Source: Albert B Lewis - D'Amato & Lynch, LLP Attorneys New York

KEY APPOINTMENTS

On 16 October 2008, AIG announced that David L. Herzog has been named Executive Vice President and Chief Financial Officer. Mr. Herzog will assume responsibilities for financial operations across all AIG business units. He will also assume a central role in overseeing AIG's plan to address its capital structure and pay down the credit facility from the Federal Reserve Bank of New York. Mr. Herzog, 48, has served as AIG Senior Vice President and Comptroller since June 2005. On 23 October 2008 AIG announced that Paula Rosput Reynolds, formerly chief executive at US insurer Safeco, has been appointed as chief restructuring officer. She will oversee asset divestiture and will be the company's key point of liaison with the Federal Reserve Bank of New York. On 20 January 2009, AIG named Monika M. Machon as AIG Senior Vice President and Chief Investment Officer, responsible for insurance company portfolio management across all asset classes, succeeding Win J. Neuger. Mr. Neuger will continue as AIG Investments Chairman and Chief Executive Officer, while leading the management team of the external client asset management business that AIG intends to sell. Ms. Machon will report directly to AIG Chairman and Chief Executive Officer Edward J. Liddy.

SIGNIFICANT DISPOSALS

In order to repay the aforementioned loan AIG is in the process of disposing of a number of its assets. Initially the company said it planned to sell all assets except its US property and casualty business, foreign general insurance and an ownership interest in some foreign life operations. Whilst there have been some sales, it appears that the company has not been able to realise enough amid the financial crisis at prices it considered to be acceptable. This in part is thought to be a contributory factor to the need for further finance and restructuring.

The most significant sale to date is that of HSB Group Inc., parent of The Hartford Steam Boiler Inspection, an equipment insurer. German insurance group Munich Re, the world's second largest reinsurer, is the purchaser. Munich Re will acquire all outstanding shares for $742 million in cash and assume $76 million of outstanding HSB capital securities. The deal is expected to close at the end of the first quarter of 2009, AIG said.

AIG announced two other unit sales in early December, though the company refused to divulge how much money changed hands. On 3 December, AIG and Omaha-based Tenaska Inc. said that Tenaska would re-purchase three units owned by AIG: Tenaska Marketing Ventures, Tenaska Gas Storage and Tenaska Marketing Canada. This deal is expected to close by 2 January, 2009.

On 1 December, AIG said it would sell its subsidiary AIG Private Bank to Aabar Investments, an institutional investor based in the United Arab Emirates.

On 26 November, AIG and the Brazilian bank Unibanco said they would each purchase their "cross-holdings." The companies said that AIG would buy shares in its subsidiaries that were held by Unibanco, and Unibanco would buy shares in its subsidiaries that were held by AIG.

On 13 January 2009, AIG announced an agreement to sell AIG Life Insurance Company of Canada to BMO Financial Group. AIG Life of Canada, headquartered in Toronto, Canada, offers a wide range of insurance and wealth products, including universal life and term life insurance plans, critical illness plans, permanent plans and immediate annuities. Under the terms of the transaction, BMO will acquire AIG Life of Canada for approximately C$375 million (or approximately US $308 million) in cash, subject to any change in net worth between September 30, 2008 and closing. The transaction, which is expected to close by June 1, 2009, is subject to certain conditions, including approvals by the appropriate regulatory authorities.

On 5 February, Bank of Ayudhya Public Company Limited (BAY) and American International Group, Inc. announced an agreement under which BAY will acquire AIG Retail Bank Public Company Limited and AIG Card (Thailand) Company Limited. The transaction, subject to the approval of the Bank of Thailand and BAY's shareholders, is expected to be completed in April 2009. Under the terms of the agreement, BAY will acquire 99.5 percent of the shares of AIG Retail Bank and 100 percent of AIG Card (Thailand) for a total consideration of Baht 2.055 billion or US $58.7 million (subject to closing valuation adjustment). In addition, inter-company loans totalling US $477 million from AIG will be repaid at closing.

On 18 March Peter Tulupman a spokesman for AIG confirmed the company is looking at the possibility of selling its headquarters and another tower it owns in New York City. "AIG is evaluating the potential sale of its headquarters building at 70 Pine Street and the 72 Wall Street building," said the spokesman Peter. "This is part of AIG's divestiture strategy and effort to maximise operating efficiency."

RATINGS INFORMATION SUMMARY

STANDARD & POOR'S:

Long-Term Counterparty Credit Rating	**A-**	**2 March 2009**	**Negative Outlook**
Insurer Financial Strength Rating (main subsidiaries)	**A+**	**2 March 2009**	**Negative Outlook**

On March 2, 2009, Standard & Poor's affirmed its supported 'A-/A-1' counterparty credit rating on American International Group Inc. (NYSE:AIG) and its 'A+' counterparty credit and financial strength ratings on AIG's insurance subsidiaries. At the same time, Standard & Poor's removed all of these ratings from CreditWatch, where they were placed on Nov. 8, 2008, with negative implications. The outlook is negative. The ratings on International Lease Finance Corp. (ILFC; BBB+/Watch Dev/A-2) remain on CreditWatch developing pending a planned sale of the company.

The affirmation primarily reflects S&P's view that the U.S. Treasury and the Federal Reserve will continue their financial support of and ongoing commitment to AIG as the revised recapitalisation the company announced improves its capital adequacy by making available more equity capital and reduces pressure on debt holders. The ratings reflect a combination of the extraordinary external support from the U.S. government in light of AIG's status as a highly systemically important financial institution. S&P expects this support to be ongoing during AIG's period of stress. The ratings are also based on the stand-alone insurance subsidiaries' 'A+' credit characteristics. The long-term counterparty credit rating on AIG reflects a six-notch uplift from AIG's stand-alone credit profile.

The affirmation follows the announcement by AIG of a revised recapitalisation plan. Through a combination of actions, AIG will reduce its obligations under the current $60 billion lending facility from the Federal Reserve Bank of NY (FRBNY). S&P expects that this will provide the company with the flexibility to continue its asset-disposition plan at a more measured pace. As a result, its debt-to-capital will be substantially reduced. The U.S. Treasury will provide AIG with a new five-year standby equity capital facility, which will allow AIG to raise up to $30 billion of capital by issuing preferred shares to the U.S. Treasury from time to time as needed. If AIG fully uses this facility, the U.S. Treasury will have contributed $70 billion to the company through the issuance of preferred shares. The federal government's total financial commitment to AIG, including asset purchases by FRBNY-funded special-purpose entities, will total approximately $155 billion.

Although in S&P's view the actions of the U.S. government have largely eliminated the risks of further rapid deterioration in the company's creditworthiness, intermediate-term concerns about the company's ability to retain key staff and market profitable new business remain. AIG expects that the planned sale of the life operations, which S&P believes likely, will take longer than originally planned, partly because of the lack of liquidity in the capital markets. As a result of these medium-term risks, the outlook is negative.

For the quarter ended Dec. 31, 2008, AIG reported a pretax net loss of $60.6 billion. Excluding a large number of unusual items, of which $50.6 billion were noncash items, core fundamental operating earnings were $2.6 billion, down compared with $5.3 billion for the prior year. Drivers behind the reduced operating earnings included deferred acquisition cost unlocking in the U.S. retirement business (equity-related), reduced partnership income versus prior periods, catastrophe losses, and a small amount of prior-year adverse reserve development versus favourable development in 2007.

Although their unfavourable underlying performance was mostly unexpected, S&P continues to believe AIG's insurance operations are very strong given their diverse competitive position, with the largest global property/casualty and life insurance businesses in the world. S&P consider operating insurance earnings, albeit pressured, to be strong and diversified. Following the 2008 investment losses, S&P considers capitalisation to be within the low 'A' range. Although future losses are possible given current market conditions, S&P believes the U.S. government's actions have eliminated material exposures, such as the guarantees on the multi-sector CDO portfolio and securities lending asset/liability mismatch.

The negative outlook reflects S&P's view that increased pressure on the performance of AIG's insurance businesses is likely. S&P believe AIG is particularly susceptible to these broader market trends given its somewhat weakened position. Although at this point S&P has not seen clear evidence of long-term damage to AIG's franchise, there have been widespread reports that competitors are actively pursuing AIG's accounts and key underwriting personnel. If those losses are significant and threaten future business prospects, S&P could lower the ratings, though likely by no more than two notches. If AIG's business were to stabilise and government support continues, S&P would consider revising the outlook to stable.

Source: Standard & Poor's ClassicDirect

MOODY'S:

Senior Unsecured Debt Rating	**A3**	**2 March 2009**
Insurance Financial Strength	**Various Ratings**	**2 March 2009**

Downgrades AIG's subordinated debt to Ba2 from Baa1; takes various rating actions on subsidiaries

Moody's Investors Service has confirmed the A3 senior unsecured debt and Prime-1 short-term debt ratings of American International Group, Inc. (NYSE: AIG). AIG's subordinated debt rating has been downgraded to Ba2 from Baa1. The rating outlook for AIG is negative. This rating action follows AIG's announcement of net losses of $62 billion for the fourth quarter and $99 billion for the full year of 2008, along with a revised restructuring plan supported by the US Treasury and the Federal Reserve. This concludes a review for possible downgrade that was initiated on September 15, 2008.

In addition, Moody's has confirmed the insurance financial strength (IFS) ratings of AIG's core property & casualty (P&C) operations, including AIG Commercial Insurance (AIGCI -- Aa3, negative), AIG UK Limited (AIG UK -- A1, negative) and AIG General Insurance (Taiwan) Co., Ltd. (AIGGI Taiwan -- A3, negative). Also confirmed were the IFS ratings of American International Assurance Company (Bermuda) Limited (AIAB -- Aa3, negative), Transatlantic Reinsurance Company (Transatlantic -- Aa3, developing), and United Guaranty Residential Insurance Company (UGRIC -- A3, negative). The rating agency downgraded the IFS ratings of AIG's Domestic Life Insurance & Retirement Services (DLIRS) companies, American Life Insurance Company (ALICO) and AIG Edison Life Insurance Company (AIG Edison) to A1 (developing) from Aa3.

"The rating confirmation for AIG and its core P&C operations reflects the benefits to policyholders and senior creditors from the restructuring steps announced today," said Bruce Ballentine, Moody's lead analyst for AIG, "as well as our expectation that the government will provide incremental support as needed to ensure that AIG can meet its obligations through this period of severe economic recession and market turmoil." The expectation of systemic support is based on the substantial size and global scope of AIG's insurance and financial operations, and is consistent with actions taken to date by the US government and related statements made by the US Treasury and Federal Reserve. The IFS ratings of the core P&C subsidiaries and the senior debt rating of AIG incorporate Moody's view that AIG will emerge from the government intervention as a leading global P&C insurer with a sound credit profile.

"The negative rating outlook on AIG and its core P&C operations signals the potential loss of customers, distributors and employees during the period of government intervention," added Mr. Ballentine, "along with the uncertainty regarding the ownership and capital structure following the intervention." Other areas of risk and uncertainty include: (i) potential erosion of values in operations to be divested; (ii) potential further declines in investment portfolio values, particularly in life insurance subsidiaries, which may require further capital infusions; (iii) the timing of divestitures and resulting proceeds, given the limited funding available to potential buyers; and (iv) the timing and costs associated with unwinding AIG Financial Products Corp. (AIGFP).

AIG's fourth-quarter loss was driven mainly by realised capital losses on investments (including other-than-temporary impairments), write-downs of intangible assets, unrealised market valuation losses on derivatives, and other charges related to the ongoing restructuring efforts. Major aspects of the revised restructuring plan include: (i) conversion of the existing $40 billion preferred stock provided by the US Treasury to a non-cumulative issue; (ii) commitment from the US Treasury for an additional $30 billion of preferred equity capital; (iii) debt-for-equity swaps whereby the Federal Reserve Bank of New York (the NY Fed) will exchange a portion of the senior secured loan under its $60 billion facility for preferred interests in certain operating units; and (iv) exchanges by the NY Fed of a portion of the senior secured loan for embedded value securitisation notes from certain DLIRS companies. These actions were prompted by AIG's fourth-quarter loss and the deteriorating market conditions, and will give the company greater flexibility to pursue its restructuring and divestiture plans.

RATING ACTIONS ON CORE OPERATIONS

The confirmations of the IFS ratings of AIGCI, AIG UK and AIGGI Taiwan were based on Moody's expectation of a sound business and financial profile for the global P&C operations following the government intervention. "AIG holds one of the world's largest and most diversified P&C operations, with a leading market presence in global accounts along with solid positions in several local markets," commented Mr. Ballentine. These operations have suffered some loss of business, especially in the most credit sensitive lines, as a result of parent company turmoil and the weak economy, according to the rating agency. The negative outlook reflects the potential for further business erosion during the period of government intervention, whether through loss of customers, distributors and employees or through aggressive pricing which could hurt underwriting results over time.

RATING ACTIONS ON OPERATIONS TO BE DIVESTED

The downgrades of the IFS ratings of the DLIRS companies and of ALICO and AIG Edison reflect business disruptions related to turmoil at AIG as well as general deterioration in economic conditions and investment portfolio values. Moody's noted that business disruptions were most pronounced during the fall of 2008, when several business units experienced spikes in customer surrenders and steep declines in new business. Since that time, the business flows have recovered to varying degrees, with recent growth in some markets and a slower pace of decline in others. AIG has contributed large amounts of capital to its life insurance subsidiaries, particularly the DLIRS companies, to offset the effects of investment losses and equity market declines over the past year. "The current ratings incorporate Moody's expectation that the government will support these operations and maintain their capital levels throughout the divestiture process," said Laura Bazer, lead analyst for the DLIRS companies and ALICO. "The developing outlook reflects the possibility of business sales over time to buyers of higher, equal or lower credit quality, and the potential for further business erosion, in the event that divestitures are delayed."

The confirmation of the IFS rating of AIAB reflects its strong market presence and that of the broader American International Assurance (AIA) across Asia and Australia, along with an expectation that the group will eventually attract one or more buyers who will maintain capitalisation at a level consistent with the current rating. AIA has suffered some of the same disruptions as AIG's other life operations, but the rating agency still sees the business and financial profile as consistent with a rating in the Aa range. The negative outlook reflects uncertainty about the future ownership structure as well as the challenging market conditions.

The confirmation of the IFS rating of Transatlantic reflects Moody's view that this unit maintains a strong presence in the broker reinsurance market and an appropriate capital structure to support the rating. Transatlantic, which is publicly traded with an approximate 59% stake held by AIG, generates about 13% of its business through AIG affiliates and the remainder through globally diversified sources. The developing outlook signals uncertainty regarding Transatlantic's future ownership structure.

UNWINDING AIGFP

Moody's said that AIGFP has developed a comprehensive plan to unwind its business, attempting to strike a balance between reducing exposures rapidly and limiting cash outflows. AIGFP has already eliminated some of its more challenging exposures, including substantially all of its credit default swaps (CDS) covering multi-sector credit default obligations. "Still, the ultimate costs and duration of the unwinding process are difficult to estimate and could be substantial," said Mr. Ballentine. For instance, remaining exposures include CDS written for regulatory capital or corporate arbitrage purposes, where further market deterioration and/or changes in valuation methods could lead to sizable losses and collateral requirements.

OTHER OPERATIONS

In confirming UGRIC's IFS rating with a negative outlook, Moody's noted that the rating is based mainly on the benefits of a net worth maintenance agreement provided by AIG and a fixed-dollar-limit reinsurance agreement provided by an AIGCI member. The long-term ratings of International Lease Finance Corporation and American General Finance Corporation remain under review for possible downgrade and will be addressed in separate rating announcements over the next week or two.

Source: Moody's Investor Services

A.M. BEST:

Issuer Credit Rating	**BBB**	**2 March 2009**	**Negative**
Best's Rating	**A**	**2 March 2009**	**Negative**

A.M. Best Co. has commented that all financial strength ratings and issuer credit ratings are unchanged for American International Group, Inc. (AIG) (New York, NY) and its subsidiaries. The rating outlooks remain negative.

This comment takes into consideration the record loss of $61.7 billion posted by AIG in fourth quarter 2008 and the continued and steadfast financial support provided by the Federal Reserve Bank of New York (FRBNY) and the United States Department of the Treasury which, under a revised plan, provides AIG with additional capital and liquidity to enhance its capital structure, provide liquidity and assist in the divestiture of assets.

Some of the main features of the revised plan include a new equity commitment to AIG from the U.S. Treasury of $30 billion, modified (equity-like) terms of AIG's Series D preferred equity, in-kind repayment of its senior secured lending facility with the FRBNY, securitisations, elimination of the LIBOR floor in its existing senior secured lending facility with the FRBNY and continued access to the remaining FRBNY facility.

A.M. Best's decision to leave the ratings unchanged at this time reflects the continued commitment of the U.S. Government to support AIG's financial position, demonstrated by the new and revised plans announced today. Despite the continued financial support of the government, the negative rating outlook reflects A.M. Best's concern regarding the billions of remaining notional exposure at the AIG Financial Products unit and the negative implications and challenges associated with AIG's "core" franchise, including the recent and potential employee turnover, continued market acceptance in the commercial casualty sector and the inherent competitive pressures brought on by professional insurance brokers and risk managers alike. Management believes plans to ultimately spin off a portion of AIG's core franchise property/casualty business should help to alleviate these concerns. In addition, a potential initial public offering of AIA and ALICO is being reviewed as an alternative path to monetisation of these assets. The domestic life and retirement savings subsidiaries continue to face pressures as operating results are expected to erode from prior levels as a result of poor equity market performance, spread compression and lower sales. Additionally, overall distribution for the domestic life and retirement services has tempered due to various factors associated with the risks and reputation of the overall franchise.

A.M. Best expects to finalise its annual review of AIG's statutory operating companies in the coming months. While AIG's secure rating is heavily weighted on the financial support provided by the U.S. Government, A.M. Best's review of AIG's operating entities goes beyond the government's involvement and its ability to stabilise AIG and protect the interests of policyholders. A.M. Best's view of AIG's financial flexibility and the fungibility of capital across the organisation, as well as the adequacy of capital at the operating unit level, will need to be reflected in the rating evaluation of AIG's operating subsidiaries. In addition, trends in operating performance and business profile are further considerations that are a part of A.M. Best's published rating methodology. Deterioration in those areas may lead to a downgrade in the financial strength ratings and the issuer credit rating of the holding company. While the ratings may be downgraded, it is unlikely that the financial strength ratings assigned to the key operating companies will be downgraded below A- (Excellent) so long as the full commitment of the U. S. Government supporting AIG remains.

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FITCH RATINGS:

The Ratings of subsidiary insurers that AIG intends to retain as part of its previously announced restructuring of 'AA-', dated 2 March 2009.

U.S. Government support remains firmly in place for American International Group Inc. (AIG) despite a $61.7 billion fourth quarter-2008 (4Q'08) net loss as actions taken in cooperation with the U.S. Treasury and the Federal Reserve are intended to promote AIG's return to financial stability, according to Fitch Ratings. However, the possibility of increased future political or other incentives to defer payments on hybrid instruments in order to preserve cash to support repayment of taxpayer funded capital is a concern for AIG's deferrable hybrid securities.

AIG announced the following actions to be taken in cooperation with the U.S. Treasury and Federal Reserve Board. Fitch views these actions positively since they enhance the company's liquidity and reduce the company's annual preferred dividend requirements and financial leverage. Favorably this added level of support highlights the commitment by the U.S. Government to assure that AIG remains financially healthy and meets its future obligations. Negatively, additional support was required due to AIG's very weak performance, as well as AIG's inability to date to move forward in selling assets at reasonable terms consistent with its restructuring plan.

--The U.S. Treasury will commit to purchase $30 billion of new 10% perpetual non-cumulative preferred shares in AIG. The capital commitment will remain in place for five years and be made available to AIG to draw upon at the company's option as long as the U.S. Treasury's ownership interest in AIG remains greater than 50% and AIG has not entered into bankruptcy.

--The dividend on AIG's existing $40 billion of outstanding Series D cumulative preferred shares will be revised to a non-cumulative dividend from a cumulative dividend.

--AIG will enter into two separate transactions under which a portion of the company's economic interests in two of its flagship life insurance companies, American Life Insurance Company (ALICO) and American International Assurance (AIA) will ultimately be exchanged with the Federal Reserve Bank of New York. Consideration received by AIG in this exchange will be satisfaction of a portion of the debt due to the FRBNY under the existing $60 billion senior secured credit facility between AIG and the FRBNY. Fitch's expectation is that the value of this exchange will be $20-25 billion.

--AIG and the FRBNY will enter into transactions in which certain of AIG's domestic life insurance companies will issue securitization notes to the FRBNY backed by expected future profits on designated blocks of life insurance policies. Consideration received by AIG in this exchange will be satisfaction of a portion of the debt due to the FRBNY under the existing $60 billion credit facility between AIG and the FRBNY. Fitch's expectation is that the value of this exchange will be up to $6 billion.

Fitch continues to believe that the U.S. government has significant incentives to assure AIG is successful in implementing its restructuring plan to manage systemic risks primarily emanating from AIG's role as a counterparty within its Financial Products CDS business. AIG's ratings are accordingly based heavily on an assumed 'government support floor'. Absent this assumption of ongoing government support, AIG's IDR and senior debt ratings would not be investment grade.

The downgrade of AIG's hybrid securities ratings reflects Fitch's broader concerns for financial institutions receiving significant government support that that there may be increased future political or other incentives to defer payments on these instruments in order to preserve cash to support repayment of taxpayer funded capital. These downgrades are consistent with actions Fitch has recently taken on deferrable hybrid securities issued by several other large financial institutions globally that have received significant financial support from various governments. Fitch notes, however, AIG has indicated it has no plans to defer.

The Stable Outlook on AIG's IDR and retained insurance company subsidiaries reflects Fitch's rating expectations for the next 12-to-18 months. Beyond that time horizon, AIG's ratings are exposed to above average ratings migration risk due to uncertainty as to AIG's financial profile after it emerges from being government supported. Due to the significant volatility experienced by AIG over the past year, Fitch can not reasonably predict at this time what AIG's ratings levels may be post-government support.

Fitch views the following factors as generating the most uncertainty surrounding AIG's future ratings levels:

--Potential erosion in the competitive position and franchise value of AIG's commercial insurance and foreign general insurance subsidiaries resulting from AIG's well-publicized financial difficulties. Fitch would view the emergence, over the next six to twelve months, as evidence of such erosion:

--Market share and gross premium volume declines that are inconsistent with the companies' historical trends and inconsistent with peer company experience;

--Declines in client retention levels that are inconsistent with the companies' historical trends and inconsistent with peer company experience;

--On-going defections of key staff members;

--Underwriting profitability on an accident year and calendar year basis that is inconsistent with the companies' historical trends or peer company results;

--Overall profitability and capital formation rates that are inconsistent with the companies' historical trends or peer company results.

AIG's commercial and foreign general insurance units' 4Q'08 results generally lagged those of peers as net written premiums declined materially and combined ratios were materially higher than those of peers. Fitch believes that some of this underperformance can be explained by items that are related to the organisation's restructuring, such as the large adverse effect a goodwill write-off had on the units' combined ratios. However, Fitch believes that other portions, such as the larger than peers' decline in net premiums written are tied to market concerns with respect AIG's financial stability where insureds with significant insurance exposure to AIG have diversified their insurance coverage.

AIG Financial Products Corp.'s (AIGFP) portfolio of credit default swap and various derivative contracts could generate material cash and or capital needs under various scenarios. At Sept. 30, 2008, the notional value of the portfolio, excluding the multi-sector CDO portfolio, was $306 billion. Fitch believes that the liquidity and capital strain associated with the multi-sector CDO portfolio, which had been the most troublesome portion of the overall portfolio, have been alleviated by steps AIG and the FRBNY announced in November 2008. While AIGFP's plans to wind-down AIGFP's portfolio appear to be well-designed and implementation appears to be progressing according to plan, Fitch views the portfolio's sheer size as representing a material source of risk.

AIGFP had $43 billion of outstanding debt at Sept.30, 2008. Fitch continues to view the majority of this debt as 'matched funded debt' in the sense that there are assets with comparable durations supporting the debt obligations. However, given the potential for continuing financial market volatility that could adversely affect AIGFP, Fitch believes that ability of the companies' matched assets to fully fund these obligations is under heightened stress.

--AIG's American General Finance Corp. subsidiary will also need to rely on support from AIG to fulfill any debt obligations to the extent there is a cash flow shortfall. Importantly, AIG is required to maintain AGF's net worth under the company's fully drawn bank facility, affording additional comfort that AIG is incented to maintain AGF over the near-term.

There is a high potential for future losses from various exposures. AIG's $61.7 billion net loss for the fourth quarter of 2008 was materially outside of expectations. The results include $51 billion of after-tax non-cash charges including $21 billion of tax-related items, a $13 billion charge for mark-to-market losses on investments that are classified as other than temporarily impaired, a $5 billion mark-to-market charge on AIGFP's portfolio of CDS contracts, and a $4 billion goodwill impairment charge.

Source: Fitch Ratings