
Commercial Insurance Update

May 6, 2009

Milestone Update

March 2	<ul style="list-style-type: none">•AIG announces formation of AIU Holdings, Inc.•To be positioned as separate and independent holding company•Kris Moor, president, AIU Holdings, Inc.•Nic Walsh, vice chairman, AIU Holdings, Inc.
March 3	Project Atlas initiated to begin separation process for AIU Holdings, Inc.
April 17	Robert Schimek named chief financial officer, AIU Holdings, Inc.
April 21	<ul style="list-style-type: none">•AIG accelerates separation of AIU Holdings, Inc. by announcing its intent to create Special Purpose Vehicle (SPV) for holding company•AIG also announces its intent to purchase AIU Holdings' interests in ILFC, UGC and Transatlantic•Move prepares balance sheet for separation and improves AIU Holdings quality of capital

Commercial Insurance (CI) Performance

CI Stat Financials ¹ (\$ in millions)	2008 ³	2007	2006	2005
Net Written Premium²	\$23,651	\$26,174	\$26,319	\$23,573
Net Income (after tax)²	\$2,192	\$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 Surplus²	\$26,344	\$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* 49% from 12/31/05 to 12/31/08;
- Strong oversight from multiple regulators protects policyholder interests;
- 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.

3. Reflects amendments to the 2008 annual statutory statement of American Home Assurance Company following the completion of the statutory audit resulting in an increase in Net Income (after tax) of \$340 million and a reduction in Policyholders Surplus of \$289 million.

CI – Financial Performance

	Statutory Surplus ¹			Net Written Premium ¹
	2008 YE	% Δ Since 3Q '08	% Δ Since 2Q '08	
CI	\$26,344	-0.1%	-1.4%	\$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

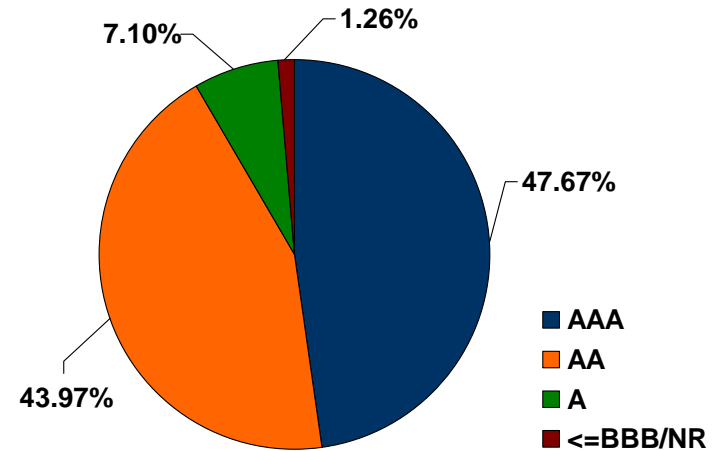
1. Reported at December 31, 2008; see Appendix A for detail

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%

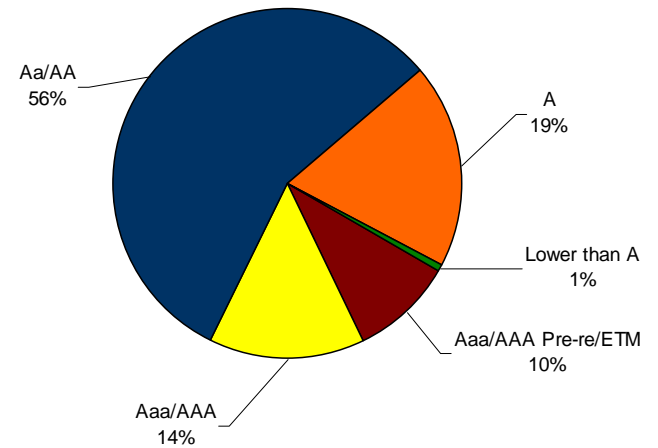
1. NAIC Classes 1 and 2 are designated as highest and high quality and are reported at amortized cost. NAIC Classes 3 through 6 are reported at the lower of amortized cost or fair value.

CI – Municipal Bond Portfolio

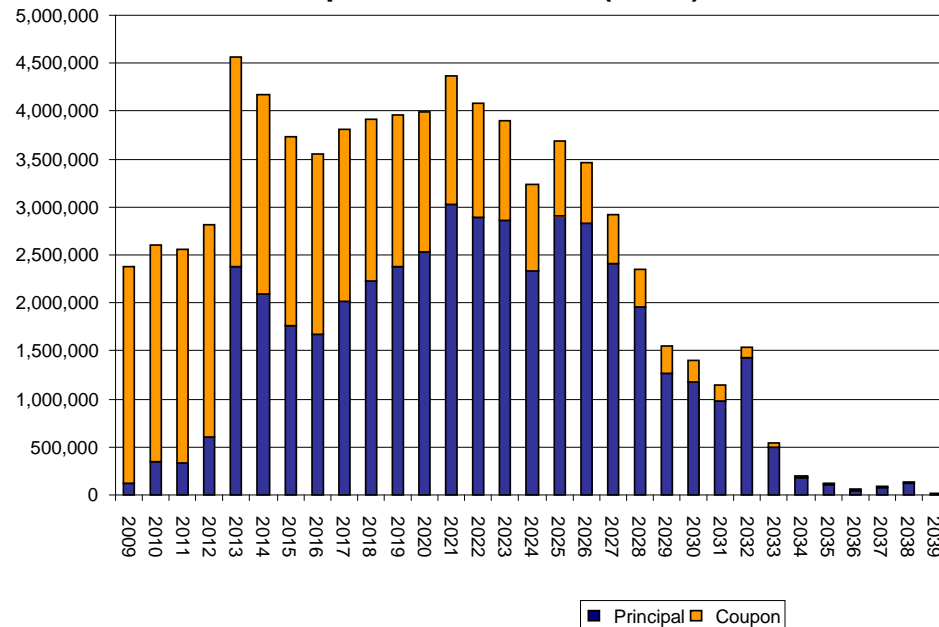
- **CI has always looked through monoline guarantees on the municipal portfolio to the underlying credit quality of issuers**

- 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.

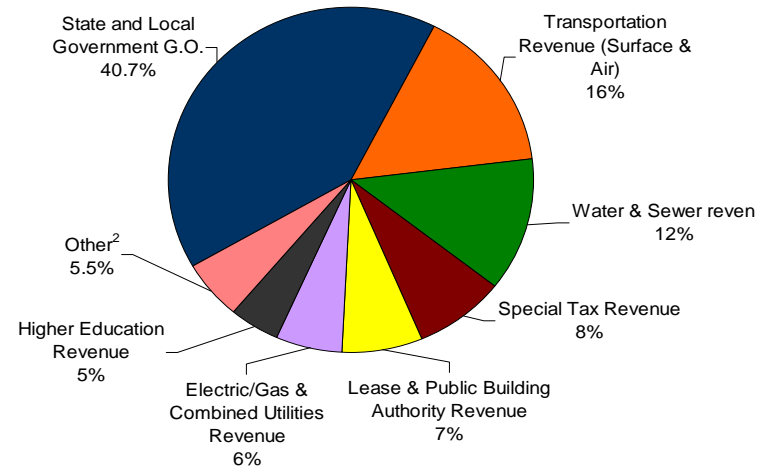
Underlying Bond Ratings At 12/31/08



Expected Cashflow³ (000's)



Sector Allocation At 12/31/08



1. Standard and Poor’s 2008 municipal transition and default study
2. “Other” consists of 4.2% Housing, 0.7% Healthcare, 0.4% Industrial Development
3. Expected principal and coupon without reinvestment.

Foreign General Insurance Overview

AIU Holdings' Foreign General Insurance (FGen) is a 70-year old global property-casualty insurance business. FGen provides a full range of products and risk management services to both commercial and retail clients, while generating consistent underwriting results.

- World leader in multinational clients and complex risk management programs
 - Extensive network of local claim servicing and loss control
 - Policies in local languages and currency
 - Coverage responding appropriately to local laws
- Ascot, FGen's Lloyds syndicate (NPW of \$623M) provides access to Lloyds for global businesses including those in the US
- Strong historical relationships with the global brokers
- Strong agency base in China
- Joint-venture relationship with Tata in India
- Strong presence in developed markets:
 - Largest foreign P&C insurance franchise in Japan
 - Largest US-based general insurer in Europe
 - No. 3 commercial insurer in the UK
- An established leader in the developing markets:
 - First foreign general insurer in China and first US-based general insurer in India, Russia, Finland, Hungary, Poland, Romania and other countries
 - Largest foreign non-Life insurance provider in mainland China, Hong Kong and Thailand
 - Largest general insurance organization in Southeast Asia
- Pioneer and global leader in Accident & Health, Financial Lines, and industry verticals

AIU Holdings Highlights¹

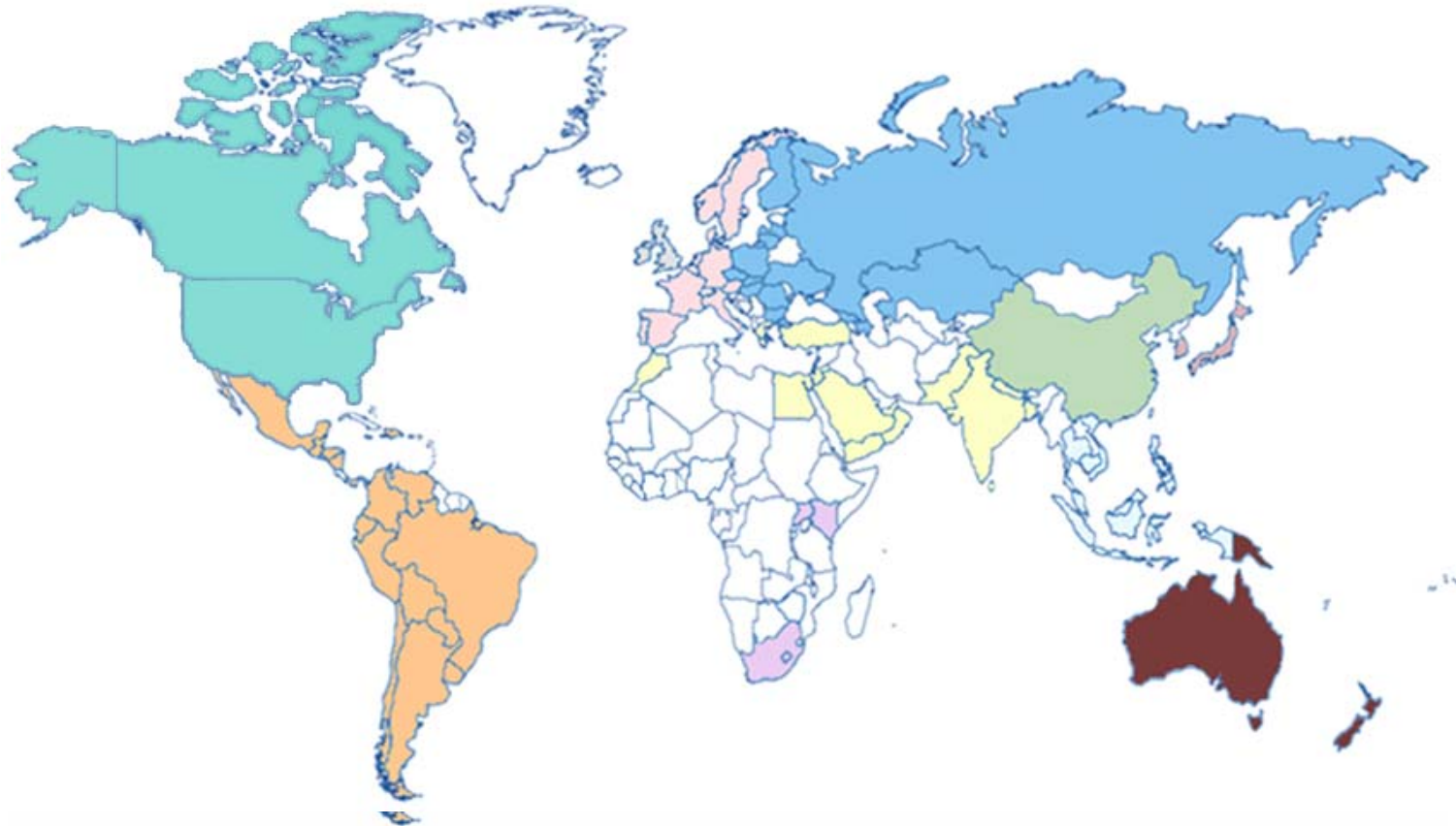
- Includes the Commercial Insurance business in the US and Canada, Worldwide P&C businesses and the Private Client Group
- One of the world's largest property casualty insurance organizations
- Exceptional financial strength with approximately \$36 billion in revenues at December 31, 2008
- Approximately \$38 billion in equity at December 31, 2008
- Over \$26 billion in claims paid in 2008
- More than 90 years of underwriting experience
- More than 33,000 employees
- Over 500 products and services
- 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 AIU Holdings' 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 Operations

- Office locations in over 80 countries
- Operations in over 130 countries and jurisdictions



AIU Holdings Companies Financial Overview¹

Pro Forma Balance Sheet ²

December 31, 2008

Invested Assets	\$93,199.7
Other Assets	52,872.1
Total Assets	146,071.8
Total Liabilities	107,916.2
Total Equity	38,155.6
	146,071.8

Pro Forma Income Statement

Years Ended December 31st

	2008	2007	2006
Net Written Premium	\$34,546.6	\$36,166.4	\$34,233.6
GAAP U/W Income	424.2	5,005.6	3,874.2
Operating Income ³	3,275.2	10,520.2	9,017.5
Loss Ratio	71.9%	62.1%	64.5%
Expense Ratio	26.9%	23.7%	23.8%
Combined Ratio	98.8%	85.8%	88.3%
Accident Year Loss Ratio	70.7%	63.8%	64.2%
Accident Year Loss Ratio Ex Cats	65.9%	63.2%	64.2%
Operating Income Per 10K	(\$723)	\$10,632	\$10,353
HSB	(944)	275	280
PLD Auto	(729)	73	431
UGC	(2,482)	(634)	331
Transatlantic Re	368	651	578
Unibanco Brazil	124	87	62
Sub Total	(3,662)	453	1,682
Investment Income on proceeds	336	341	347
Pro Forma Operating Income	\$3,275	\$10,520	\$9,018

1. Information is provided solely for the purpose of evaluating the announced restructuring of AIU Holdings' worldwide property-casualty businesses and not for the purpose of advertising the financial condition of any particular insurer to prospective policyholders.
2. Pro Forma GAAP equity is approximately \$5.2B less than historic GAAP equity because after sales proceeds from sale of non core operations are assumed to equal statutory carrying value of such entities.
3. Before Realized Capital Gains and Losses

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	\$361	\$ 25,392	\$ 19,979	\$ 5,413
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	\$ 2,192	\$100,958	\$ 74,614	\$ 26,344

- As per Annual Statutory Statements as of 12/31/08. Reflects amendments to the 2008 annual statutory statement of American Home Assurance Company following the completion of the statutory audit resulting in an increase in Net Income (after tax) of \$340 million and a reduction in Policyholders Surplus of \$289 million.
- This disclosure is provided pursuant to the requirements of Section 1313 of the New York Insurance Law.
- 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.
- Includes paid up capital stock of \$3,880M, \$3,979M, \$1,264M, \$713M, \$858M, \$823M, \$6M, \$6M, \$4M, and \$1,987M.
- 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.

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.

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

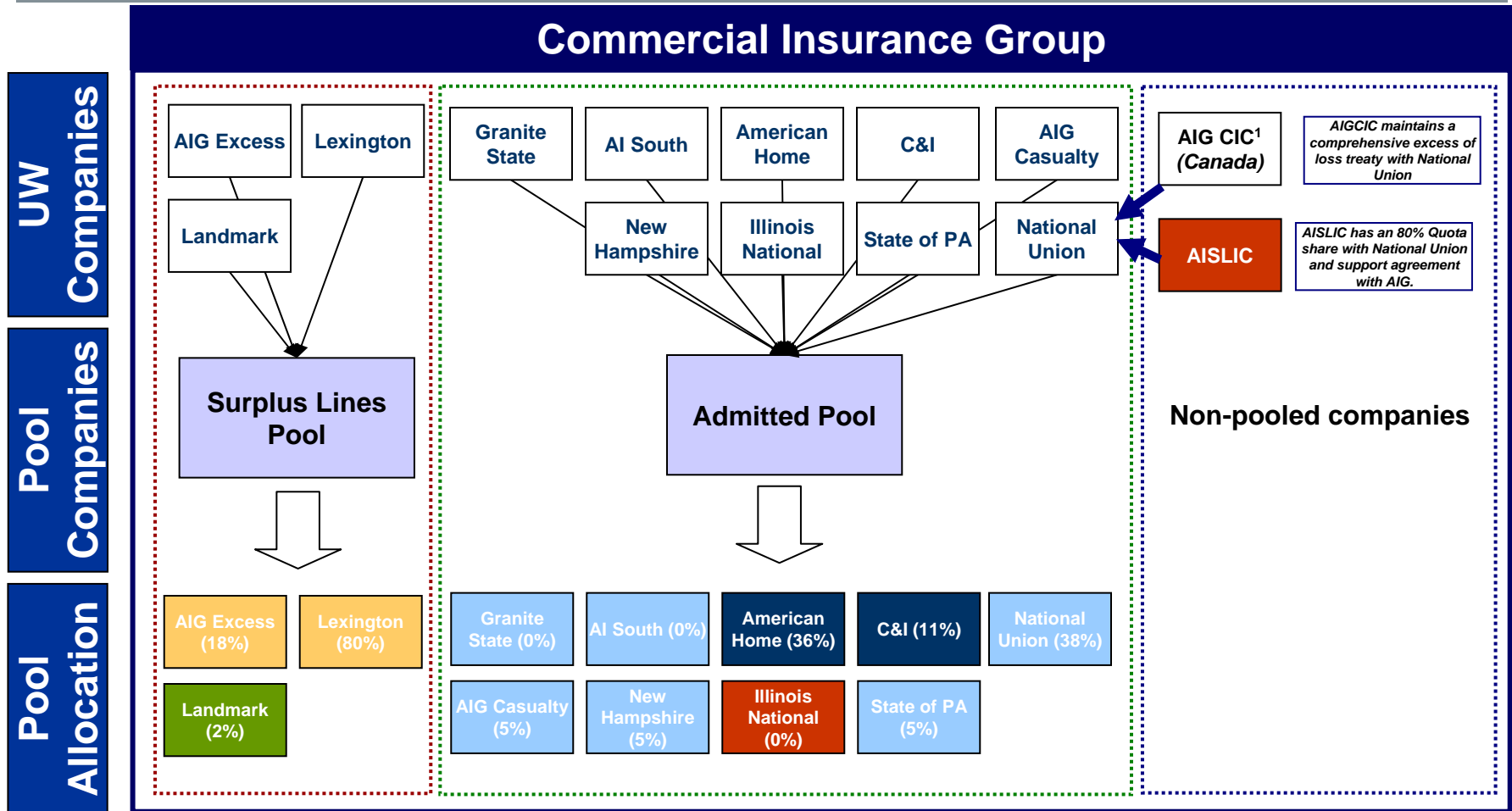
2. This disclosure is provided pursuant to the requirements of Section 1313 of the New York Insurance Law.

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



State Domiciled

(%) indicates premium/loss participation in respective pools

- Pennsylvania
- Illinois
- Delaware
- New York
- California

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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