DE LA REPUB
FISCALIZACION GEN
NOV 2010
Alberto Berl
Ejecutivo

ANEXO G-1
FIANZA DE CUMPLIMIENTO

ODEBRECHT FCC

CONSORCIO LÍNEA UNO

Migdalia / Marcia : Archivo

Ciudad de Panamá, 15 de noviembre de 2010

CLU-022/10

Sr.:
Ing. ROBERTO ROY
SECRETARIO EJECUTIVO DE LA SECRETARÍA DEL METRO DE PANAMA
E.S.D.

Referencia: **Licitación N° 2010-0-03-0-08-LV-014023**
Asunto: Entrega de Fianza de Fiel Cumplimiento

Estimado Ingeniero:

Por medio de la presente remitimos la Fianza de Fiel Cumplimiento N° SU-23, para el Contrato "Proyecto Línea 1 del Metro de Panamá", emitida por la compañía fiadora National Union Fire Insurance Company of Pittsburgh, PA, por el monto de USD 217,046,875.57.

Sin otro particular, me despido muy cordialmente

ANTONIO ROBERTO GAVIOLI
CONSORCIO LÍNEA UNO

SECRETARIA DEL ME
15NOV'10 3:1

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

FIANZA DE CUMPLIMIENTO

FIANZA No.: **SU-23**

CONTRATISTA: Consorcio Línea Uno, conformado por Construtora Norberto Odebrecht, S.A. y Fomento de Construcciones y Contratas, S.A., ubicado en el Edificio Torres de las Américas, Torre C, Oficina 33-01, Punta Pacifica , Panamá - República de Panamá.

FIADORA: National Union Fire Insurance Company of Pittsburgh, PA., ubicada en el Edificio Torres de las Américas Mezanine A, Punta Pacifica, San Francisco Panamá, Panamá - República de Panamá

ENTIDAD CONTRATANTE: Ministerio de La Presidencia – Secretaría del Metro de Panamá, ubicado en Av. Eloy Alfaro - Corregimiento de San Felipe, frente a la Presidencia de la República Panamá, Panamá - República de Panamá y Contraloría General de la República.

CONTRATO DE CONSTRUCCIÓN

Fecha: 12 de Noviembre de 2010

Monto: USD 1,446,979,170.45 (Mil Cuatrocientos Cuarenta y Seis Millones Novecientos Setenta y Nueve Mil Ciento Setenta con 45/100 de Dólares Americanos)

Descripción: La ejecución del proyecto de ingeniería de diseño, construcción de las obras civiles, instalaciones auxiliares de línea y estaciones, suministro e instalación del sistema integral ferroviario que incluye el material rodante, y puesta en marcha del sistema para La Línea Nº 1 del Metro de Panamá.
Licitación Nº 2010-0-03-0-08-LV-014023.
Periodo de Ejecución: 12 de Noviembre de 2010 hasta el 31 de Diciembre de 2013.

FIANZA

Fecha: 12 de Noviembre de 2010

Monto: USD 217,046,875.57 (Doscientos Diecisiete Millones Cuarenta y Seis Mil Ochocientos Setenta y Cinco con 57/100 de Dólares Americanos)

EL CONTRATISTA COMO PRINCIPAL

FIADORA
National Union Fire Insurance Company of Pittsburgh, PA.

Max Stempel
Gerente General

Rigoberto Chavarria
Gerente de Mercadeo

ENTIDAD CONTRATANTE

1. Conste por el presente documento que National Union Fire Insurance Company of Pittsburgh, PA., en adelante LA FIADORA, por este medio garantiza a la entidad Estatal Contratante arriba indicada y a la Contraloría General de la República, en adelante denominada LA ENTIDAD CONTRATANTE, la obligación de ejecutar fielmente el objeto de EL CONTRATO antes descrito, que incluye, el pliego de cargos, los planos, las modificaciones del mismo, las condiciones y especificaciones técnicas acordadas entre la ENTIDAD CONTRATANTE y EL CONTRATISTA , y una vez cumplido éste, de corregir los defectos a que hubiere lugar.

2. Esta fianza estará vigente a partir de la fecha indicada en la Orden de Proceder y así permanecerá por el período de ejecución de EL CONTRATO, y continuará vigente siempre dentro de los límites, términos y condiciones previstas en EL CONTRATO, por lo que toca a la ejecución y cumplimiento del mismo. Esta fianza permanecerá en vigor por el término de tres (3) años para responder por los perjuicios que se le ocasionen a LA ENTIDAD CONTRATANTE como consecuencia de cualquier tipo de daño, deterioro, defecto, vicio redhibitorio o deficiencias, independientemente de sus causas, sufridos por la obra entregada, que sean imputables a EL CONTRATISTA; y por un (1) año en el caso de entrega de equipos suministrados por EL CONTRATISTA en cumplimiento de EL CONTRATO para responder por dichos defectos. Los plazos antes descritos para responder por vicios redhibitorios y/o defectos de construcción o de reconstrucción, comenzarán a regir a partir del recibo de la parte sustancial de la obra entregada y recibida por LA ENTIDAD CONTRATANTE, y para el resto de la obra, a partir del acta de aceptación final.

3. La FIADORA estará obligada a cumplir las obligaciones que contrajo conforme a la presente fianza, siempre que el CONTRATISTA haya debido cumplirlas de acuerdo al CONTRATO.

4. El CONTRATISTA y LA FIADORA se obligan solidariamente a sí mismos, sus herederos, albaceas, sucesores y cesionarios con LA ENTIDAD CONTRATANTE, al cumplimiento de EL CONTRATO.

5. El CONTRATISTA y la ENTIDAD CONTRATANTE notificarán a la FIADORA sobre cualquier modificación o cambio al CONTRATO, los planos, las especificaciones de la obra y/o plan de ejecución o su cronograma. La FIADORA manifestará su consentimiento a las variaciones mediante la emisión de un endoso a la presente fianza.

6. Toda reclamación en base a esta fianza deberá ser hecha por la ENTIDAD CONTRATANTE a la FIADORA, para efectos de reclamaciones, también se entidad a la CONTRALORÍA GENERAL DE LA REPÚBLICA como ENTIDAD CONTRATANTE y cualquier acción judicial o extrajudicial que inicie la ENTIDAD OFICIAL deberá entablarse contra el CONTRATISTA conjuntamente con la FIADORA y la petición deberá solicitar en todo caso la condena del CONTRATISTA y la FIADORA.

7. La ENTIDAD CONTRATANTE notificará por escrito a la FIADORA y al CONTRATISTA de la resolución administrativa del contrato dentro de los quince días (15) días calendarios, contados a partir de la notificación por escrito de dicha resolución y la FIADORA tendrá la opción de pagar el importe de la fianza a la ENTIDAD CONTRATANTE, dentro de los quince (15) días de haber recibido la notificación; o LA FIADORA podrá asumir los derechos y obligaciones de EL CONTRATO resuelto y continuar la ejecución del mismo, utilizando para ello los servicios de un contratista idóneo al criterio de la ENTIDAD CONTRATANTE, el cual deberá presentar una FIANZA de CUMPLIMIENTO y en este caso la FIADORA deberá consentir la continuación de la ejecución de EL CONTRATO, de no dar su consentimiento la FIADORA se obliga al pago del importe de la fianza.

8. En el caso de que LA FIADORA le diera cumplimiento a las obligaciones asumidas conforme a esta fianza, ya fuere mediante el pago de los perjuicios pecuniarios o mediante la ejecución de las obligaciones garantizadas, ésta subrogará a EL CONTRATISTA en todos sus derechos y pertenencias e indemnizaciones, pagos diferidos, porcentajes retenidos, y créditos que LA ENTIDAD CONTRATANTE le debiere a EL CONTRATISTA al tiempo que tuvo lugar la falta o que debiere pagársele después, según lo estipulado en EL CONTRATO. En consecuencia, a partir del momento en que la ENTIDAD CONTRATANTE presente una reclamación a LA FIADORA, LA ENTIDAD CONTRATANTE, ésta cesará todo pago a EL CONTRATISTA, acreedores y cesionarios. De igual manera, LA FIADORA se subrogará en todos sus derechos y acciones que LA ENTIDAD CONTRATANTE tuviera en contra de EL CONTRATISTA.

9. LA FIADORA no será responsable ante LA ENTIDAD CONTRATANTE u otras partes por las obligaciones de EL CONTRATISTA que no están relacionadas con EL CONTRATO y ningún derecho sobre esta Fianza estará a favor de alguna persona o entidad que no sea LA ENTIDAD CONTRATANTE.

10. Se podrá entablar cualquier proceso legal conforme a esta Fianza en cualquier tribunal competente en el lugar donde se encuentra ubicado el trabajo o parte del mismo, a más tardar dos (2) años después del incumplimiento de EL CONTRATISTA, a más tardar dos (2) años después de que EL CONTRATISTA haya cesado de trabajar o a más tardar dos (2) años después de que LA FIADORA haya rehusado o incumplido sus obligaciones conforme a esta Fianza, lo que ocurra primero. Si resultase nula o prohibida por ley alguna disposición de este párrafo, el plazo mínimo de prescripción en la jurisdicción de la demanda a la que tuvieren derecho las fiadoras como defensa será la aplicable.

11. Toda notificación a LA FIADORA, a LA ENTIDAD CONTRATANTE o a EL CONTRATISTA será enviada por correo o entregada a la dirección indicada en la página de firmas.

Cuando se presente esta Fianza en cumplimiento con algún requisito reglamentario o legal en el lugar donde se debió realizar la construcción, cualquier disposición en esta Fianza que esté en conflicto con dicho requisito reglamentario o legal se considerará eliminada de la presente y las disposiciones conformes a dicho requisito reglamentario o legal se considerarán incorporadas a la presente. El objeto de esta Fianza deberá interpretarse como una fianza reglamentaria y no como una fianza consensual.

ODEBRECHT FCC

CONSORCIO LÍNEA UNO

Ciudad de Panamá, 25 de noviembre de 2010

CLU-028/10

Sr.:
Ing. ROBERTO ROY
SECRETARIO EJECUTIVO DE LA SECRETARÍA DEL METRO DE PANAMA
E.S.D.

Referencia: **Licitación N° 2010-0-03-0-08-LV-014023**
Asunto: Endoso a Fianza de Cumplimiento

Estimado Ingeniero:

Por medio de la presente, remitimos el Endoso No. 1 a la Fianza de Cumplimiento No. SU-23, emitida por National Union Fire Insurance Company of Pittsburgh, Pa, para atender las observaciones efectuadas por la Contraloría General de la República.

Sin otro particular, me despido muy cordialmente

ANTONIO ROBERTO GAVIOLI
CONSORCIO LÍNEA UNO

01 DIC 2010

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

FIANZA DE CUMPLIMIENTO

CONTRALORIA GENERAL DE LA REPUBLICA
Departamento de Corresp. y Archivos

ORIGINAL DE ESTA FIANZA Y/O ENDOSOS REPOSA EN NUESTROS ARCHIVOS

CONTROL No. 1650942

ENDOSO No.1

FIANZA No. **SU-23**

CONTRATISTA: Consorcio Línea Uno, conformado por Construtora Norberto Odebrecht, S.A. y Fomento de Construcciones y Contratas, S.A., ubicado en el Edificio Torres de las Américas, Torre C, Oficina 33-01, Punta Pacifica , Panamá - República de Panamá.

FIADORA: National Union Fire Insurance Company of Pittsburgh, PA., ubicada en el Edificio Torres de las Américas Mezanine A, Punta Pacifica, San Francisco Panamá, Panamá - República de Panamá

ENTIDAD CONTRATANTE: Ministerio de La Presidencia - Secretaría del Metro de Panamá, ubicado en Av. Eloy Alfaro - Corregimiento de San Felipe, frente a la Presidencia de la República Panamá, Panamá - República de Panamá y Contraloría General de la República.

CONTRATO DE CONSTRUCCIÓN

Fecha: 12 de Noviembre de 2010

Monto: USD 1,446,979,170.45 (Mil Cuatrocientos Cuarenta y Seis Millones Novecientos Setenta y Nueve Mil Ciento Setenta con 45/100 de Dólares Americano.

Descripción: La ejecución del proyecto de ingeniería de diseño, construcción de las obras civiles, instalaciones auxiliares de línea y estaciones, suministro e instalación del sistema integral ferroviario que incluye el material rodante, y puesta en marcha del sistema para La Línea Nº 1 del Metro de Panamá.
Licitación Nº 201 0-0-03-0-08-LV-O14023.
Periodo de Ejecución: 12 de Noviembre de 2010 hasta el 31 de Diciembre de 2013.

FIANZA

Fecha: 12 de Noviembre de 2010

Monto: USD 217,046,875.57 (Doscientos Diecisiete Millones Cuarenta y Seis Mil Ochocientos Setenta y Cinco con 57/100 de Dólares Americanos)

EL CONTRATISTA COMO PRINCIPAL

FIADORA
National Union Fire Insurance Company of Pittsburgh, PA.

Max Stempel
Gerente General

Rigoberto Chavarría
Gerente de Mercadeo

ENTIDAD CONTRATANTE

1. Conste por el presente documento que National Union Fire Insurance Company of Pittsburgh, PA., en adelante LA FIADORA, por este medio garantiza al Ministerio de La Presidencia - Secretaría del Metro de Panamá arriba indicada y a la Contraloría General de la República, en adelante denominada LA ENTIDAD CONTRATANTE, la obligación de ejecutar fielmente el objeto de EL CONTRATO antes descrito, que incluye, el pliego de cargos, los planos, las modificaciones del mismo, las condiciones y especificaciones técnicas acordadas entre la ENTIDAD CONTRATANTE y EL CONTRATISTA , y una vez cumplido éste, de corregir los defectos a que hubiere lugar.

2. Esta fianza estará vigente a partir de la fecha indicada en la Orden de Proceder y así permanecerá por el período de ejecución de EL CONTRATO, y continuará vigente siempre dentro de los límites, términos y condiciones previstas en EL CONTRATO Y SUS ADDENDAS, por lo que toca a la ejecución y cumplimiento del mismo. Esto fianza permanecerá en vigor por el término de tres (3) años para responder por los perjuicios que se le ocasionen a LA ENTIDAD CONTRATANTE como consecuencia de cualquier tipo de daño, deterioro, defecto, vicio redhibitorio o deficiencias, independientemente de sus causas, sufridos por la obra entregada, que sean imputables a EL CONTRATISTA; y por un (1) año en el caso de entrega de equipos suministrados por EL CONTRATISTA en cumplimiento de EL CONTRATO Y SUS ADDENDAS para responder por dichos defectos. Los plazos antes descritos para responder por vicios redhibitorios y/o defectos de construcción o de reconstrucción, comenzarán a regir a partir del recibo de la parte sustancial de la obra entregada y recibida por LA ENTIDAD CONTRATANTE, y para el resto de la obra, a partir del acta de aceptación final.

3. La FIADORA estará obligada a cumplir las obligaciones que contrajo conforme a la presente fianza, siempre que el CONTRATISTA haya debido cumplirlas de acuerdo al CONTRATO Y SUS ADDENDAS.

4. El CONTRATISTA y LA FIADORA se obligan solidariamente a sí mismos, sus herederos, albaceas, sucesores y cesionarios con LA ENTIDAD CONTRATANTE, al cumplimiento de EL CONTRATO Y SUS ADDENDAS.

5. El CONTRATISTA y la ENTIDAD CONTRATANTE notificarán a la FIADORA sobre cualquier modificación o cambio al CONTRATO, los planos, las especificaciones de la obra y/o plan de ejecución o su cronograma. La FIADORA manifestará su consentimiento a las variaciones mediante la emisión de un endoso a la presente fianza.

6. Toda reclamación en base a esta fianza deberá ser hecha por la ENTIDAD CONTRATANTE a la FIADORA, además, la Entidad Contratante deberá comunicar a la CONTRALORIA GENERAL DE LA REPUBLICA el incumplimiento del contratista para los fines de coordinar las medidas que sean pertinentes adoptar para salvaguardar el interés del Estado y cualquier acción judicial o extrajudicial que inicie la ENTIDAD OFICIAL deberá entablarse contra el CONTRATISTA conjuntamente con la FIADORA y la petición deberá solicitar en todo caso la condena del CONTRATISTA y la FIADORA

7. La ENTIDAD CONTRATANTE notificará por escrito a la FIADORA y al CONTRATISTA de la resolución administrativa del contrato dentro de los quince días (15) días calendarios, contados a partir de la notificación por escrito de dicha resolución y la FIADORA tendrá la opción de pagar el importe de la fianza a la ENTIDAD CONTRATANTE, dentro de los quince (15) días de haber recibido la notificación; o LA FIADORA podrá asumir los derechos y obligaciones de EL CONTRATO resuelto y continuar la ejecución del mismo, utilizando para ello los servicios de un contratista idóneo al criterio de la ENTIDAD CONTRATANTE, el cual deberá presentar una FIANZA de CUMPLIMIENTO y en este caso la FIADORA deberá consentir la continuación de la ejecución de EL CONTRATO, de no dar su consentimiento la FIADORA se obliga al pago del importe de la fianza.

8. En el caso de que LA FIADORA le diera cumplimiento a las obligaciones asumidas conforme a esta fianza, ya fuere mediante el pago de los perjuicios pecuniarios o mediante la ejecución de las obligaciones garantizadas, ésta subrogará a EL CONTRATISTA en todos sus derechos y pertenencias e indemnizaciones, pagos diferidos, porcentajes retenidos, y créditos que LA ENTIDAD CONTRATANTE le debiere a EL CONTRATISTA al tiempo que tuvo lugar la falta o que debiere pagársele después, según lo estipulado en EL CONTRATO. En consecuencia, a partir del momento en que la ENTIDAD CONTRATANTE presente una reclamación a LA FIADORA, LA ENTIDAD CONTRATANTE, ésta cesará todo pago a EL CONTRATISTA, acreedores y cesionarios. De igual manera, LA FIADORA se subrogará en todos sus derechos y acciones que LA ENTIDAD CONTRATANTE tuviera en contra de EL CONTRATISTA.

9. LA FIADORA no será responsable ante LA ENTIDAD CONTRATANTE u otras partes por las obligaciones de EL CONTRATISTA que no están relacionadas con EL CONTRATO Y SUS ADDENDAS y ningún derecho sobre esta Fianza estará a favor de alguna persona o entidad que no sea LA ENTIDAD CONTRATANTE y la Contraloría General de la República.

10. Se podrá entablar cualquier proceso legal conforme a esta Fianza en cualquier tribunal competente en el lugar donde se encuentra ubicado el trabajo o parte del mismo, a más tardar dos (2) años después del incumplimiento de EL CONTRATISTA, a más tardar dos (2) años después de que EL CONTRATISTA haya cesado de trabajar o a más tardar dos (2) años después de que LA FIADORA haya rehusado o incumplido sus obligaciones conforme a esta Fianza, lo que ocurra primero. Si resultase nula o prohibida por ley alguna disposición de este párrafo, el plazo mínimo de prescripción en la jurisdicción de la demanda a la que tuvieren derecho las fiadoras como defensa será la aplicable.

11. Toda notificación a LA FIADORA, a LA ENTIDAD CONTRATANTE o a EL CONTRATISTA será enviada por correo o entregada a la dirección indicada en la página de firmas.

12. Cuando se presente esta Fianza en cumplimiento con algún requisito reglamentario o legal en el lugar donde se debió realizar la construcción, cualquier disposición en esta Fianza que esté en conflicto con dicho requisito reglamentario o legal se considerará eliminada de la presente y las disposiciones conformes a dicho requisito reglamentario o legal se considerarán incorporadas a la presente. El objeto de esta Fianza deberá interpretarse como una fianza reglamentaria y no como uno fianza consensual.

MINISTERIO DE COMERCIO E INDUSTRIAS – SUPERINTENDENCIA DE SEGUROS Y REASEGUROS

La suscrita Superintendente de Seguros y Reaseguros a. i., en uso de sus facultades legales y a solicitud de parte interesada,

CERTIFICA:

1. Que NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA., cuenta con un límite especial de Doscientos diecisiete millones cuarenta y seis mil ochocientos setenta y cinco con 57/100 (B/.217,046,875.57) para la emisión de Fianza de Cumplimiento a nombre de "Consorcio Línea Uno conformado por Constructora Norberto Odebrecht, S. A. y Fomento de Construcciones y Contratas, S. A., a favor del Estado.

I. Características del Riesgo:

Fianza	Cumplimento Nº: SU-23
Contratista	"Consorcio Línea Uno conformado por Constructora Norberto Odebrecht, S. A. y Fomento de Construcciones y Contratas, S. A.
Entidad	Ministerio de la Presidencia – Secretaría del Metro de Panamá - Contraloría General de la República
Objeto	Diseño y Construcción de la Línea 1 del Metro de Panamá
Riesgo	-Doscientos diecisiete millones cuarenta y seis mil ochocientos setenta y cinco con 57/100 (B/.217,046,875.57) para la fianza de cumplimiento de contrato

II. Distribución de Cobertura:

A. Contrato de primer y Segundo Excedente		
PARTICIPANTE	**Distribución del Riesgo**	
Retención National Union Fire Insurance Company of Pittsburgh, PA.		**B/. 111,457**
Reaseguradores: New Hampshire Insurance Company of Manchester, N: H.	B/.49,650,000	
American Home Assurance Company	B/. 167,285,419	
Total Participación Reaseguradores		**B/.216,935,419**
TOTAL		**B/. 217,046,876**

III. Hacemos esta Certificación basados en:

- Margen de Solvencia al 31 de diciembre de 2009
- Contratos de Excedente
- Calificación de los reaseguradores

Panamá, 26 de noviembre de 2010

KATHERINE ARJONA
Superintendente de Seguros
y Reaseguros a. i.

DR/ulc

MINISTERIO DE COMERCIO E INDUSTRIAS – SUPERINTENDENCIA DE SEGUROS Y REASEGUROS

La suscrita Superintendente de Seguros y Reaseguros a. i., en uso de sus facultades legales y a solicitud de parte interesada,

CERTIFICA:

1. Que NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA., cuenta con un límite especial de cien millones de balboas (B/.100,000,000), para la emisión de fianza de anticipo a nombre de "Consorcio Línea Uno conformado por Constructora Norberto Odebrecht, S. A. y Fomento de Construcciones y Contratas, S. A., a favor del Estado.

I. Características del Riesgo:

Fianza	Pago Anticipado Nº: SU-24
Contratista	"Consorcio Línea Uno conformado por Constructora Norberto Odebrecht, S. A. y Fomento de Construcciones y Contratas, S. A.
Entidad	Ministerio de la Presidencia – Secretaría del Metro de Panamá - Contraloría General de la República
Objeto	Diseño y Construcción de la Línea 1 del Metro de Panamá
Riesgo	Cien millones de Balboas (B/.100,000,000) para la fianza de anticipo

II. Distribución de Cobertura:

A. Contrato de primer y Segundo Excedente	
PARTICIPANTE	**Distribución del Riesgo**
Retención National Union Fire Insurance Company of Pittsburgh, PA.	**B/. 111,457**
Reaseguradores: New Hampshire Insurance Company of Manchester, N. H.	B/.49,650,000
American Home Assurance Company	B/. 50,238,543
Total Participación Reaseguradores	**B/.99,888,543**
TOTAL	**B/. 100,000,000**

III. Hacemos esta Certificación basados en:

- Margen de Solvencia al 31 de diciembre de 2009
- Contratos de Excedente
- Calificación de los reasegurador

Panamá, 26 de noviembre de 2010

KATHERINE ARJONA
Superintendente de Seguros
y Reaseguros a. i.

DR/ulc

Superintendencia de Seguros
y Reaseguros de Panamá
1956

Panamá, 1 de junio de 2010
DSR-0506

Señor
Max A. Stempel
Gerente General
National Union Fire Ins. Co. of Pitts Pa
Ciudad

Estimado señor Stempel:

La Superintendencia de Seguros y Reaseguros ha elaborado el monto de límite automático de aceptación para la emisión de las Fianzas del Estado.

A su empresa le corresponden el siguiente monto:

10% Patrimonio Neto Ajustado al 31-12-09	B/. 111,457
Contrato de Reaseguros	49,650,000
Monto Automático hasta el 31-12-10	B/.49,761,457

Atentamente,

REPUBLICA DE PANAMA SUPERINTENDENCIA DE SEGUROS MINISTERIO DE COMERCIO E INDUSTRIA DIRECCION

LIC. KATHERINE ARJONA
Subdirectora

RV/mcm

CERTIFICAMOS QUE ES
FIEL COPIA DE SU ORIGINAL

Max A. Stempel
REPRESENTANTE AUTORIZADO

STANDARD
&POOR'S

Global Credit Portal
RatingsDirect®

August 16, 2010

American International Group Inc. And Subsidiaries

Primary Credit Analyst:
Kevin Ahern, New York (1) 212-438-7160; kevin_ahern@standardandpoors.com

Secondary Credit Analysts:
Steven Ader, New York (1) 212-438-1447; steven_ader@standardandpoors.com
David M Zuber, New York (1) 212-438-1125; david_zuber@standardandpoors.com

Table Of Contents

American International Group Inc. And Subsidiaries

Major Rating Factors

Strengths:

- Well-diversified cash flows from both property/casualty and life insurance operations.
- Strong franchises, diversified by geographic location, product line, and distribution system.
- Improved strategic focus in the key insurance operations.
- Improving insurance capitalization, bolstered by a de-stacking of noninsurance operations.

Holding Company: American International Group Inc.

Counterparty Credit Rating

A-/Negative/A-1

Operating Companies Covered By This Report

Financial Strength Rating

Local Currency

A+/Negative/--

Weaknesses:

- Continued pressure on profitable growth of general insurance business from adverse pricing conditions and higher-than-historical expense levels.
- Challenges associated with regaining its competitive positioning in the life insurance and retirement segments because of the parent's stand-alone financial profile.

Rationale

The counterparty credit rating on American International Group Inc. (AIG) reflects Standard & Poor's Ratings Services' opinion of the extraordinary support the firm has received from the U.S. government in light of AIG's perceived status as a highly systemically important U.S. financial institution. The rating also reflects our view of the company's 'A+' rated multiline insurance subsidiaries. We expect the government support to continue during AIG's period of stress.

The long-term counterparty credit rating on AIG includes a five-notch uplift from our assessment of the company's stand-alone credit profile and takes into consideration the level of extraordinary support the U.S. government currently provides to the company. AIG's stand-alone credit profile is 'BB', based on our view of the high leverage that funds its capital structure and its dependence on operating-company asset sales to repay its debt. We don't anticipate any increase in this support at this time.

Somewhat offsetting the strengths, in our opinion, are the continued pressure on the profitable growth of AIG's general insurance business because of currently difficult pricing conditions, higher expenses based on its current product mix and premium volume, margin pressure, and ongoing challenges associated with retaining and underwriting profitable business in competitive markets.

We revised our assessment of AIG's stand-alone credit profile to 'BB' from 'BB-' in April 2010, to reflect our view of the company's continued momentum in reestablishing its market presence in multiline insurance through its Chartis and SunAmerica operations, good progress in the unwinding of AIG Financial Products Corp. (AIGFP), and the improved liquidity position of its noninsurance operations. We further believe that AIG's recently announced sale of

American Life Insurance Co. (ALICO) signals that it is making solid progress in its ambitious restructuring plan. The company has announced that it will sell ALICO, which it estimates will raise $15.5 billion in proceeds over the next three years.

The ratings on AIG are also based on what we see as its U.S. insurance subsidiaries' 'A+' stand-alone credit characteristics. Our 'A+' financial strength ratings on most of AIG's insurance subsidiaries reflect our view of their strong franchise, geographic and product-line diversity, and strong management within key insurance businesses. These ratings further reflect the companies' improving capitalization, bolstered by positive statutory operating performance and the recent de-stacking of their noninsurance operations; however, further investment losses in life operations could still pressure results.

Factors Specific To Holding Company

The counterparty credit rating on American International Group Inc. (AIG) reflects the extraordinary external support from the U.S. government resulting from AIG's perceived status as a highly systemically important financial institution. We expect this support to be ongoing during AIG's period of stress. The ratings also reflect our opinion of the credit characteristics of AIG's U.S. insurance subsidiaries, to which we have assigned a stand-alone rating of 'A+'.

The long-term counterparty credit rating on AIG reflects a five-notch uplift from AIG's stand-alone credit profile. In our view, AIG's difficulties are related primarily to its noninsurance unit, AIG Financial Products Corp. (AIGFP). AIG now derives its primary support from the U.S. government, not from its insurance operating subsidiaries. In the late summer and early fall of 2008, it became apparent from AIG's cash flows that the company was experiencing significant liquidity pressure. These problems were related most directly to increased collateral calls on the multisector credit default swap (CDS) portfolio of AIGFP and its securities-lending program. These developments led to accelerating calls on capital, resulting in ratings actions and further stress on AIG's liquidity position. Changes in management followed and--ultimately--Federal Reserve Bank of New York (FRBNY) intervention and the U.S. Treasury Department's support through its Troubled Asset Relief Program (TARP). The support includes the FRBNY lending facility, originally established at $60 billion and having available capacity of $13.3 billion as of June 30, 2010. The U.S. Treasury Department's contributions consist of approximately $49 billion and an additional equity capital facility, originally established at about $30 billion, whose available balance was about $22 billion as of June 30, 2010. These contributions are in the form of preferred equity and were made available through the TARP. In connection with this unprecedented event, AIG agreed to reorganize its operations, accelerate the de-risking and unwinding of certain portfolios, and prepare certain operations for potential sale. While the company has made solid progress, in our opinion, in de-risking and unwinding portfolios and in completing some sales of noncore assets, we believe execution risk remains on completing its restructuring plan.

As of June 30, 2010, the U.S. Treasury Department had contributed approximately $49 billion to AIG and made available an additional commitment of about $22 billion as part of an equity capital facility, on which AIG has drawn approximately $8 billion (original commitment of $30 billion) since June 30, 2009, through the acquisition of preferred shares. If AIG uses this facility fully, the U.S. Treasury Department will have contributed about $70 billion to the company through the issuance of preferred shares. The federal government's total financial commitment to AIG--including asset purchases by special-purpose vehicles (SPVs) funded by the FRBNY--totaled about $182 billion as of March 2010. Standard & Poor's expects that the government's voting interest in AIG will not exceed 79.8% but is likely to decline over time subject to negotiation between AIG and the government. We believe that this support is likely to continue during AIG's period of stress. Assuming the successful execution of the company's planned asset sales over the next few years, we expect that its adjusted debt-to-capital ratio, consisting of hybrid securities, will decrease to approximately 20%, from 34% as of March 31, 2010. This assumes 100% equity treatment of the U.S. Treasury's preferred shares.

As of June 30, the current available capacity under the lending facility from the FRBNY is $13.3 billion in addition to the equity capital facility described above. We expect that this will likely provide the company with the flexibility to continue its asset disposition plan at a more measured pace, which would likely help lower its debt to capital substantially.

Although AIG's operations appear to have stabilized, our outlook on the firm remains negative. While we believe the U.S. government's actions have significantly reduced the risks of a further rapid deterioration in the company's credit profile, we still see some uncertainty in the intermediate term as to the company's ability to improve the stabilization of its insurance businesses. Moreover, execution risk remains, in our view, on AIG's asset disposition program and the unwinding of AIGFP. Notwithstanding these challenges, AIG's core insurance operations remain strong, in our opinion. And although the securities-lending business did incur significant losses, we believe AIG structurally mitigated the potential risks of future losses by establishing Maiden Lane II and III. As a result, we believe that AIG's U.S. insurance operations are generally comparable to companies with a stand-alone rating in the 'A' category.

Liquidity

AIG's liquidity and financial flexibility rely primarily on the existing and continued support of the FRBNY and the U.S. Treasury Department. As of June 2010, AIG had about $13.3 billion available under the FRBNY facility and $22.3 billion under the standby commitment from the U.S. Treasury Department. Aside from some modest insurance dividends, the main source of cash flows is from these available facilities. Historically, AIG has addressed its debt service and principal payment obligations through insurance and noninsurance dividends and distributions. In 2010, its uses of cash are debt interest payments, retirement of debt, and possibly capital contributions to insurance subsidiaries, predominantly the life insurance operations, resulting from the capital pressure associated with investment losses.

Surrenders have moderated significantly in 2009 and 2010 and are now almost in line with historical levels following a significant increase in fourth-quarter 2008, at the height of AIG's uncertainty. In the event of a downgrade, AIG would be contractually obligated to post collateral on the AIGFP book of business. In our opinion, the amount of these collateral calls, in the event of a one-notch downgrade, would likely be moderate relative to that of the collateral calls AIG faced in 2008.

We believe that AIG will continue to support the liquidity of International Lease Finance Corp. (ILFC) and American General Finance Inc. (AGF) if these units cannot raise financing through general commercial means. During the first four months of 2010, ILFC and AGF made excellent progress, in our opinion, toward addressing their liquidity needs. During March and April, ILFC significantly increased its liquidity position through a combination of new secured and unsecured debt issuances of approximately $4.0 billion and an extension of the maturity date on $2.16 billion of its $2.5 billion revolving credit facility to October 2012 from October 2011. Also, in April 2010, ILFC signed an agreement to sell 53 aircraft with an aggregate book value of approximately $2.3 billion, and this will likely generate approximately $2.0 billion in gross proceeds during 2010.

AGF has significantly enhanced its liquidity position through several actions. The firm received cash proceeds of more than $500 million from a $1.0 billion asset securitization in March and executed and drew down fully a $3.0 billion secured term loan transaction in April. AGF used a portion of the proceeds from these transactions, cash on hand, and proceeds from AIG's repayment of two demand promissory notes to repay all of its outstanding obligations under its $2.45 billion one-year term loans in March 2010 and its $2.13 billion five-year revolving credit facility in April 2010--both of which were due in July 2010.

Assuming a successful execution of noncore asset sales over the next few years, we expect AIG's adjusted debt-to-capital ratio will likely decline from its current 34% to less than about 20%, which is in line with similarly rated insurance holding companies. As part of the 2009 recapitalization plan, the U.S. Treasury Department extended a $30 billion equity capital facility, on which up to $22.3 billion of capital remained available as of June 30, 2010. The series F preferred stock issued in exchange for this facility had a liquidation preference of $0 initially, to be increased pro rata by the amount drawn down under the facility.

Business profile

AIG is a holding company with diverse operations, dominated by a broad range of global insurance products and services, and--going forward, to a very small extent--financial and investment products and services. We expect that the holding company will narrow its strategic focus to its global insurance operations because of its need to sell noncore assets to repay the FRBNY and the U.S. Treasury Department.

General Insurance operations provide nearly all lines of commercial property/casualty (P/C) insurance and certain personal lines, including accident and health, both domestically and internationally. Life Insurance and Retirement Services offers life insurance, and annuity and other financial and investment products, in the U.S. and Japan. Financial Services gets involved in a variety of activities, including aircraft and equipment leasing and capital markets.

Key business segments

Insurance operations. General Insurance is AIG's largest operating segment. The company has one of the few truly global franchises in this area, with material scale in both capital and underwriting. The global operations include the largest U.S. underwriters of commercial and industrial insurance and the world's most extensive P/C network. Once AIG's asset dispositions are complete, we expect that this operating segment will generate the majority of the cash flow for the holding company. However, because of a number of market fundamentals, we believe that historical growth in these operations will slow, even though the breadth and scope of AIG's General Insurance will likely remain formidable.

On March 31, 2010, AIG, through its Chartis International subsidiary, purchased additional voting shares in Fuji Fire & Marine Insurance Co. Ltd., a publicly traded Japanese insurance company with general insurance and some life insurance operations. The acquisition of the additional voting shares for $145 million increased Chartis' total voting ownership interest in Fuji from to 54.8% from 41.7%, resulting in Chartis obtaining control of Fuji. This acquisition was made to maintain Chartis' share in the substantial Japanese market, which is undergoing significant consolidation. Prospectively, and partially because of the additional shares in Fuji, Chartis' international operations are expected to shift more toward the personal lines business.

Total life and retirement services. This segment currently consists of U.S. life and retirement services, American International Assurance Co. Ltd. (AIA), American Life Insurance Co. (ALICO), and AIG's life insurance operations in Japan--AIG Edison Life and AIG Star Life.

The U.S. life and retirement services operations offer a broad range of protection products, including individual and group life, health and disability products, and various annuity products. It sells these through independent producers, career agents, and direct-marketing channels. Assets under management, at $236 billion as of March 31, 2010, increased 16% from the same period in 2009, reflecting the strong recovery in the equity markets. Net flows, while still negative, have improved significantly throughout 2009 and 2010 as headline risk issues have subsided somewhat.

In the U.S., the operations are, in our opinion, well diversified in product offerings in various life insurance and retirement products sold through multiple distribution systems. Historically, the U.S. operations have successfully leveraged the effective brands of American General, American General Life and Accident (AGLA), Variable Annuity Life Insurance Co. (VALIC), Western National Life, and SunAmerica.

AIG has other significant life insurance operations in Japan--its AIG Star and Edison operations. Much of the recent annuity sales growth in Japan has been in U.S.-dollar-denominated products, leveraging AIG's product expertise and the recent attractiveness of U.S. interest rates relative to Japan's.

In 2009, AIG entered into an agreement with FRBNY, pursuant to which AIG contributed the equity of each of AIA and ALICO to separate SPVs in consideration for preferred and common interest in the SPVs.

In March 2010, AIG announced agreements to sell AIA and ALICO to Prudential PLC and MetLife Inc., respectively. Total announced proceeds were $51 billion. Upon successful execution of the transactions, FRBNY would receive preferred interests in the AIA SPV of $16 billion and in the ALICO SPV of $9 billion. The remaining cash and stock proceeds are to be used to pay down the outstanding FRBNY facility balance.

However, in June 2010, AIG terminated its purchase agreement with Prudential PLC for AIA. We consider this development to be a setback in AIG's overall restructuring plan to reduce outstanding indebtedness to the FRBNY and exit from the preferred stock owned by the U.S. Treasury Department under the TARP. Nonetheless, the sale termination did not affect the ratings and outlook on AIG, because in our view AIG still maintains some flexibility to monetize AIA, and its overall credit risk characteristics so far remain unchanged. We believe the sale of AIA will now take longer than AIG previously anticipated and that it poses increased execution risk because of the volatile conditions in the capital and equity markets.

Financial services operations. AIG's Financial Services subsidiaries engage in diverse activities, including aircraft leasing, capital markets, and consumer finance. The largest earnings contributor is ILFC, the world's second-largest provider of leased commercial aircraft. ILFC currently leases only about 10% of its aircraft to U.S. airlines, focusing primarily on high-growth Asian markets, and it has sought to maintain a modern fleet through effective acquisitions and divestitures.

Another area of the Financial Services segment is AIG's Capital Markets, which comprises the global operations of AIGFP and its subsidiaries. These include its French banking subsidiary, Banque AIG, which also operates through a branch in London; its finance subsidiary, AIG Matched Funding Corp.; and its U.S. broker-dealer, AIG Financial Securities Corp.

Because of the substantial negative equity impact of its CDS portfolio, AIGFP began unwinding its businesses and portfolios in fourth-quarter 2008, and these activities will likely continue beyond 2010. AIGFP continues to reduce the notional amount of its derivatives portfolio, which was $755 billion as of March 31, 2010, 20% lower than at year-end 2009. The remaining portfolio consists primarily of interest rate products. AIG reduced the notional amount of multisector CDS by 85% through Maiden Lane III LLC (ML III), which funded, in November 2008, the purchase of multisector collateralized debt obligations (CDOs) underlying or related to CDS written by AIGFP in connection with the termination of such CDS, in fourth-quarter 2008, effectively mitigating in our view the underlying risks associated with these exposures.

Financial profile. Our rating on AIG, which represents a five-notch uplift from AIG's stand-alone credit profile, reflects the extraordinary external support to AIG from the U.S. government (about $182 billion) resulting from AIG's perceived status as a highly systemically important financial institution.

During first-quarter 2010, AIG's operating subsidiaries stabilized further, in our opinion, producing $1.7 billion in pretax operating income despite $481 million in catastrophe losses at Chartis. Operating results continue to benefit from the improvement in the capital markets and contracting credit spreads, resulting in stabilizing impairments and realized capital losses for the period. Although future investment losses are possible given current market conditions, we believe the U.S. government's actions have reduced material exposures, such as the guarantees on the multisector CDO portfolio and securities-lending asset/liability mismatch.

For the quarter ended Dec. 31, 2009, AIG reported an after-tax net gain of $2.6 billion, excluding a one-time $2.3 billion reserve strengthening, reflecting a 12% decrease from third-quarter 2009. The decline resulted from increased losses at Chartis, specifically within the international division. The overall improvement in 2009 primarily reflects favorable trends within the financial markets that contributed to lower investment losses and the general improvement in mark-to-market results across all segment operations. However, the financing cost of the combined government facilities and continued deteriorating operating results in AIG's mortgage insurance operations restrained overall results. Operating insurance earnings, though pressured, have improved so far in 2010, and we view them as strong and diversified. Future investment losses, such as those on commercial mortgage-backed securities (CMBS), are likely in the current market conditions.

Nonetheless, we believe material exposures--such as the guarantees on the multisector CDS portfolio and securities-lending asset/liability mismatch--have decreased because of the Maiden Lane II LLC (ML II) and ML III transactions. In December 2008, certain AIG wholly owned life insurance companies sold all of their undivided interests in a pool of $39.3 billion face amount of residential mortgage-backed securities (RMBS) to ML II.

We consider AIG's operating insurance earnings, though pressured, to be strong and diversified. We continue to monitor AIG's ability to retain business and underwrite profitable new business in its commercial and life insurance segments.

Table 1

American International Group Inc. (Holding Company)/Financial Statistics

	--Year ended Dec. 31--				
	2009	2008	2007	2006	2005
Debt to capital (%)	61.6	67.4	61.3	65.4	55.2
Adjusted debt to capital (%)	23.6	42.3	13.4	13.6	9.0
Adjusted debt plus preferred to capital (%)	35.1	51.3	19.0	14.8	10.7
GAAP adjusted interest coverage (x)	N.M.	N.M.	31.8	31.7	47.9
GAAP adjusted fixed-charge coverage (%)	N.M.	N.M.	19.0	27.6	34.2

Outlook

Our negative outlook on the parent company reflects our negative view of the ongoing operational risk associated with AIG's divestiture of noncore assets and the risk related to the government's continuing willingness and ability to provide extraordinary support to AIG if needed. If AIG's operating performance does not improve to a level approaching its historical performance, considering what we see as its strong but diminished competitive position, we anticipate that we could lower the rating by one notch. However, if operating performance returns to historical levels and capitalization remains consistent or improves, we could revise the outlook to stable.

Competitive Position: Strong, Despite Strain Of Recent Adverse Events

The insurance operations of American International Group Inc. (AIG) maintain, in our opinion, a strong franchise, diversified by geographic location and product line in both the general and life insurance operations, based on scale and underwriting capabilities. General Insurance is AIG's largest operating segment, constituting one of the few truly global franchises in this area, with material scale in both capital and underwriting expertise. AIG has historically leveraged its competitive cost structure into a very strong competitive position, anchored by the ability and expertise to profitably provide risk coverages that many other companies shy away from, either because of the risk itself or the size of the line.

Table 2

American International Group Inc. (Consolidated)/Selected Statistics

	--Year ended Dec. 31--				
(Mil. $)	**2009**	**2008**	**2007**	**2006**	**2005**
Total assets (including separate accounts)	847,585.0	860,418.0	1,048,361.0	979,410.0	853,048.0
Pretax operating income	(8,212.0)	(24,675.0)	24,007.0	21,581.0	14,872.0

Table 3

American International Group Inc. (Consolidated)/Business Statistics

	--Year ended Dec. 31--				
(Mil. $)	**2009**	**2008**	**2007**	**2006**	**2005**
Gross premiums written	66,024.0	93,955.0	92,425.0	87,046.0	82,226.0
Year-over-year change (%)	(29.7)	1.7	6.2	5.9	2.5
Net premiums written	56,127.0	82,529.0	80,694.0	75,632.0	71,373.0
Reinsurance utilization ratio (%) (ceded premiums/gross premiums)	15.0	12.2	12.7	13.1	13.2
Life insurance					
GAAP premiums	28,101.0	37,295.0	33,627.0	30,766.0	29,501.0
Year-over-year change (%)	(24.7)	10.9	9.3	4.3	4.7
Deposits	22,349.0	51,075.0	57,769.0	50,241.0	46,221.0
Property/casualty insurance					
Gross premiums written	40,561.0	56,660.0	58,798.0	56,280.0	52,725.0
Year-over-year change (%)	(28.4)	(3.6)	4.5	6.7	1.3
Net premiums written	30,664.0	45,234.0	47,067.0	44,866.0	41,872.0

Table 3

American International Group Inc. (Consolidated)/Business Statistics (cont.)					
Financial services					
Pretax operating income	517.0	(40,821.0)	(9,515.0)	383.0	4,424.0
Year-over-year change (%)	N.M.	N.M.	N.M.	(91.3)	107.6
Asset management					
Total revenues	N/A	(4,526.0)	5,625.0	4,543.0	4,582.0
Year-over-year change (%)	N.M.	(180.5)	23.8	(0.9)	8.1

N/A--Not applicable. N.M.--Not meaningful.

Chartis enjoys what we consider to be a strong, global P/C franchise that is diversified by geographic location and product, with material scale in capital and underwriting expertise. For the quarter ended March 31, 2010, Chartis' net premiums written were down 1% compared with the same period a year earlier and increased 10% from fourth-quarter 2009. These trends indicate a stabilizing competitive position, in our view.

The group's life insurance and retirement services operations include both U.S. and international businesses. The U.S. life and retirement services operations provide a number of insurance and investment products, including whole, universal, and term life insurance, and fixed and variable annuities. The company sells these through a variety of distribution channels, including independent producers, career agents, direct-marketing channels, and financial institutions. Assets under management, at $236 billion as of March 31, 2010, increased 16% from the same period in 2009, reflecting the strong recovery in the equity markets.

Chartis U.S.

Chartis U.S., formerly known as AIG Commercial Insurance, has a long tradition of providing innovative coverages in situations in which highly specialized risks reach industry capacity. As evidenced by the continued success of its Lexington excess and surplus (E&S) lines division, product innovation and successful targeting of customer segments are a consistent factor in sustaining Chartis' formidable competitive presence.

This culture continued to fuel profitable growth in select segments. Accident and health (A&H) was up 15% relative to 2007, and multinational P/C was up 3% despite challenging industry and Chartis-specific conditions. Leading companies within Chartis U.S. include National Union Fire Insurance Co. of Pittsburgh, American Home Assurance Co., and Lexington Insurance Co. Key lines of business based on a percentage of first-quarter 2010 gross premiums written include property (17%), general and auto liability (16%), workers' compensation (14%), commercial umbrella/excess (8%), management and professional liability (8%), A&H (8%), multinational P/C (7%), programs (6%), environmental (3%), aviation (2%), private-client personal lines business (6%), and other (8%).

For the quarter ended March 31, net premiums written were $3.8 billion, a decline of 10% for both the same period in 2009 and fourth-quarter 2009. This reduction is consistent with the overall 2009 trend, stemming largely from continued underwriting discipline, primarily in workers' compensation, in the face of declining premium rates. Also, the effect on certain segments of lower employment and, to a lesser extent, the weakening U.S. economy, hurt premiums.

Chartis U.S. produced $18.4 billion of net premiums written in 2009, compared with $21.2 billion of net premiums written in 2008 and $24.1 billion in 2007. Compared with 2007, 2009 net premiums fell by $5.7 billion, with $2.0 billion of this decline coming from U.S. workers' compensation. This reduction is consistent with current trends resulting primarily from underwriting discipline in the face of declining premium rates and, to a lesser extent, the weakening U.S. economy. Although the economy and declining premium rates had more of an impact on the decline in many lines of business, a material proportion of the decline in the management/professional liability line ($613 million) and in commercial umbrella/excess ($933 million) was likely driven by a diminished competitive position borne from highly publicized AIG issues. Overall net written premium production, excluding these pressured lines and specialty workers' compensation, was down and industry consistent, by 13% compared with 2007, demonstrating that the competitive pressures, though intense, were primarily focused on a few, though significant, lines of business.

Although Lexington has sustained its industry-leading presence in the E&S business to-date, the defections of senior-level management to competitors in late 2008 pressured its competitive presence. Key departures include Kevin Kelly, former Lexington head; Shaun Kelly, former Lexington president; Geoff Smith, former president of AIG Cat Excess Liability; and Linda McLaughlin, former vice president of Lexington's products liability division.

Chartis International

Chartis International (formerly known as Foreign General Insurance) contributed $12.3 billion of net written premiums (40% of Chartis' net premium volume) for 2009. For the quarter ended March 31, 2010, net premiums written of $3.9 billion increased 9% compared with the same period of 2009 and 43% from fourth-quarter 2009. Foreign-currency rate benefits and improving business conditions were the primary factors for the strong increase. These increases were most visible in the A&H and specialty lines.

In 2009, although net premiums had declined by 15% since 2008, 7.3% was related to the sale of the Brazilian operations in 2008 and 3.5% came from changes in foreign-currency rates. The remaining 4% decline resulted from general economic conditions and the adverse impact of negative publicity regarding AIG in 2009. Although Chartis International has experienced much less of an adverse impact from highly publicized AIG issues, the impact is more significant in certain confidence-sensitive lines and regions, such as Germany. Chartis International underwrites risks primarily through American International Underwriters, a marketing unit consisting of various wholly owned agencies and insurance companies and other foreign-based insurance subsidiaries.

The segment is globally diversified, with greater focus on commercial lines in Europe and personal lines in Asia-Pacific. Chartis International was diversified by geography, based on gross premiums written, as of March 2010: the U.K. 36%, Europe 29%, the Far East 13%, Asia/Australia 7%, Central and South America 12%, and Africa 3%. It was also diversified by product line: 26% marine and energy, 16% specialty, 15% A&H, 13% casualty, 9% personal lines, 6% property, 5% Lloyds, and 10% other.

Historically very strong-to-extremely strong results--as demonstrated by an average combined ratio of well below 90% for the five years ended 2009--further support our strong and favorable view of Chartis International's competitive position.

SunAmerica Financial Group

The U.S. life and retirement services operations offer a broad range of protection products including individual and group life, health and disability products, and various annuity products. These are sold through independent producers, career agents, and direct-marketing channels. Net flows, though still negative, have improved significantly throughout 2009 and 2010 as AIG's headline risk issues appear to have subsided somewhat.

The primary contributors to the U.S. life insurance and retirement services operations are American General, American General Life and Accident (AGLA), Variable Annuity Life Insurance Co. (VALIC), Western National Life, and SunAmerica. We continue to believe that volatile investment markets and the negative publicity surrounding the parent company, resulting in depressed sales and a general weakening of the life operations' competitive profile, might hurt these business segments. Nonetheless, the company still maintains top-10 positions in many of the markets in which it competes. Prospectively, we expect that volatile investment markets, lower ratings, and the overhang of the negative publicity surrounding the parent company will continue to pressure sales.

For the period ending March 31, 2010, total premiums and other considerations of $4.7 billion in Domestic Life Insurance & Retirement Services (DL&RS) represented a decline of 7% compared with the same period in 2009 and decreased 10% compared with fourth-quarter 2009.

Within each segment, domestic life premiums and other considerations were down 10%, to $1.3 billion, compared with the same period in 2009, and increased 3% compared with fourth-quarter 2009. The existing challenge of increasing life insurance sales given the continued overhang of AIG-related concerns within distribution systems was evidenced by a 34% decline in new life insurance sales during the first three months of 2010 compared with the same period in 2009. Despite this year-over-year trend, new life insurance sales improved 9% since fourth-quarter 2009, reflecting some regained momentum.

For the retirement services' segment, total premiums and considerations of $3.4 billion represented a decrease of 5% compared with the same period of 2009 and declined 15% compared with fourth-quarter 2009. Net flows, though still negative, continued to improve as surrenders in various segments, including variable annuities, fixed annuities, and group, slowed from 2009. Annuity deposits decreased 7% during the first three months of 2010 compared with the same period of 2009 and were down 18% from fourth-quarter 2009. This declining trend reflected low interest rates and narrow credit spreads in the first quarter.

The primary contributors to foreign life insurance and retirement services operations are American Life Insurance Co. (ALICO), American International Assurance Co. Ltd. (AIA), and American International Assurance Co. (Bermuda) Ltd. Both ALICO and AIA are major components of AIG's overall restructuring plan and are likely to be fully or partially divested in the near term. The continuing operations of AIG's international life businesses reside in AIG Star and AIG Edison, midsize Japanese life insurance units.

For the period ended March 31, 2010, new annualized premiums in the continuing Japanese operations, on a constant-exchange-rate basis, increased 16% compared with the same period of 2009, reflecting good diversification in life insurance, medical, and annuity products.

Prospective

We expect that the remaining global general insurance businesses will maintain a solid competitive position in their chosen markets. Chartis U.S.' net premium volume will likely stay flat overall, with modest, mid-single-digit growth in A&H, offsetting declines in the casualty businesses.

Chartis International's business net premium volume will likely be markedly higher, fueled by the acquisition of Fuji in Japan. The remainder of the growth, in the low-to-mid single digits excluding currency movements, will probably come from organic initiatives amid improved economic and competitive conditions.

We expect that the company's U.S. life insurance sales will grow moderately on a consecutive quarter-over-quarter basis, reflecting a general improvement from the negative trends of 2009. We further expect net flows in the group's retirement business to stabilize, reflecting modest improvement in deposits as surrenders slow.

Management And Corporate Strategy: Divesting And Streamlining, For A Narrower Focus

On Aug. 3, 2009, AIG announced that its board of directors had elected Robert H. Benmosche as president and CEO. Mr. Benmosche assumed his new role on Aug. 10, 2009, with the retirement of chairman and CEO Edward M. Liddy. Mr. Benmosche is a well-seasoned insurance executive and had strong success, in our view, during his tenure at MetLife Inc., having led MetLife's transition to a public company from a mutual in 2000. To-date, he has made an effective transition into the CEO role, in our opinion. Prospectively, successful execution in a number of strategic areas--primarily asset dispositions and rebranding, and continued operational progress in the insurance operations, in a timely manner--will be critical, in our opinion.

We view the announced sale of ALICO and planned monetization of AIA as early successes.

In 2010 and beyond, we expect that AIG and its insurance operations will continue to narrow their strategic positioning to focus on their competitive advantage in certain markets and products. In previous years, AIG has grown significantly, contributing, in our view, to a lack of business focus and a higher tolerance for financial risk. We believe the insurance operations are likely to become more streamlined, with a primary focus on the U.S. and foreign general insurance, and U.S. and Japanese life insurance and retirement, segments. Underwriting controls have contributed to strong operating performance in the P/C operations. Management has a good track record in the global P/C market, and we believe retaining this management is important for ongoing success.

Financial management

Historically, the company has taken on relatively high risk--principally at American International Group Financial Products Corp. (AIGFP) and in its securities-lending program--to enhance income under generally accepted accounting principles (GAAP). In our view, AIG did not successfully aggregate these risk exposures, and they contributed to aggressive risk tolerance and losses. Prospectively, we believe that, with fewer consolidated businesses, the remaining operations will probably benefit from an increase in risk management oversight. Within its insurance operations, the group manages capitalization conservatively, in our opinion, with risk-based capital (RBC) commensurate with Standard & Poor's 'AA' rating level and a National Association of Insurance Commissioners (NAIC) RBC level in excess of 300%. Within the life operations, the incremental asset stress has historically pressured the company's capitalization; we currently consider this as being within the 'A' range.

Prospectively, after restructuring, and considering successful asset dispositions, management has indicated it is committed to a debt-to-capital structure in the 20% area, supporting the current public 'A-' rating, which takes into consideration government support. Further, management expects to manage its overall insurance capitalization in a manner consistent with the 'AA' area, for global general and life insurance.

In our opinion, the consolidated insurance investment portfolio is diversified and of high quality. AIG continues to be organized along a profit center structure that doesn't necessarily correspond to corporate legal entities. Profit centers can issue insurance through all legal entities, subject to licensing and other regulatory rules. We expect that the profit centers will generate an underwriting profit to achieve the corporate goal of providing returns within a very competitive range. The corporate structure has facilitated the development of management talent by giving each profit center's senior management team the necessary autonomy to make operating decisions and create the products and coverages that its targeted customer base needs. Distinction in service is an additional area of focus and has the potential, we believe, to set the organization apart from its competitors.

Enterprise Risk Management: Weak, Though Improving In Key Areas

Although certain parts of AIG might manage risks adequately, we view the firm's aggregate enterprise risk management (ERM) as weak. This assessment stems from what we see as the company's weak risk controls in certain key segments, a lack of articulated risk tolerances in these segments, and weak strategic risk management. As a result of its weak ERM, AIG has had--and could continue to experience--losses outside of its tolerances for some major risks at noncore operating companies. Somewhat offsetting these weaknesses are what we consider to be strong capabilities in its insurance risk-bearing operations in insurance underwriting, credit risk, and pricing. This assessment reflects our view of a program and culture that we believe cannot consistently control all of an insurer's major risks. In our opinion, control processes are incomplete for one or more major risks, and the insurer has limited ability to fully identify, measure, or manage some major risk exposures.

A good example of this has been the group's high risk tolerance in subprime- and other mortgage-related exposure within AIG's financial products and securities lending, in which AIG experienced significant losses in 2008 as liquidity within the capital markets, particularly relating to its subprime- and mortgage-related exposure, triggered collateral and liquidity calls in these segments. We believe the firm's weak risk management culture reflects an unclear position on risk tolerance and a limited view of an aggregate level of enterprise risks.

Recently, management has begun to address the weaknesses in its ERM program by establishing an improved governance structure. Standard & Poor's will continue to review the evolution of this new structure and its effectiveness as AIG makes decisions regarding risk limits, monitoring, and controls. It specifies risk tolerances for many of its risk silos, such as underwriting and credit risk. Credit and counterparty risks have strong controls, in our view. The company manages its credit risks centrally, aggregating them across all operating companies. However, concentration measures related to subprime- and mortgage-related exposures were less advanced and led to significant and unprecedented valuation losses in the company's multisector CDS and securities-lending program. In our opinion, AIG currently has a strong internal credit rating system that it continues to enhance. Robust modeling and strict limit adherence are in place to help understand, monitor, and control credit risks.

Accounting

In our analysis, we eliminate nonguaranteed debt, guaranteed investment agreements, and other match-funded debt from total debt because we consider these to be operational leverage resulting from financial intermediation. Financial intermediation is the process by which insurance companies and their financial product affiliates offer various types of investment vehicles, specifically to provide funding for financial assets as a business opportunity. Financial intermediation creates spread income by allowing companies to take advantage of investment rates that exceed their funding costs. The adjusted financial leverage ratio was 34% as of March 31, 2010. Adjusted leverage excludes operating leverage but includes hybrid securities. AIG maintained a pure capital debt-to-capital ratio of 22% as of March 31. This assumes 100% equity credit for the U.S. Treasury's TARP preferred stock. We assume that the TARP preferred will convert to common equity.

Some of AIG's segments--particularly financial services--engage in derivatives activities that are marked to market in GAAP income under Financial Accounting Standards (FAS) No. 133. Much of this activity reflects economic hedges that do not qualify under GAAP for hedge accounting treatment, causing periodic earnings volatility because of differences in the timing of revenue recognition between the derivatives and the assets and liabilities they are hedging. For that reason, Standard & Poor's generally excludes the impact of FAS 133 in its evaluation of AIG's operating performance.

Operating Performance: Still Strong, On Scale And Solid Underwriting Fundamentals

In our opinion, the operating performance of the consolidated U.S. insurance operations is strong, supported by solid underwriting fundamentals and strong economies of scale. However, the currently volatile investment markets' effect on net investment income, and lower revenues, have offset this strength, in our opinion.

Table 4

American International Group Inc. (Consolidated)/Summary Operating Statistics

	--Year ended Dec. 31--				
(Mil. $)	2009	2008	2007	2006	2005
Total revenue	101,440.0	95,190.0	125,128.0	113,281.0	108,440.0
Pretax operating income	(8,212.0)	(24,675.0)	24,007.0	21,581.0	14,872.0
Net operating income	(6,334.0)	(16,301.0)	22,552.0	15,044.0	10,614.0
Net income	(12,244.0)	(99,289.0)	6,200.0	14,048.0	10,477.0
Return on revenue--insurance (pretax) (%)	(8.1)	(25.9)	19.2	19.1	13.7
Return on equity (posttax)(%)	(19.1)	(133.7)	6.0	15.3	12.3
Return on assets (pretax) (%)	(1.0)	(2.6)	2.4	2.4	1.8

Table 5

American International Group Inc. (Property/Casualty Only)/Operating Statistics

	--Year ended Dec. 31--				
(%)	2009	2008	2007	2006	2005
Loss ratio	78.6	76.9	65.6	64.6	81.1
Expense ratio	29.4	32.2	24.5	24.7	23.6
Combined ratio	108.0	109.1	90.1	89.3	104.7
Operating ratio	2.2	(1.6)	23.3	23.8	5.2
Net investment income to net premiums earned	10.2	7.5	13.4	13.1	9.9

In 2009, the group generated $2.4 billion in GAAP pretax operating income (excluding realized losses) as a result of improved investment markets and strong underwriting fundamentals. Assets under management totaled $231 billion as of Dec. 31, 2009, up 8% from 2008 because of the strong recovery in the equity markets. Net flows, though still negative, improved throughout 2009 as headline risk issues subsided somewhat.

For the quarter ended Dec. 31, 2009, AIG reported an after-tax net gain of $2.6 billion, excluding a one-time $2.3 billion reserve strengthening--a 12% decrease from third-quarter 2009. The decline reflects adverse prior-year loss development at Chartis, specifically in the U.S. division. This was related primarily to two long-tailed casualty lines of business, mainly for accident years 2002 and prior. The overall improvement in 2009 results primarily reflects favorable trends in the financial markets that contributed to lower investment losses and a general improvement in mark-to-market results across all segment operations. Operating insurance earnings, though pressured, have improved in 2009, and we view them as strong and diversified.

For the quarter ended March 31, 2010, AIG's pretax operating income (excluding realized capital gains/losses) of $1.7 billion reflected a significant increase from its pretax operating loss of $182 million at March 31, 2009. Although the general insurance and financial services segments improved the group's overall earnings, consolidated results rode a strong increase in domestic life insurance and retirement services, improving primarily in net investment income.

Chartis consolidated

For the quarter ended March 31, 2010, Chartis' GAAP pretax operating income (excluding realized capital gains/losses) of $879 million represented an increase of 24% compared with the same period of 2009 and a significant improvement from a pretax operating loss of $1.6 billion in fourth-quarter 2009. A combined ratio of 102.5% and 96.2% (excluding catastrophe losses) in first-quarter 2010 was relatively stable compared with the 96.7% a year earlier, when excluding catastrophe losses. The increase in the loss ratio was as a result of higher catastrophe losses in 2010 driven by a $310 million loss from the earthquake in Chile, $119 million in losses from two severe windstorms in the Northeast U.S., and $52 million from flooding in Portugal. The expense ratio increased by 4 percentage points, primarily because of a decline in earned premiums and a rise in expenses--mainly pension costs and higher transition and financial remediation costs and the effects of premium rate decreases and adverse loss trends.

In 2009, operating performance was worse and below the rating level (a 108% combined ratio including less than 1 percentage point of catastrophe losses) compared with 2008 (a 101.9% combined ratio including 4.5 percentage points of catastrophe losses). Nonetheless, our strong overall operating performance assessment rests on what we consider to be a very strong track record of underwriting results (for 90.3% and 89.1% combined ratios in 2007 and 2006, respectively). Although we believe soft market conditions, in combination with a weakened competitive position, will likely preclude the resumption of very strong operating performance, we expect performance will likely rebound to a strong level.

Chartis U.S.

For the quarter ended March 31, 2010, Chartis' GAAP pretax operating income (excluding realized capital gains/losses) of $733 million represented a very strong 163% of that reported in the same period of 2009 and reflected a significant improvement from a pretax operating loss of $1.4 billion in fourth-quarter 2009. A combined ratio of 102.4% and 98.5% (excluding catastrophe losses) in first-quarter 2010 was relatively consistent compared with the 2009 level of 100.4% when excluding catastrophe losses. The increase in the loss ratio was a result of higher catastrophe losses in 2010, driven primarily by $177 million in combined losses from two severe windstorms in the Northeast U.S., the earthquake in Chile, and the effects of premium rate decreases and adverse changes in loss trends. The segment's expense ratio increased 4 percentage points, primarily because of a decline in earned premiums and higher expenses, driven by pension costs and higher transition and financial remediation costs.

Chartis U.S.' 2009 results (a 113% combined ratio) were hurt by $2.8 billion of prior-year loss development, which contributed 14 percentage points to the combined ratio. Absent that development, the accident-year combined ratio (99%) was strong, given the weakened economy and the soft point in the cyclical underwriting cycle.

Although operating expenses were flat with 2007 levels, a marked decline in premium volume (24% written, 17% earned) caused the expense ratio to fall to 21.4% in 2009 from 17.7% in 2007. We expect the expense ratio will deteriorate further, to 24% in 2010, because of necessary infrastructure expenses, but overall expenses remain a key operating strength in our opinion.

Chartis International

For the quarter ended March 31, 2010, Chartis' GAAP pretax operating income (excluding realized capital gains/losses) of $146 million represented a decrease of 66% compared with the same period of 2009 and improved from a pretax operating loss of $457 million in fourth-quarter 2009. A combined ratio of 102.6% and 92.8% in first-quarter 2010 increased from 90.3% in 2009, excluding catastrophe losses. The increase in the loss ratio resulted from higher catastrophe losses in 2010 driven by losses from the earthquake in Chile and flooding in Portugal. The expense ratio increased 4 percentage points, primarily on a decline in earned premiums and higher expenses, driven by higher general operating expenses and acquisition costs.

Chartis International's 2009 results (a 100.2% combined ratio) were markedly lower than the very strong results booked in recent years (93%, 86%, and 83% in 2008, 2007, and 2006, respectively), with the decline driven by $412 million in credit crisis claims (3 percentage points), restructuring charges, certain costs associated with bad-debt-related expenses, and pension costs. Continued rate pressure and financial lines losses, in combination with the lower profitability of the Fuji Japanese personal lines business, will likely preclude an immediate rebound to the very strong-to-extremely strong profit levels of the past decade.

SunAmerica Financial Group

For the quarter ended March 31, 2010, GAAP pretax operating income of $1.1 billion was a significant increase compared with the same period in 2009 and reflected a 9% improvement from a pretax operating income of $1.0 billion in fourth-quarter 2009. The significant increase in operating earnings in 2010 from 2009's operating loss of $160 million related to positive investment results, as demonstrated by an increase in net investment income. Reserve strengthening and deferred acquisition costs acceleration drove negative results in 2009. These events did not occur in 2010. The negative trends in 2009 were the result of lower return assumptions in certain retirement products based on increased volatility in the equity markets.

Within each segment, domestic life pretax operating income of $367 million increased 115% compared with the same period in 2009, and decreased 8% compared with fourth-quarter 2009. The increase in 2010 compared with 2009 reflected an improvement in net investment income on an increase in partnership income.

Domestic retirement services' pretax operating income of $756 million increased from a pretax operating loss of $343 million from the same period in 2009. The current-quarter result represented an increase of 19% compared with the $637 million of fourth-quarter 2009. The increase in 2010 compared with 2009 reflected an improvement in net investment income on an increase in partnership income. Favorable mortality experience also contributed to this increase.

The significant increase in operating earnings in 2010 from 2009 related to positive investment results, as demonstrated by an increase in net investment income. Reserve strengthening and deferred acquisition costs acceleration drove negative results in 2009, as noted above.

Within the foreign life insurance segment--the Japanese operations--pretax operating income declined 39% during the first three months of 2010 compared with the same period in 2009. The decline reflected higher acquisition costs and lower in-force business.

Prospective

We expect that AIG will keep exhibiting strong earnings performance but that growth will be limited. General insurance performance will likely result in a combined ratio of 95% to 100% in 2010, depending on catastrophe activity. In 2010, we expect the combined ratio for Chartis U.S. will come in at slightly more than 100%; for Chartis International, we believe profit will likely rebound to a strong level in 2010, with a combined ratio in the mid-90s.

Overall performance depends somewhat on the financial markets. This is true primarily in the life insurance operations and their impact on net investment income, given AIG's dependence on improving private-equity distributions, fee-based revenue, and sensitivity to acceleration of deferred acquisition costs. Under modestly improving financial markets, life insurance GAAP pretax operating earnings should increase at least 5% in 2010.

Investments And Liquidity: A Well-Managed Portfolio And Adequate Coverage

We consider AIG's consolidated general account investment portfolio to be well managed, reflecting strong diversification by asset type, minimal counterparty concentration, and high-quality investments. The firm's consolidated corporate bond holdings are diversified by issuer and sector, reflecting a preference for highly regulated industries such as financial institutions and utilities.

We consider the fixed-income portfolio to be good quality, with 72% of securities rated 'A' or higher and a growing level of 11% of fixed-income securities in speculative-grade securities as of March 31, 2010. Sector breakdown reflects a larger percentage of fixed-income holdings in highly regulated sectors, with financial institutions representing 35% of the portfolio, down from 38% as of Dec. 31, 2009, and utilities representing 16%.

Structured securities in the insurance operations consist mainly of RMBS and CMBS. The consolidated RMBS portfolio is of modest quality in our opinion and reflected 6% of total invested assets as of March 31, 2010, with 64% of its holdings in 'AAA' rated securities and 50% of its holdings issued in 2005 and earlier. Approximately half of the total RMBS exposure is in agency-backed securities, with the remaining made up primarily of prime nonagency and Alt-A securities. Amid ongoing stress in the residential real estate market, ratings migration has affected the portfolio with Alt-A exposure, bringing 59% of the amortized cost of Alt-A securities and 35% of prime non-agency-backed securities to below investment grade.

The SunAmerica Financial Group has above-average exposure to CMBS. Although, as a percentage of the overall investment portfolio, it is not outsized relative to that of the industry, in our view the underlying characteristics of the portfolio indicate that SunAmerica will likely experience greater economic losses than peers. A 45% share of the portfolio is invested in transactions originated during 2006-2007, which we consider to have more-aggressive underwriting characteristics.

Of the $7.9 billion in CMBS exposure, which excludes ALICO's CMBS exposures, 89% was in traditional, conduit-fusion transactions and 23%, above the peer average, was in non-investment-grade securities as of March 31, 2010. As of that date, 57% of the company's holdings in CMBS securities were rated 'A' and above, and 53% of all its CMBS holdings were of 2005 and older vintages. Given current market conditions and our application of the incremental asset stress criteria, we would expect more write-downs in the coming years on the traditional portfolio and believe that the market value of the securities gives a reasonable expectation of the ultimate economic performance of SunAmerica's CMBS portfolio.

The operating entities in the life insurance and retirement services group maintain liquidity ratios that we believe are consistent with a rating in the 'AA' category. It is our opinion that these entities have maintained liquidity through this turbulent period and support the operations of these businesses.

Within AIG's retirement services segment, surrenders have slowed as the underlying businesses have stabilized in the latter part of 2009 and in 2010. Surrender rates are down in both fixed and variable annuities, with a 28% decline in surrenders during the first three months of 2010 compared with the same period in 2009. Outside of the asset/liability mismatch of the securities-lending program, which AIG eliminated in connection with the winding-down of the program upon the closing of the Maiden Lane II transaction in fourth-quarter 2008, we believe the assets and liabilities of the insurance operations are relatively well managed, with less than one year's mismatch as the targeted level.

In our view, the consolidated life operations employ disciplined asset/liability management procedures, based on constraints imposed by their internationally diverse investment portfolio. Liabilities are funded in the same non-U.S. currency to the furthest extent possible and, where feasible, AIG uses duration matching to minimize interest rate risk. In some regions, most notably Japan and Southeast Asia, the scarcity of high-quality, longer term, fixed-maturity investments makes it impossible to fully match liabilities. To the extent permitted under foreign regulation, AIG may invest in qualified longer term securities outside Japan to achieve a closer matching of duration with required yield. AIG seeks to manage asset/liability duration mismatch by maintaining sufficient global liquidity and to support operational shortfalls through its international financial network.

Table 6

American International Group Inc. (Consolidated)/Investment Statistics

	--Year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Total cash and invested assets (mil. $)	605,565.0	645,554.0	831,752.0	794,464.0	684,747.0
Year-over-year change (%)	(6.2)	(22.4)	4.7	16.0	5.4
Net investment income (mil. $)	25,239.0	12,222.0	28,619.0	26,070.0	22,584.0
Net investment yield (%)	4.1	1.7	3.5	3.5	3.4
Net realized capital gains	(6,854.0)	(55,484.0)	(3,592.0)	106.0	341.0
Portfolio composition (%)					
Bonds	65.6	62.6	65.5	61.5	65.0
Stocks	2.9	3.3	5.5	3.9	3.4
Cash and short-term investments	8.5	8.5	6.4	3.7	2.5
Financial services	15.2	12.1	11.3	22.1	20.9
Other	7.8	13.5	11.2	8.9	8.2

Capitalization: Strong, And Appropriate For The Rating

We currently consider the capitalization of AIG's U.S. general and life insurance groups to be consistent with a rating in the 'A' category, reflecting their ability to generate capital internally through statutory earnings and offset by conservative principles of statutory impairment. We witnessed improvement in the quality of capital in the fleet of commercial insurance companies in 2009 based on the sale of various noninsurance affiliates purchased by AIG in the latter part of the year. This improved the quality of capital and liquidity because the company received cash for these illiquid assets.

Table 7

American International Group Inc. (Consolidated)/Capitalization Statistics					
	--Year ended Dec. 31--				
	2009	2008	2007	2006	2005
Shareholders' equity (including minority interest) (mil. $)	69,824.0	52,710.0	95,801.0	101,677.0	86,317.0
Year-over-year change (%)	32.5	(45.0)	(5.8)	17.8	8.3
Operating leverage (%)	80.4	156.6	84.2	74.4	82.7
Loss and loss adjustment expense reserves to equity (%)	88.0	120.1	69.0	59.3	74.3

Within Chartis, we estimate capital adequacy as of Dec. 31, 2009, as strong and appropriate for the rating, with a modestly redundant Chartis U.S. and International combined capital model at the 'A' level.

Standard & Poor's believes that capital adequacy at SunAmerica Financial Group remains modestly deficient at the 'A' level, considering the incremental asset stress factors. Nevertheless, these operations are still diverse, and we believe their capitalization remains strong and consistent with the current rating, considering their ability to generate strong statutory retained earnings organically over the next two years.

The U.S. life operations' total adjusted capital improved 12%, to $16.3 billion, at March 31, 2010, from the quarter ended a year earlier, reflecting an increase in operating income and a slowdown in realized losses. As an indicator, within domestic life insurance and retirement services, GAAP realized capital losses, primarily other-than-temporary impairments, were $1.7 billion in first-quarter 2009, compared with $800 million in realized capital losses for the first three months of 2010. Although the majority of losses incurred in 2009 were related to RMBS, the primary asset sector in 2010 is CMBS. Surrenders continue but have moderated significantly in 2009 and 2010 and now are mostly in line with historical levels.

Although future investment losses are possible because of current market conditions, we believe the U.S. government's actions have significantly reduced material exposures. These actions have included guarantees, through the Maiden Lane transactions, on the multisector CDS portfolio and securities-lending asset/liability mismatch.

In Standard & Poor's view, AIG's general insurance reserves appear to be appropriate for the rating following the company's recent reserve strengthening. A 2008 review of all significant general insurance lines, with a greater focus on the lines more susceptible to reserve development, particularly long-tail U.S. casualty lines, supports this view. Net general insurance reserves were $59.7 billion as of December 2008. Booked reserve development on prior-year reserves was an additional $118 million in 2008, from a $656 million reserve release in 2007 and $53 million in 2006.

Reinsurance

The AIG companies are among the largest purchasers of reinsurance in the open market, a testament to both the sheer volume of AIG's P/C premiums and the integral part reinsurance plays in managing the corporate risk and, ultimately, operational profitability. The company monitors the financial condition of its reinsurers through a reinsurance security committee consisting of senior management, and reinsurance recoveries have not slowed materially. Standard & Poor's believes the credit quality of the reinsurers is generally strong. AIG's reinsurance protection, in conjunction with strong underwriting, has historically provided adequate protection from catastrophe losses.

Financial Flexibility: Limited By Currently Large Capital Needs

We believe the organic financial flexibility inherent in the insurance operations is limited, given their current capital needs. The general insurance operations are cash flow positive and have generated solid and stable statutory operating results. However, seeing the potential for large investment losses, we expect that the U.S. life insurance operations will continue to replenish their capital through retained earnings and may rely on the holding company for capital support.

Related Criteria And Research

- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Group Methodology, April 22, 2009

Ratings Detail (As Of August 16, 2010)*	
Holding Company: American International Group Inc.	
Issuer Credit Rating	A-/Negative/A-1
Commercial Paper	
Local Currency	A-1
Junior Subordinated (9 Issues)	BBB
Preferred Stock (4 Issues)	B
Senior Unsecured (263 Issues)	A-
Operating Companies Covered By This Report	
American Home Assurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Counterparty Credit Rating	
Local Currency	A+/Negative/--
Senior Secured (29 Issues)	A+
Subordinated (1 Issue)	A+
AIG Edison Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
AIG Mexico Seguros Interamericana S.A. de C.V.	
Financial Strength Rating	
CaVal (Mexico) National Scale Rating	mxAAA/Stable
Issuer Credit Rating	
CaVal (Mexico) National Scale Rating	mxAAA/Stable/--
AIU Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--

Ratings Detail (As Of August 16, 2010)* (cont.)	
AIU Japan	
Financial Strength Rating	
Local Currency	A+/Negative/--
ALICO Japan	
Financial Strength Rating	
Local Currency	A+/Negative/--
American General Life & Accident Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
American General Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
American General Life Insurance Company of Delaware	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Financial Enhancement Rating	
Local Currency	A+/--/--
American Home Assurance Company, Japan Branch	
Financial Strength Rating	
Local Currency	A+/Negative/--
American Home Assurance Company, Korea Branch	
Financial Strength Rating	
Local Currency	A+/Negative/--
American Home Assurance Company, Malaysia Branch	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
American Home Assurance Company, New Zealand Branch	
Financial Strength Rating	
Local Currency	A+/Negative/--
American Home Assurance Company, Singapore Branch	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
American Home Assurance Hong Kong	
Financial Strength Rating	
Local Currency	A+/Negative/--

Ratings Detail (As Of August 16, 2010)*(cont.)	
Issuer Credit Rating	
Local Currency	A+/Negative/--
American International Life Assurance Co. of New York	
Financial Strength Rating	
Local Currency	A+/Negative/--
American Life Insurance Co. (DE)	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Audubon Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Chartis Casualty Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Chartis Europe (Netherlands) N.V.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Chartis Europe S.A.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Chartis Excess Limited	
Financial Strength Rating	
Local Currency	A+/Negative/--
Chartis Insurance Ireland Ltd.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Chartis Insurance U.K. Ltd.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Chartis Property Casualty Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Chartis Select Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--

Ratings Detail (As Of August 16, 2010)* (cont.)	
Chartis Specialty Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Financial Enhancement Rating	
Local Currency	A+/--/--
Chartis Taiwan Insurance Co. Ltd.	
Financial Strength Rating	
Local Currency	A/Negative/--
Taiwan National Scale Rating	twAA+/Negative
Issuer Credit Rating	
Local Currency	A/Negative/--
Taiwan National Scale Rating	twAA+/Negative/--
Commerce & Industry Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
First Sunamerica Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Senior Secured (1 Issue)	A+
Senior Unsecured (1 Issue)	A+
Granite State Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Illinois National Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Insurance Co. of the State of Pennsylvania	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Landmark Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--

Ratings Detail (As Of August 16, 2010)*(cont.)	
Lexington Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Financial Enhancement Rating	
Local Currency	A+/--/--
National Union Fire Insurance Co. of Pittsburgh, PA	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/A-1
New Hampshire Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
New Hampshire Insurance Co. Hong Kong	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
New Hampshire Insurance Co. Thailand	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
SunAmerica Annuity and Life Assurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/A-1
Senior Secured (5 Issues)	A+
Senior Unsecured (1 Issue)	A+
SunAmerica Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/A-1
Issuer Credit Rating	
Local Currency	A+/Negative/A-1
United States Life Insurance Co. in the City of New York	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--

Ratings Detail (As Of August 16, 2010)* (cont.)	
Variable Annuity Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Western National Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
ZAO Alico Insurance Co.	
Financial Strength Rating	
Russia National Scale Rating	ruAAA
Related Entities	
AHICO First American-Hungarian Insurance Co	
Financial Strength Rating	
Local Currency	A+/Negative/--
AIG Financial Products Corp.	
Issuer Credit Rating	A-/Negative/A-1
Senior Unsecured (1 Issue)	A-
AIG-FP Capital Funding Corp.	
Senior Unsecured (8 Issues)	A-
AIG-FP Matched Funding Corp.	
Issuer Credit Rating	
Local Currency	A-/Negative/--
AIG Funding Inc.	
Issuer Credit Rating	
Local Currency	--/--/A-1
AIG Life Holdings (US) Inc.	
Issuer Credit Rating	
Local Currency	A-/Negative/NR
AIG Liquidity Corp.	
Issuer Credit Rating	
Local Currency	--/--/A-1
Financial Program	
Local Currency	--/--/A-1
AIG Matched Funding Corp.	
Issuer Credit Rating	
Local Currency	A-/Negative/A-1
Financial Program	
Local Currency	A-/--/--
Senior Unsecured (8 Issues)	A-

Ratings Detail (As Of August 16, 2010)* (cont.)	
Banque AIG	
Issuer Credit Rating	
Local Currency	A-/Negative/--
Financial Program	
Local Currency	A-/--/--
First American Czech Insurance Co. A.S.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Domicile	New York

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

CORREOS DE LA REPUBLICA PANAMA B4.00 P.B. N° 397

EDIFICIO TORRE DE LAS AMÉRICAS, MEZANINE-A, PUNTA PACIFICA, SAN FRANCISCO
APTO. 0816-07854 PANAMA, REP. DE PANAMA
TEL: (507) 302-5000
FAX: (507) 302-5021

Panamá, 2 de Junio de 2010.

Señor
LUIS DELLA TOGNA
Superintendente
SUPERINTENDENCIA DE SEGUROS
Y REASEGUROS
E.S.D

Estimado Superintendente DELLA TOGNA:

Sean estas primeras líneas portadoras de un cordial saludo y a la vez desearles éxitos en sus funciones diarias.

Por el presente medio le solicitamos nos certifiquen y acrediten, como autoridad reguladora de Seguro y Reaseguro de la República de Panama, la siguiente información:

1. Que la compañía **National Union Insurance Company of Pittsburgh, PA**, está debidamente autorizada y facultada para operar con Licencias de Ramos Generales de Seguros, Reaseguro y Fianzas dentro de la República de Panamá y que sus Licencias esta vigentes.

2. Que la compañía **National Union Insurance Company of Pittsburgh, PA**, tiene más de treinta (30) años ejerciendo la actividad de Seguro & Reaseguro dentro de la República de Panamá, de forma continua.

Sin más a que referirme, me despido de usted.

Atentamente,

Licdo. Randholf Alejandro Guzmán Rivera
Asesor Legal y Oficial de Cumplimiento
telf: (507) 302-5012

CERTIFICAMOS QUE ES
FIEL COPIA DE SU ORIGINAL
REPRESENTANTE AUTORIZADO

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

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CORREOS DE LA REPUBLICA PANAMA 2010 $4.00

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