

HSBC Insurance Brokers

Communiqué to Clients on AIG

4 March 2009

On 2 March 2009, American International Group, Inc. reported its 2008 fourth quarter and year-end financial results announcing total losses for the final quarter of USD 61.7 billion.

In response, the U.S. Department of the Treasury and Federal Reserve have announced the agreement of a revision to the bail-out plan and the continued support of the restructuring of the organisation.

The new arrangements include:

- A new five-year standby equity capital facility which will allow AIG to raise USD 30 billion.
- An interest-rate cut agreed with the Federal Reserve Bank of New York on AIG's senior secured credit facility, to match a three-month Libor rate plus 300 basis points, which will replace the existing 3.5% floor.
- AIG to transfer preferred interests in American Life Insurance Co. (Alico) and American International Assurance (AIA) to the Federal Reserve.
- The establishment of a general insurance company to be called AIU Holdings, Inc., which will include AIG's Commercial Insurance Group, Foreign General Unit and other property and casualty operations and will have a separate board of directors and brand distinct from AIG. Depending on market conditions, there may be a public offering for the potential sale of a minority stake in this business.

Full details of the revised bail out plan can be found in the AIG press release attached. A breakdown of the 2008 financial results is available on the AIG website:

http://www.aiguk.co.uk/AIG-Update-Centre_354_121483.html

The position continues to be reviewed by the Rating Agencies. In the meantime, for your information, the Standard & Poor's financial strength rating for most of AIG's insurance operating subsidiaries is A+, Watch Negative.

This rating meets HSBC Insurance Brokers' current minimum security requirements and therefore AIG remain an authorised company for use by our clients.

We recognise that these are turbulent times in the financial markets. Therefore, if you have any concerns about AIG, or any other security, please do not hesitate to contact your HSBC Insurance Brokers representative.

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