



Ratings

American International Group Ratings Taken Off CreditWatch Negative And Affirmed; Outlook Negative

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Publication date: 02-Mar-09, 08:01:37 EST
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NEW YORK (Standard & Poor's) March 2, 2009--Standard & Poor's Ratings Services said today that it affirmed its supported 'A-/A-1' counterparty credit rating on American International Group Inc. (NYSE:AIG) and its 'A+' counterparty credit and financial strength ratings on AIG's insurance subsidiaries.

Standard & Poor's also said that it removed all of these ratings from CreditWatch, where they were placed on Nov. 8, 2008, with negative implications.

The outlook on all these companies is negative.

The ratings on International Lease Finance Corp. (ILFC; BBB+/Watch Dev/A-2) remain on CreditWatch developing pending a planned sale of the company.

"The affirmation primarily reflects our view that the U.S. Treasury and the Federal Reserve will continue their financial support of and ongoing commitment to AIG as the revised recapitalization the company announced today improves its capital adequacy and reduces pressure on debt holders," explained Standard & Poor's credit analyst Kevin Ahern. "The ratings reflect a combination of the extraordinary external support from the U.S. government in light of AIG's status as a highly systemically important financial institution. We expect this support to be ongoing during AIG's period of stress." The ratings are also based on the stand-alone insurance subsidiaries' 'A+' credit characteristics. The long-term counterparty credit rating on AIG reflects a six-notch uplift from AIG's

stand-alone credit profile.

The affirmation follows today's announcement by AIG of a revised recapitalization plan. Through a combination of actions, AIG will reduce its obligations under the current \$60 billion lending facility from the Federal Reserve Bank of NY (FRBNY). We expect that this will provide the company with the flexibility to continue its asset-disposition plan at a more measured pace.

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

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