
AIG Reported in Talks to Sell Alico to MetLife

By Editor Test Tue, Jul 14, 2009

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AIG is in negotiations to sell its American Life Insurance Co (Alico) to MetLife, which offered AIG \$11bn for the unit earlier this year, the New York Times' Breaking Views column reported Monday.

Alico had statutory revenues of \$32 billion and post-tax earnings of \$1.3 billion before capital losses in 2008. About two-thirds of the company's business is in Japan.

MetLife had \$38 billion of cash and short-term investments at the end of the first quarter. And cash has continued to pour in as risk-averse customers flee to insurers with the best balance sheets. MetLife's annuity sales in the first quarter were \$7.4bn, more than double the amount in the same period last year. MetLife estimates it has excess capital of around \$5bn, which is far greater than most of its rivals. Since mid-May, insurers have raised about \$15 billion in capital, according to JPMorgan research.

Insurers currently trade at about book value-compared with about 1.5 times book value before the financial crisis. Prices are likely to remain suppressed in the short run because financial companies must now keep more capital on their books and further hits to their commercial real estate holdings look likely. Valuing these businesses at replacement cost seems too conservative over the long run.

MetLife wants to expand its international business. It currently represents about 15% of the company's earnings and has been expanding steadily. Overseas margins are higher, and unlike the mature US market, life insurance in places such as India and China is growing quickly.

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