
With New Accounting Standard, AIG Remains Profitable

By Editor Test *Wed, Nov 11, 2009*

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American International Group earned \$455 million in the third quarter of 2009, its second period in the black, but management expects continued earnings volatility, *National Underwriter* reported.

The \$455 million profit compared with a loss of \$24.5 billion for the same period in 2008. For the first nine months of 2009, AIG said it lost \$2.08 billion, compared with a \$37.6 billion loss for the same period in 2008. Life insurance and retirement services operating income was \$2.2 billion in the third quarter, up from \$1 billion a year earlier.

The U.S. government has owned a 79.9% interest in AIG since last fall's bailout. For the second quarter in a row, AIG officers did not hold a public teleconference to discuss earnings.

In addition to improved market performance and mutual fund income, AIG gained from "the new investment impairment accounting standard adopted in the second quarter of 2009," which drove a reduction in net realized capital losses, said Robert H. Benmosche, AIG's chief executive officer.

But these gains "were offset by impairments in the asset management segment, higher current accident-year losses related to credit crisis exposures and prior accident-year losses in general insurance and lower income from life insurance and retirement services investment-linked and annuity products globally," he said.

Concerning its government debt, AIG said its total balance outstanding from a Federal Reserve Bank of New York facility is \$41 billion, including \$35.8 billion of net borrowings and \$5.2 billion of accrued compounding interest and fees, with availability of \$24.2 billion. Interest and fees accrued have been charged against AIG's earnings.

The company said as of Sept. 30, it had drawn down \$3.2 billion, including \$2.1 billion from \$29.8 billion available under a Series F Preferred Stock Department of the Treasury Commitment. AIG's total balance outstanding from the Fed Commercial Paper Funding Facility was listed at \$9.6 billion among AIG Funding, Inc., Curzon Finance LLC and Nightingale Finance LLC.

Asset sales to repay the government, AIG said, are expected to generate \$5.6 billion after taxes and talks are underway with potential buyers of other businesses.