



## AIG UK Limited

Effective 19th September, 2008

No 2.

AIG Inc., our parent company, announced on Tuesday 16<sup>th</sup> September 2008 that The Federal Reserve Board, with the support of the Treasury, agreed to permit the NY Federal Reserve Bank to lend AIG up to \$85 billion. The loan takes the form of a secured revolving credit facility, which AIG can draw from when needed over the next 24-months.

- o In connection with the facility, AIG granted the Federal Reserve the right to participate in the equity of AIG by means of the ability to acquire 79.9% of AIG's outstanding shares on a fully diluted basis (that is, including those shares issued in connection with this equity participation right).
- o The terms of the facility will not violate any covenants in the existing credit agreements or other obligations of AIG and its subsidiaries.
- o AIG companies will meet their obligations as they come due and expect counterparties to do the same.
- o The Federal Reserve Board has not requested that AIG enter into any agreements or take any actions that will violate any of AIG's existing obligations.
- o AIG companies will honor all of their commitments to policyholders and other customers.

The insurance companies which form the major part of AIG were and continue to trade profitably. Can I remind you that the status of AIG UK Limited has not changed and that

1. all assets held by AIG UK Limited for solvency purposes in order to protect policyholders comply with FSA rules on admissibility and are certified as unencumbered to the FSA
2. AIG UK Limited's assets held for solvency purposes cannot be accessed by AIG Inc. or by any other AIG company
3. we continue to trade normally. This week for example we have settled over 1000 claims, making payments totalling £13 million.

There has been a positive development in AIG UK Limited's ratings since Tuesday. Fitch has modified the outlook from negative to evolving and S&P has changed the outlook on its credit watch from negative to developing in respect of the long term and insurer financial strengthen ratings.



Our position in comparison with other UK companies in the UK market remains favorable and exceeds brokers' security requirements.

<b>AIG UK: Insurer Financial Strength Comparisons</b>			
<b>Company</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>
<b>AIG UK Limited</b>	<b>A+*</b>	<b>A1***</b>	<b>AA-*1</b>
Ace European Group Ltd	A+	NR	NR
Allianz Insurance plc	AA-	A1	AA
Aviva International Insurance plc	AA-	Aa3	AA
Axa Insurance plc	AA	Aa3	AA
Chubb Insurance Co of Europe	AA	NR	AA
Hiscox Insurance Co Ltd	A-**	NR	A
QBE Insurance Europe Ltd	A+	NR	A+
Royal & Sun Alliance Insurance plc	A	A3**	A-
Zurich Insurance Company	AA-	A1**	A+

The Insurer Financial Strength rating (using S&P's definition) is "a current opinion of the financial security characteristics of an insurance organisation with respect to its ability to pay under its insurance policies and contracts in accordance with their terms", eg paying claims.

\* "developing"

\*\* "positive outlook"

\*\*\* "negative watch"

\*1 "evolving"

Ratings as at 08.00 - 19 September 2008

Thank you again for your continued support. We will keep you up to date with developments.

Please feel free to contact us.

**Lex Baugh**  
**Managing Director, AIG UK Limited**