



February 26, 2010



# 2009 Financial Results Overview

# 2009 Financial Snapshot\*



**Chartis' 2009 results reflect improvement in key performance indicators—including business retention, new business submissions and new business premiums—despite a challenging economy which limited ratable exposures, and generally soft market conditions.**

## **2009 Full Year Results:**

- ✓ **Operating income\*\* = \$699 million**
- ✓ **Net Premiums Written = \$30.7 billion**
- ✓ **Net Investment Income = \$3.3 billion**
- ✓ **CY Combined Ratio = 108.0; impacted by reserve strengthening**
- ✓ **AY 2009 Combined Ratio = 99.2; 2.6 point improvement from 2008**
- ✓ **Worldwide statutory policyholder surplus = \$38 billion; 6% increase from 2008**

## **2009 Fourth Quarter Results:**

- ✓ **Operating loss\*\* = \$1.8 billion; impacted by reserve strengthening primarily related to accident years 2002 and prior**
- ✓ **Net premiums written = \$6.9 billion, a 2.2% decrease from 4Q08; significant improvement from prior 2009 quarters**
- ✓ **Net Investment Income = \$856 million**
- ✓ **Combined Ratio = 132.5, included 28.2 points for reserve strengthening**

\*Information contained herein is a summary only. Please refer to AIG's Annual Report on Form 10-K for further detail.

\*\*Before realized capital gains/losses

# Reserve Strengthening

**Chartis strengthened its loss reserves in the fourth quarter 2009 by \$2.3 billion, or 3.6% of its total carried reserves of \$63.2 billion at December 31, 2009.**

- ✓ Chartis strengthened its U.S. loss reserves by \$2.3 billion in fourth quarter 2009
- ✓ The reserve strengthening represents 3.6% of Chartis' carried reserves of \$63.2 billion at December 31, 2009
- ✓ 82% of the reserve strengthening is attributable to accident years 2002 and prior
- ✓ Reserve additions follow completion of Chartis' year end actuarial analyses. Chartis also commissioned a third-party actuarial review of certain long-tail classes of business
- ✓ Approximately 48% of the reserve increase relates to excess casualty loss reserves; 40% to excess workers' compensation reserves; 4% to asbestos reserves; and the remainder to various other lines of business
- ✓ Chartis U.S.'s policyholder surplus was approximately \$27 billion at December 31, 2009, an increase of 4% compared to the prior year period, despite the effects of reserve strengthening and challenging market conditions

# Capital Management Initiatives

**In 2009, Chartis implemented a number of capital management initiatives to improve the company's business profile and strengthen the quality of its statutory capital.**

- ✓ **Divested \$7 billion in investments in non-core affiliates, including its interests in AIG Capital Corp., ILFC, 21st Century and a portion of its interest in Transatlantic Holdings, Inc.**
  - **Result is to improve quality of capital, which also improves RBC ratios and rating agency capital strength; did not significantly affect total surplus**
- ✓ **Strengthened its Enterprise Risk Management function with the establishment of a Chief Risk Officer position**
- ✓ **Continued to improve the quality of its investment portfolio by investing in holdings of shorter-duration, high credit quality, taxable fixed-income securities to enhance overall investment position**
- ✓ **Implemented enhanced, broad-based risk appetite guidelines for operating units**
- ✓ **Executed underwriting and reinsurance strategies to improve capital ratios, increase return on equity by line of business, and reduce exposure to certain classes of business with unacceptable pricing and increased loss trends**
- ✓ **Carried out restructuring transactions to simplify its legal structure to increase transparency, simplify intercompany reinsurance transactions and improve tax efficiency and capital liquidity**

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