

Fitch Expects to Rate AIG's New Sr. Unsecured Notes 'BBB+'

Written by Australian Business

CHICAGO--([BUSINESS WIRE](#))--Fitch Ratings expects to assign a rating of 'BBB+' to American International Group, Inc.'s (AIG) \$1.0 billion issuance of 2.3% senior notes due 2019 and \$1.5 billion of 4.5% senior notes due 2044.

KEY RATING DRIVERS

The new issue rating is equivalent to the ratings on AIG's existing senior debt. Proceeds from the issue will be used for general corporate purposes. The new issuance will marginally affect the company's financial leverage as the company has recently redeemed approximately \$2 billion of outstanding debt. Consolidated debt was also significantly reduced by completion of the sale of aircraft leasing subsidiary, International Lease financing corporation (ILFC) on May 14, 2014. Fitch estimates that AIG's ratio of financial debt to total capital will be approximately 19% following the new issuance and consolidated debt to total capital will be approximately 31%.

RATING SENSITIVITIES

Key triggers that could lead to future rating upgrades include:

--Demonstration of higher and more consistent earnings within Property/Casualty or Life and Retirement operating segments that translate into average earnings-based interest coverage above 10.0x. This would correspond with insurance pre-tax operating earnings of approximately \$14 billion;

--Further improvement in AIG's capital structure and leverage metrics that reduce the company's TFC ratio to below 0.5x;

--Continued improvement in the operating earnings of the Life and Retirement segment which could lead to an upgrade of those subsidiary ratings;

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--A shift to modest sustainable breakeven or better underwriting results, with greater loss reserve stability or reserve redundancies could lead to an upgrade of property casualty subsidiary IFS ratings.

Key triggers that could lead to a future rating downgrade include:

--Increases in financial leverage as measured by financial debt-to-total capital to a sustained level above 30%, or a material increase in the TFC ratio from current levels;

--Significant reductions in debt servicing capacity from holding company assets and available dividends from subsidiaries to a level below 6x annual interest on financial debt;

--Large underwriting losses and/or heightened reserve volatility of the company's non-life insurance subsidiaries that Fitch views as inconsistent with that of comparably-rated peers and industry trends;

--Deterioration in the company's domestic life subsidiaries' profitability trends;

--Material declines in risk-based capital ratios at either the domestic life insurance or the non-life insurance subsidiaries, and/or failure to achieve the above noted capital structure improvements.

Fitch has assigned the following ratings:

--USD 1.0 billion of 2.3% senior unsecured notes due July 16, 2019 'BBB+';

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--USD 1.5 billion of 4.5% senior unsecured notes due July 16, 2044 'BBB+'.

Fitch currently rates the AIG entities as follows:

AIG International, Inc.

--Long-term IDR 'A-';

--USD175 million of 5.60% senior unsecured notes due July 31, 2097 'BBB+'.

American International Group, Inc.

--Various senior unsecured note issues 'BBB+';

--USD1 billion of 4.125% senior unsecured notes due Feb. 15, 2024 'BBB+';

--USD1.5 billion of 4.875% senior unsecured notes due June 2022 'BBB+';

--USD800 million of 4.875% senior unsecured notes due Sept. 15, 2016 'BBB+';

--EUR420.975 million of 6.797% senior unsecured notes due Nov. 15, 2017 'BBB+';

--GBP323.465 million of 6.765% senior unsecured notes due Nov. 15, 2017 'BBB+';

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- GBP338.757 million of 6.765% senior unsecured notes due Nov. 15, 2017 'BBB+';
- USD256.161 million of 6.820% senior unsecured notes due Nov. 15, 2037 'BBB+';
- USD1 billion of 3.375% senior unsecured notes due Aug. 15, 2020 'BBB+';
- USD250 million of 2.375% subordinated notes due Aug. 24, 2015 'BBB+';
- EUR750 million of 8.00% series A-7 junior subordinated debentures due May 22, 2038 'BBB-';
- USD4 billion of 8.175% series A-6 junior subordinated debentures due May 15, 2058 'BBB-';
- GBP309.850 million of 5.75% series A-2 junior subordinated debentures due March 15, 2067 'BBB-';
- Eur409.050 million of 4.875% series A-3 junior subordinated debentures due March 15, 2067 'BBB-';
- GBP900 million of 8.625% series A-8 junior subordinated debentures due May 22, 2068 'BBB-';
- USD687.581 million of 6.25% series A-1 junior subordinated debentures due March 15, 2087 'BBB-'.

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AIG Life Holdings, Inc.

--Long-term IDR 'A-';

--USD150 million of 7.50% senior unsecured notes due July 15, 2025 'BBB+';

--USD150 million of 6.625% senior unsecured notes due Feb. 15, 2029 'BBB+';

--USD300 million of 8.50% junior subordinated debentures due July 1, 2030 'BBB-';

--USD500 million of 7.57% junior subordinated debentures due Dec. 1, 2045 'BBB-';

--USD500 million of 8.125% junior subordinated debentures due March 15, 2046
'BBB-'.

AGC Life Insurance Company

American General Life Insurance Company

The Variable Annuity Life Insurance Company

United States Life Insurance Company in the City of New York

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--IFS rating 'A+'.

AIU Insurance Company

American Home Assurance Company

AIG Assurance Company

AIG Europe Limited

AIG MEA Limited

American International Overseas Limited

AIG Property Casualty Company

AIG Specialty Insurance Company

Commerce & Industry Insurance Company

Granite State Insurance Company

Illinois National Insurance Company

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Insurance Company of the State of Pennsylvania

Lexington Insurance Company

National Union Fire Insurance Company of Pittsburgh, PA

New Hampshire Insurance Company

--IFS rating 'A'.

ASIF Global Financing

--USD750 million of 6.9% senior secured notes due March 15, 2032 'A+'.

ASIF II Program

--JPY10 billion of 2.7045% senior secured notes due July 23, 2014 'A+';

--GBP200 million of 6.375% senior secured notes due Oct. 5, 2020 'A+';

--USD82 million of 0% senior secured notes due Jan. 2, 2032 'A+'.

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ASIF III Program

--CHF150 million of 3% senior secured notes due Dec. 29, 2015 'A+';

--GBP350 million of 5.375% senior secured notes due Oct. 14, 2016 'A+';

--GBP250 million of 5% senior secured notes due Dec. 18, 2018 'A+';

--EUR200 million of 1.66% senior secured notes due Dec. 20, 2024 'A+'.

Additional information is available ' www.fitchratings.com '.

Applicable Criteria and Related Research:

--'Insurance Rating Methodology', Nov. 13, 2013.

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Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=723072

Additional Disclosure

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