



riskINSIGHTS

## AIG Sees Sandy Claims of \$1.3 Billion, Double Travelers' Tally

Source: Dow Jones News Service

American International Group Inc. (AIG) said Friday it likely took a \$1.3 billion hit from Sandy, the massive storm that hammered the Northeast in late October.

The insurer's tally was double the estimate from rival Travelers Cos. (TRV), which said Wednesday it expected its Sandy claims would take a \$650 million bite out of fourth-quarter profit.

AIG said in a statement it would send \$1 billion in "readily available funds" to its property-casualty subsidiaries.

Disaster-modeling companies are predicting the insurance industry as a whole may be on the hook for more than \$20 billion in Sandy claims, which would mark the storm as the second most-expensive in U.S. history. But insurance executives, stock analysts and credit-rating companies have been unanimous in saying that large insurers will have little trouble absorbing the costs.

AIG's Sandy estimate added further credence to those assertions. It will more than wipe out the \$786 million in operating profit that AIG's property-casualty operations had earned through the first nine months of 2012, but the property-casualty unit boasts total equity of \$49.6 billion.

Meyer Shields, an insurance analyst at Stifel Nicolaus, said earlier this week that evidence is mounting that Sandy's tally will hurt fourth-quarter results for insurers but "poses little threat to most national insurers' balance sheets."

Still, the AIG estimate was significantly higher than a corresponding figure from Travelers. Both companies estimates are after taxes and reimbursements from reinsurance.

The difference may come in part from the types of coverage the two companies provide. Both sell substantial amounts of commercial insurance, but AIG generally covers larger companies and takes on more difficult-to-price risks through its so-called excess and surplus lines. The smaller companies covered by Travelers are more likely to buy flood coverage from the federal government, while larger ones purchase flood protection from the private market.

While AIG hasn't disclosed individual claims, it likely is on the hook for more industrial properties in New Jersey and skyscrapers in lower Manhattan that experienced substantial flooding.

AIG itself was shut out of three of its offices in lower Manhattan for weeks after the storm. It's now

back in two of them, but still waiting to re-enter its offices at 80 Pine Street.

AIG warned that its estimate involved the "exercise of considerable judgement" and there was "no assurance that AIG's ultimate loss associated with this storm will not differ from this estimate, perhaps materially."

by Eric Holm

--Kristin Jones contributed to this article.

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