

AIG Will Sell Assets, But at What Price?

American International Group Inc. may not sell assets for as much as it would like, as it scrambles to meet terms of its U.S. government bailout.

The giant insurer narrowly avoided bankruptcy late Tuesday after the U.S. Federal Reserve agreed to lend up to \$85 billion over two years -- giving the new chief executive, Edward Liddy, time to sell some AIG businesses.

AIG employs some 116,000 people in more than 130 countries, and analysts said it has many strong businesses.

But they said tight capital markets, falling valuations, and the Fed directive for AIG to sell assets will make it harder to fetch good prices -- be it from rival insurers, other financial services companies, private equity investors and even Warren Buffett's Berkshire Hathaway Inc.

"This is hardly an ideal way or moment to sell assets," said Marshall Sonenshine, chairman of New York investment bank Sonenshine Partners LLC. "That said, there are a lot of good businesses inside AIG, and there is going to be competition. The government is not going to be a stupid seller."

Liddy, a former CEO of Allstate Corp, will replace Robert Willumstad at the helm of AIG, according to a person briefed on the matter.

He would take over an insurer that suffered \$18 billion in losses over three quarters. Problems tied largely to complex mortgage-related securities erased most of AIG's market value and caused a liquidity crisis that led to the bailout.

Liddy, currently a member of the board of Goldman Sachs Group Inc., has a front row seat to the credit crisis. It may also have raised his profile with U.S. Treasury Secretary Henry Paulson, a former Goldman CEO.

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In a statement, the Fed said it stepped in to avoid a possible destabilization of already-fragile financial markets, and a depression in an already-weak economy, that could have resulted from a "disorderly failure" of AIG.

"The size of the loan was designed to leave little doubt that AIG would be able to survive the current market turmoil regardless of what the next several quarters hold in store," Friedman, Billings, Ramsey & Co analyst Bijan Moazami wrote.

Several analysts said AIG likely won't need to sell assets at fire-sale prices. "There will be bidders for all of their units, outside of the ones that have caused the problems," said Donald Light, an analyst at Celent LLC in San Francisco.

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