

## AIG seeks easing of rules on disposals

by *financial-times*

AIG, the insurer bailed out by the US government, is prepared to ask the Federal Reserve to relax rules on its \$60bn-plus disposals programme to allow bidders to use a greater proportion of shares to pay for its assets.

People close to the situation said AIG was looking at instalment payments and other flexible options in an effort to make it easier for potential buyers to bid for assets and increase its chances of surviving as an independent company. The moves, being considered by AIG's management, are aimed at boosting competition for the disposals and countering the perception that the company will be forced to sell units at bargain prices to repay the government aid.

Under the current deal with the Fed, which has bailed out AIG twice this year – most recently in November, extending the rescue package to \$150bn – the insurer can sell assets only to bidders paying at least 90 per cent of the price in cash.

This provision is designed to ensure that AIG has enough cash to pay both the interest and the principal on a five-year \$60bn government loan as well as \$4bn a year in interest on \$40bn of preferred shares owned by the authorities.

However, people close to AIG said the insurer was anxious not to close doors to potential buyers at a time when cash is at a premium and swaths of the capital markets are frozen.

They said no discussion on this issue had yet taken place with the Fed but added that, as AIG's disposals programme continued, the company would entertain bids in cash and shares and take them to regulators for approval.

In a recent interview with the Financial Times, Edward Liddy, AIG's chief executive, suggested that if the company received attractive bids that contained more than 10 per cent in shares, it would present them to the Fed.

“The current provision requires [bids] to be 90 per cent cash...If we got really good value, would they be amenable to something else? It is entirely possible; we haven't gone down that path yet with them,” he said. “As we start getting more deeply into the valuation of the assets we will bring up all the right things with them.”

The New York Fed, which oversees the AIG programme, declined to comment.

Analysts say the Fed could object to receiving shares in other companies as payments for its loans. However, as the crisis has progressed, the authorities have shown a willingness to accept a wide array of collateral from troubled institutions.

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