

AIG plans \$5bn IPO for Asian arm

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American International Group on Monday announced that it would list its Asian life insurance operations in order to raise much-needed capital after it abandoned a sale of the assets earlier this year.

Depending on market conditions, the IPO of American International Assurance is expected to fetch between \$5bn and \$10bn when it joins the stock market next year.

After a delicate Oval Office session with Prime Minister Benjamin Netanyahu of Israel, President Obama said Monday that he wants a positive response from Iran to his diplomatic opening by the end of the year and is keeping open "range of steps, including much stronger international sanctions" if it fails to respond.

In a statement confirming a report in the Financial Times, AIG said that it would "accelerate steps to position AIA as an independent entity and seek a public listing on an Asian stock exchange." It added that Blackstone would help select global coordinators and book runners for the IPO.

Investment banks will battle for the lucrative advisory roles and are likely to be interviewed next month, people familiar with the matter said.

Ed Liddy, AIG chief executive, previously signalled that a listing of AIA would happen in Hong Kong, in the heart of its regional markets.

Insurance companies are notoriously difficult to value, given their complex mix of assets and long-term liabilities. Bankers believe AIA has an embedded value of \$20bn and that selling a substantial minority should yield several billion dollars.

The US government rescued AIG in September after credit-default swap losses brought the company to the verge of collapse. The government now holds a near-80 per cent stake.

AIG earlier this year tried to divest AIA to raise up to \$20bn to help repay a US government loan. But it scrapped the sale after failing to attract high enough bids.

AIA is Asia's leading pan-regional insurer. It boasts 20m policyholders across 13 countries, employs more than 200,000 tied agents and last year made an aggregate operating profit of about \$2bn.

AIG and US authorities in March announced plans to separate AIA and place it into a special purpose vehicle.

AIA has been seeking to assert a separate identity in recent months, a move that analysts said would help the company achieve better brand recognition with the public prior to a possible listing.

The life assurer is moving to rename its operations in South Korea, Vietnam, Indonesia and Australia, which currently use the AIG name.

It is also claiming naming rights to AIG Tower, among the most recognisable in Hong Kong's skyline. AIA is majority owner of the building. Tenants of the 40-storey tower, which include the Royal Bank of Scotland, were recently informed that the building would be named after AIA.

AIA told the Financial Times this month that changing the building's name would "enhance AIA's brand visibility in the city and provide clarity on its ownership".

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