Barclays Virtual Global Financial Services Conference

Company Participants

- Mark Lyons, Executive VP & CFO
- Tracy Benguigui, Director & Senior Equity Research Analyst

Presentation

Tracy Benguigui {BIO 21808177 <GO>}

Hello, everyone. I'm Tracy Benguigui, Insurance analyst for Barclays.

I'm pleased to moderate a fireside chat with Mark Lyons, CFO of AIG, We have about 40 minutes for this session. (Operator Instructions)

We have a lot to cover. So I'm just going to turn it over to Mark for some opening remarks.

Mark Lyons {BIO 21746221 <GO>}

Great. Thank you, Tracy. First off, thanks for having the event. Thanks for inviting me to participate. Thanks to Barclays, I think, more generally.

So it's always a good event. So happy to be here, number one.

Number two, I don't want to burn the clock too much. So I'll just give a couple of opening comments, and we can get right into the Q&A.

So I think 2021 pretty much shows a good, strong pivot for AIG away from fixing to -- and remediating to relaunching and having growth, more importantly, profitable growth. Certainly in the general insurance, enterprise unlikely requirement continue to have very strong stable results as well.

We've laid out much more of a medium-term capital management view for everyone. We have strong liquidity. We have strong capital, whether it's at parent or whether it's in the subsidiaries that actually find the business. We have great relationships with brokers and channels and our reinsurance partners.

We think all of the efforts and everything that went into the last three years of remediation, again, we're very happy with the outcomes of that remediation, feel good about it, a lot of aspects to it.

As Peter, I think, has enumerated over time in various earnings calls, but it really allows us to be in a position to now pivot in this way. And so we feel very positive that the marketplace is still positive, perhaps not quite as positive, but still positive nevertheless. As a global enterprise, we're not as just U.S. centric in how we look at things so that may be a point of conversation.

But we still feel that I think there's a lot of strong momentum at our backs for just throughout the balance of the year, we have been growing the book, the unearned premium reserve has grown. We feel good about the margins embedded in that unearned premium reserve, which we're going to earn in over the next four quarters.

We just think good, strong days are ahead of us, and momentum is a great thing, and it's great to be right in that way.

So with that, I'll turn it back to you.

Questions And Answers

A - Tracy Benguigui {BIO 21808177 <GO>}

Great. Want to touch upon a lot of things that you just mentioned.

But sticking with the theme of some strategic priorities, let's talk about the path to fully separate L&R. I understood the reason why you had to do a separation in two parts was because of the FTC that you wanted to wait for that rollout originally through 2023, and then you could do the second leg of that separation. But now that FTC is being consumed in 2022, is that some of the thinking behind the comment that IPO could go larger than 9.9%? Like could you even envision a full separation in that comment?

A - Mark Lyons {BIO 21746221 <GO>}

Okay. Well, interestingly, first your premise is correct. So the FTC, we did say that would go through 2023. And that was, I would say, a limited factor, but a key factor associated with our time frame and the fact that we will now be consuming it alone having an anchor investor now that we wouldn't have had originally with those comments, make it certainly more likely that we would have a higher participation out in an IPO.

The latter question of whether you could envision it being -- I'll paraphrase you and say I can't ever say never in this business. It's a function of market conditions at the time. And not only IPOs or SPAC success that's going on now, but also within the industry grouping. So if it's there, we'd like to see if we could take advantage as much as possible, but we're not certainly not counting it.

A - Tracy Benguigui {BIO 21808177 <GO>}

Got it. And you talked about your anchor investor. So maybe to shift to investment portfolio and your asset allocation. I mean which asset classes do you think Blackstone could offer expertise that would help enable your TA optimization? And also conversely, for GI, actually, GI assets that look like it should be on the life insurance balance sheet. So any portfolio shifting unify GI upon full separation?

A - Mark Lyons {BIO 21746221 <GO>}

Well, there's a lot there. On the Blackstone side, they've really got some, well, they got a global preference, which is very helpful because they cannot basically have anything. And they're very, very strong in a lot of asset classes. I would put real estate right up there with anyone, which I would correlate into perhaps a life insurance asset. It's also an inflation hedging asset, irrespective of the time period, more so for longer term holds, of course.

But -- so I'd say that's probably a good example of where we think they're going to really add a lot of value right away because of our ability to originate and the breadth on which they can originate.

On your GI question, interestingly, there will be some retinkering and tooling that goes on outside of that. We've always had different asset strategies, of course. With basically a 3.5-year loss reserve duration on the GI side and double digits on the at the retirement side, your asset mix should differ. But there are occasionally assets which are really bought at parent, hence, our consolidation and eliminations we talk about it every quarter. At parent and basically strip owned by GI or L&R entities. So that will, some of those might become less appropriate as we move forward to only pure GI company and then L&R, life and retirement.

A - Tracy Benguigui {BIO 21808177 <GO>}

Got it. Other thing that I think about when the future state full separation is that your PMLs to capital is going to look very different, just given a smaller denominator, at least the rating agency I came from looked at enterprise capital? When you need to cut back property or increase the use of reinsurance as a stand-alone P&C company?

A - Mark Lyons {BIO 21746221 <GO>}

Interesting question. I think actually, you just stated it was your prior employer. They really looked at it at that basis and the other three -- well, three core competitors, really looked at it more on an individual basis, either a legal entity basis for legal group basis. So that's a unique perspective. But overall, I have to start answering that question by a function of how we're putting property risk on the books to begin with. We really have a lot of levers. You have the retail channel, which had to be depopulated enormously, and then we're happy with it and drop those limits on the front end. This is kind of a risk management question you're asking me, so let me just kind of go through that.

And then with the Lexington being stood up in the wholesale channel, the whole complexion of that book is so radically different. I mean I think the numbers are about 70% or so or $10 million in capacity in number. That's it. and maybe 80%, 85% is at $25 million. I mean it's a completely different ball game. So that then can effectuate interestingly, not just your P&L but where the buckets are filled because they're more localized exposures. They're not big, huge retail accounts.

And lastly, Validus on both their assumption and session capabilities allows us to really mix and match that. But the net is, no, we don't expect to make material changes because of what we're seeing on the front end that allows that.

A - Tracy Benguigui {BIO 21808177 <GO>}

Excellent. So I guess on the topic of property and catastrophe, so far this quarter is shaping up to be quite active. And I'm not just talking about the impact from Ida, which feels like a 2-part event. I mean, so far, there's over 20 PCS-designated events just this quarter, which just feels high on a frequency standpoint if you look at the 10-year average. So can you share some early insights of your catastrophe experience so far this quarter?

A - Mark Lyons {BIO 21746221 <GO>}

Well, I think for context, kind of as you alluded to, you've got 20 PCS events, you've got differing exposures across the board. But what are the industry views of this? And when you look at what's coming out from a lot of the modeling agencies, and some, they have to update it. Some have taken an Ida. They'll have an initial win and they'll say, went out more than we thought we included for the Northeast and things like that. But it's shaping up between that and the European storms in Germany and storms in Japan and wildfires. And we still got 2.5 weeks in the quarter, right, to go. So is looks to me in the industry, this is a $40 million-ish probably going to be north of that event in insured losses likely. So it's really, really tougher to tell.

AIG, of course, being in a more of a high severity, lower frequency lines of business, not exclusively, but more so, it takes a little bit longer to get underneath it, and that certainly will be the case for Ida. So my preference is we want to really lock that down before I'd say anything publicly. But I can just tell you, if the industry is going to be elevated, I think it just goes through market share and other kinds of things that, that could impact us as well. However, knock on wood, because compared to many of the peers that others pit us against there really isn't a peer with regard to our Japan exposure. So that peer are really the big three over there. So depending upon what happens in Japan, that could also dial it up, dial it down on a relative to other basis.

A - Tracy Benguigui {BIO 21808177 <GO>}

Helpful content. Let's just shift gears to pricing. I'm actually struggling to find what is the real catalyst for the pricing momentum. It's not a capital replenishment. I mean there has to be a narrative. Basically, you could tell your brokers or insurance to compel a continuation of rate increases. So there's just a number of stuff going around. People are talking about years of underpricing, complacency. We just talked about catastrophes or we could lead that into climate change, social inflation, general inflation, lower investment yields or just heightened risk aversion. I mean what do you think is the largest pull on this pricing story and your conviction that, that it will continue.

A - Mark Lyons {BIO 21746221 <GO>}

Yes, all of those are factors. But you asked for the dominant one or ones. I'll sit on my perch, it's a little different, right, than sitting in a P&L or a line of business P&L or geography P&L. So to me, when I take the view of the industry over the course of the cycle, a couple of things have to happen. One is in the hard market years, you can't be targeting your long-term average. You got to be going above that because you know it's a softer market, things are going to go.

What's the old adage you go? I think even our IR guys use this, you go up in an elevator, you can bet on the stairs with regard to pricing. So we know that will ultimately happen, so you've got to maximize the opportunities we know when they're in front of you.

I think from -- so from that point of view, I would say it's been years and years of underpricing. That was the catalyst for what it was before and it's still some of the tailwind for what's needed now. And because the complexion of the C-suite, I'd say, over the last 20 years, in particular, maybe not CEOs, but the contribution of analytics and financially oriented people that understand the business is increasingly at the table. So understanding how a low interest rate environment in the long duration lines kills your ROE, it creates more discipline as a function of that duration. So you've got to make the right mix decisions and the right marketplace decisions in order to maximize it. The days of just looking at a combined ratio are long over. But I think that helps from the conviction part of your question that there's more people having a common view of the necessity of that as an anchor to what you do.

A - Tracy Benguigui {BIO 21808177 <GO>}

That was a good answer. And I guess speaking of talent, I mean, Mark, we're all the products of our history, and I've heard you say before that Arch underwriters could clearly articulate their underwriting risk appetite. And before you came on board, that was not necessarily how an AIG underwriter thought. So on the cultural side, has everybody in AIG bought into that yet?

A - Mark Lyons {BIO 21746221 <GO>}

And interesting, I'll divide your question in two pieces because the one aspect of it is there were areas in AIG that really understood the risk appetite, the classes of business, the industries, the south industry is where they wanted to play. They just bounded anyway, whether the risk/reward trade-off may be set. So that's why I'm kind of breaking it into. But the message, I think, is pretty inculcated now to organization and Peter really drove a lot of that macro or has driven it, we've got John Hancock internationally, really driving it. And it's reinforced all the time in many venues, not just one-on-ones that you have through executives down the line, but the business reviews -- the quarterly business reviews are a real rigor, and their business reviews are not revenue (inaudible), right? It's not just focusing on premium in the door with the booking of it because there could be some cash delay on loss-sensitive programs and things like that, right? It's what's the profitability? Why are we -- all gross on this? Or why are we keeping such a small met on this if we have these convictions, prove it to me. I mean it's a completely different mechanism than I think the company used to. And every open item is followed up on the next meeting. So there's really no escape.

A - Tracy Benguigui {BIO 21808177 <GO>}

Got it. Is it fair to say that you have not really seen appreciable underlying exposure growth yet? Like your growth is really coming from new business rather than growth within existing business like economic activity of increases in payroll or sales or car units or things like that. When can we anticipate that lift off come for AIG? Or is the makeup of your bulk less linked to GDP type of growth?

A - Mark Lyons {BIO 21746221 <GO>}

Yes. Good question. I think it's fair to say that it really has not been underlying economic changes that manifest themselves in the earned exposures every rate against. I think our written exposures that we rate against. But I'm thinking this through as you're asking, our book -- there's so many subportfolios that's trying to if I can make that connect. So we have frequency books. I'd say our PCG book, some says it's frequency, but it's got such a cat component to it. And our concentration to it, it makes it a little different animal. We don't have a big commercial auto book, back to your earned car years type of question.

The GL book is really not a -- primary GL book is really not that large. And we have not been a large comp book, guaranteed cost comp book. It's been loss rated over were less sensitive, I should say.

And interestingly, when you go to excess layers, let's just say, even on casualty, even if the exposures are growing, it's been tradition that excess business is not auditable. So you go in to get a bullet payment and it is what it is over the course of the year. Exposures dropped, you benefit, exposures increased, you may have got hit a little bit. So I think we're going to benefit from it, but I would say less so compared to some of our frequency business-based peers.

A - Tracy Benguigui {BIO 21808177 <GO>}

So basically, the growth is coming more from new business and some higher retention rates.

A - Mark Lyons {BIO 21746221 <GO>}

Yes, what we just talked about in the second quarter, for example, yes. That would have been a new business and exactly what you said and create retention rate.

A - Tracy Benguigui {BIO 21808177 <GO>}

Got it. And I'd like to talk to you about your ability to change terms and conditions potentially more quickly when greater force, given a large chunk of your policies are on manuscript form. So could you just help us out, like what percentage of your book is occupied by manuscript policies maybe versus standard ISO forms? And how frequently do you update your terms and conditions, which actually could magnify your return profile and serve as a risk mitigant?

A - Mark Lyons {BIO 21746221 <GO>}

Well, I'll pick the U.S. On an admitted business, you have much less flexibility because you've got to -- it's not just rate but form that you got to go through the filing process. As you know, some are our approval, some are filing use and so forth. So it's a mixed bag. Where you really have the opportunities are either the consent rate areas, the not-admitted channels and what I'll call the big boys. So you got global companies are very, very large national companies that are well grown generally through the big three that have unique exposures that is really a mano a mano type of negotiation. So it's in those that you haven't.

So -- but when it comes to let's say, making an auto filing in PCG, right? You got to go through your in x states and you've got to go through the admitted process, and it's hard to pivot quickly in the non-admitted which is creative for rate informed prior approvals, you have a lot of flexibility. And the Lexicon, as you know, with Dave (inaudible) came in and stood that up, and you've got a great team in there now leading it. And that was one of the big sources of growth of the new business, certainly in North America in the prior quarter and year-to-date. And it's because you've got that freedom. So I still view that as a favorable tailwind as we go through the balance of the year.

A - Tracy Benguigui {BIO 21808177 <GO>}

So a clear example I could think of is a leadership in all your global commercial policies that either explicitly affirm or exclude cyber. And if we could say to cyber for just a second, how do you feel about rate adequacy for this line? And is there any changes in your risk appetite?

A - Mark Lyons {BIO 21746221 <GO>}

Well, it's been really gravitating up. It actually hit its highest effective rate shake last quarter as a matter of fact. That's a line that we go against the thesis of dropping off, for example, that you've heard from other parties. So -- but it's been double-digit increases, probably for the last, I'm would say, approximately five to six quarters. If I got that wrong, I'm sure IR guy will correct me. But the fact that it was the thickest last time is great.

You know that the complexion of the claims has changed dramatically, right? Ransomware is the head of the day frequency and every successful one seems to embolden for more. And the aspect of data breaches, if you look, the frequency of those has really fallen along. So compared to 18 months ago, the kind of claim coming in is night and day different.

So not just affirmative and non-affirmative but AIG has gone to a pretty tough rigorous application process, where the whole (inaudible), the detection is the degree of controls around the subject insured because they themselves may have a lot of external relationships to expose them like any company. Every company probably has interfaces of some type, right, and outside or brokers or intermediaries having access. So all of those kind of things are really focused on to be a point of differentiation between for risk selection purposes. And then depending upon the feedback on that, you may have co-part. It might be coinsurance along the way. There could be different deductibles, limits could be cut or could be sublimits applicable to various features that we think perhaps aren't as strong as they could be.

A - Tracy Benguigui {BIO 21808177 <GO>}

Got it. It is my impression that as the cycle turns, international rate increases did not seem to run as aggressively as North America. Is it fair to say there's a lag there and more to come? And also, what is driving that exactly? And I have a follow-up.

A - Mark Lyons {BIO 21746221 <GO>}

Okay. Well, internationally, you can't put into a block, right? You've got to -- just like if somebody in Europe talked about the United States as a monolithic block, it probably wouldn't make sense either. So you got U.K., Europe more Australasia and Japan in our world, Far East and all different markets. So first off, your premise was right. It started later than in the U.S. I think the U.S., on average, was more on the price, probably in property in the core casualty businesses like lead umbrellas that helps spark it. So I think it started there first. And of course, we live in the land of lawyers. So I think we're more litigious culture by definition. And so I think all of those contributed to being the U.S. first. You've got the U.K. followed probably six to nine months later in any materiality and then really grow. So U.K. books effective rate change, I think it's been 20% or north of 20% for a few quarters now. And others have been strong. They've been lower double digits. There are a couple where luckily, we don't have a huge book, might be single digit, upper single digit. Japan's book is dominated on personal lines, orientation and you have the same issues there you have in the U.S. about pivot ability because of being really admitted products.

So -- but I do think there's more to come. And it really varies by area. So if you have a product line written abroad, that still may capsulate some U.S. exposures inside it, whether it's D&O, ADRs on the middle of excess layer or it's a global risk that it's like a global program or reverse program, then you still have the U.S. push up helping drive up the overall on that program. But I still see a lot of good opportunity then.

A - Tracy Benguigui {BIO 21808177 <GO>}

Got it. You're actually dovetailed to my second part of that question. So maybe moving on to capital management. When I think about your holding company inflows and outflows, is it fair to say that liquidity will be somewhere in the double-digit billions at the end of the year? Looking ahead in 2022, if that's the case, if you could just go over your menu of capital deployment measures hypothetically, how you would rank each of them?

A - Mark Lyons {BIO 21746221 <GO>}

So yes, so if we go through the rough math, of it. So at year-end, let's just round the numbers a year -- sorry, at quarter end 2Q quarter end, we were $7 billion of parent liquidity, give or take. We've already talked about Blackstone closing for the 9.9% of $2.2 billion. We had affordable housing at 5.1 ex that's the headline number. how like the sticker number when you go to buy a car? And of course, there's 1 million other flows, right? There's dividend flow, tax sharing payments. There's outflows of interest and outflows of dividends and everything else, right?

So -- but the rough math of that is 5.1, two plus two, actually 14, 14.5, we talked about capital management actions of $2 billion of share repurchases, so subtract that. and $2.5

billion associated with debt, the liability management actions. So round numbers, that math takes you to around 10 billion. So there's probably a plus or minus mill on that or bill on that. Sorry million would mean nothing. But, so I think that answers your question.

A - Tracy Benguigui {BIO 21808177 <GO>}

Okay. So you confirm my math there. But then I guess to my second point, if you think about your menu of options, and you already laid out your ultimate buyback number, but only really provide an outlook for the rest of this year. How would you think about those priorities heading into next year?

A - Mark Lyons {BIO 21746221 <GO>}

Well, I think the priorities is the top 3. And my guess as Peter probably ought to mention this, which is the debt repayment and the leverage targets, we still want to be maintaining, that's a key priority, returning capital to shareholders through the share repurchase vehicle and then investing in this hard market business. This is -- I guess I prefaced, This is the time to do it. And so if you've got to stretch every capital dollar, to me, that's a good use of time because that's what we're here for. We're here to find opportunities for our core competency, which should be underwriting as opposed to investment income bailing out underwriting. And the market is favorable, our attack of the market is positive, and we think that's a fabulous use of our share capital.

A - Tracy Benguigui {BIO 21808177 <GO>}

Okay. So when I think about your priorities, you're also doing this liability management exercise. And you've already spoke about $2.5 billion of actions at least this year, I understand that may just be the first cut. Can you walk us through your thinking about getting you near 25% leverage for AIG Inc. and 25% to 30% at L&R

A - Mark Lyons {BIO 21746221 <GO>}

Yes. It's, I guess, a couple of things. One, on the way it's public knowledge, right? We've already been out -- we had a press release about doing a make whole on $1.5 billion of our second quarter 2022, so just around a quarter, six months plus. And that was four 7/8 coupon, I think that was $1.5 billion. So that's already in, you can count on that, let's put it that. And then the other balance you could think of in process and thinking.

So just one thing about, thinking about the other one that's not doing it. So that's one reason I wanted to bring that up. With respect to -- just refresh me, Tracy, I lost my train of thought. The core part of the question was about?

A - Tracy Benguigui {BIO 21808177 <GO>}

If it's just the first cut here. I mean it's just doing $2.5 billion doesn't get you to your ultimate leverage real targets.

A - Mark Lyons {BIO 21746221 <GO>}

Okay.

A - Tracy Benguigui {BIO 21808177 <GO>}

So how is it be like the first cut. So I'm just wondering what does the second cut look like?

A - Mark Lyons {BIO 21746221 <GO>}

Okay. I think what might be helpful is we finished the quarter on a GAAP basis, just look at our 27% even. But that's what AOCI reflected, That's a GAAP view and that can go all over the place. So we have a couple of forces, right? And when we talked years ago even, and we've stuck to it of being sub25, that was really pre-separation. That was AIG in going concern, basis as constituted at that time. We still have that goal for RemainCo, if you will, for separation income, But given that we're at 27, even that we're going to be share repurchases and the liability management actions, we're still feeling the net of that is going to be favorable towards the (inaudible) evidence that, that will be favorable by getting that 27% down towards 25%. So we still believe that's going to be happening, let alone printing positive net income doesn't hear ether to helping that.

On L&R, we've talked about this a little bit, is that our mechanism to enable separation is going to involve going after some public markets. And ultimately, without getting into the numbers, the L&R holdco would wind up issuing. And then in one form or another, effectively issue a debt-driven dividend to parent. So that's how you can see further downscale of RemainCo on it and how we would set up the structure for separation already be in the wheelhouse of the competitive position that we (inaudible).

A - Tracy Benguigui {BIO 21808177 <GO>}

So essentially, with L&R doing that debt dividend that could be self-funded or to consume any more holdco liquidity getting to those ultimate ratios?

A - Mark Lyons {BIO 21746221 <GO>}

Other than some -- I'll call it relatively minor. These are costs associated with some tenders or make-wholes that I don't view as enormous, but we're still going to look. There could be some -- so for example, on the $1.5 billion that we already talked about on that issue. Because it's expiring or maturing so soon, make-whole is not a big deal. As you reach into future, things make-whole become more significant, right? So that could be a use of parent liquidity and current capital in that respect. So to that aspect to your question, yes, there could be that type of thing coming in. But I think more broadly is separation co is setting up so that they're already in a very good position or seemed to be very good position and RemainCo continues to have the sub-25 and I think I gave you get there.

A - Tracy Benguigui {BIO 21808177 <GO>}

Awesome. And then before closing up on capital management, I just have to talk about M&A in light of L&R separation for AIG, how are you thinking about white space now? Does that create any urge to fill up the Board? Or is it better to be a more focused and nimble P&C in turn?

A - Mark Lyons {BIO 21746221 <GO>}

Well, we're clearly focused. We got through all this time of correction, right? So now we know the book cold. And when you go out and get something, you really think you know it. But until you're out of the hood, you never really know as well as it is.

But given the capital priorities we've already gone through a debt the share repurchases and investing in our core competency in this marketplace, that's the focus. It's really that white space at this point. It doesn't mean we won't be looking at it, but it's not higher in the radar right now.

A - Tracy Benguigui {BIO 21808177 <GO>}

Got it. That's very helpful. (Operator Instructions)

I have some follow-up questions. Let's touch upon reserve adequacy. At this point, how do you feel about reserve adequacy for accident years 2016 to '18? Basically, the subsequent years that are out of scope of ADC and compared to all the actions you have taken, I guess I would characterize the years of weaker underwriting.

A - Mark Lyons {BIO 21746221 <GO>}

Yes, it's a fair characterization. First off, just to preface that, the ADC has, which is 80% of $25 billion ex $25 billion for accident year $15 billion and prior. So just to clarify for others on the call, there's $6.7 billion unused on that, which represents the 80% sliver of the session. So there's still a lot of back there, just for information's sake.

And when you go into '16, '17, '18, I think I may have commented on those months before, it's an interesting dichotomy because clearly, the underwriting is accident year '16 would have been half of policy or 15, right, which is not a grower year. And therefore, '16 and '17 are certainly not up to the standards that we would be employing today even if there wasn't a hardening market to help supplant it.

So here's what I mean by the dichotomy. So you've got a lot of specialty lines, there's a lot of casualty in there. There's a lot of financial lines in there. Of course, all the short tail stuff is pretty much run off. And they're still comp associated with those years.

So we -- I grant you that the underwriting quality is not strong in '16, '17 and '18 partially, right? Because (inaudible) here in the beginning of '18, but focused mostly on property and third-party coverages and got in the second half of the year probably in the casualty businesses. But the age of these years -- so if you go back to accident year '16, we're in a lot of subject businesses that are still open again, high-severity, low-frequency businesses, you need more time to get some seasoning to have any confidence in it, and now that's there. So more traditional actuarial methods seem to make sense now, where in the past, you go this, I don't know, this look straight. It looks to good, it looks too bad (inaudible). So we're getting more confidence in those projection periods. But clearly, on those accident years -- but clearly, the underwriting is so far on that never exit anything there.

A - Tracy Benguigui {BIO 21808177 <GO>}

On it. maybe a little bit back to the pricing story. I mean, to some extent, all supply/demand. And I've actually heard you mentioned that AIG's walked away from $650 billion of limits, who's absorbed risk? And I guess, alternatively, how much of it was self-insured, thereby creating capacity constraints that might have contributed to this hard market cycle.

A - Mark Lyons {BIO 21746221 <GO>}

Well, you have to look at the distribution of that $650 million. A lot of it was first party, but many, many billions in casualty businesses and in financial lines businesses. I know it's easy to forget in the prior regime the large strategy. There were monstrous limits being put up that on a gross basis, you never want to expose the balance sheet. And then secondly, you kind of misuse the capacity that any reinsurer would give a seat, right? They're only going to expose across all lines of business ex. And I'll say that was not optimized on the session, I'll be a little generous there.

So I guess I view it as that I don't see a lot of that being self-insured. I mean there could have been some captive deals, but there aren't captive deals for $2.5 billion policies, right? So most of this had to be absorbed by the marketplace. And when I tend to think about -- well, I'm a little biased, of course, because the chair work we're in, but AIG and others were some of the sparks I think that we didn't drive the market, but we helped move the market.

It's not just in the risk appetite and in the pricing and in the discipline. You also had Lloyd's doing that at the same time. And I've joked in the past that there was no less (inaudible) anymore. And a little tongue and cheek, but there's some strength to that analogy. But if you put two-thirds of $1 trillion into the marketplace, everybody is going to reprice it.

And I think that's what happened. So people, I think, I can't tell you exactly you, but I know it got absorbed. And there could have wound up being some level of higher SIR that occurred because of the price increases from a gearing perspective from an insurance CFO, for example, but I still think overwhelming proportions were just right around the industry at its on [ph].

A - Tracy Benguigui {BIO 21808177 <GO>}

Okay. So maybe just a follow-up and maybe you could remind me. I think you and FM Global, we're the only ones that are really offering like $2.5 billion limit in property. So are you saying that others stepped up? Or I think it was just a little bit more of just the market gravitating to that $1 billion, level

A - Mark Lyons {BIO 21746221 <GO>}

Well, what I think happened is a real overnight change for the brokerage community, where they could have a big slug of capacity in more than two places and instead to have 25 markets fill up the gap. They had to really -- being a little flippant let's say, earlier commission on that renewal by having to buying with 25 markets, maybe going to 35 markets rather than just having a new is expiring with a big slug capacity. So they had to do the whole work.

A - Tracy Benguigui {BIO 21808177 <GO>}

Yes. And I think that's important because you have to also understand that structural elements that may play into the market cycle. But yes, in the call, we really only have one more minute. I don't know if you had any closing remarks as we head into 2022, how you're thinking about next year?

A - Mark Lyons {BIO 21746221 <GO>}

Well, I would just probably do a bit of a continuation in that we think we're well positioned. We think it took three years of shovels to get us to the point that we can maximize. We think that the market is still very strong on an absolute basis, and you've got to pick your shots and timing. And you don't want to look back in five years and say, would've, should've, could've. It's -- this is the time to identify the sectors and this is the time to really to push it to the extent that your capital permits you to push it.

A - Tracy Benguigui {BIO 21808177 <GO>}

I really enjoyed the discussion, Mark. Thank you so much.

A - Mark Lyons {BIO 21746221 <GO>}

As did I.

A - Tracy Benguigui {BIO 21808177 <GO>}

This concludes our session. Take care.