

AIG, Inc.

## 3Q22 Earnings: Financial Lines Reserves Statutory Review

| CORE

We explore two topics that caught our attention in the 3Q print: Potentially growing property catastrophe risk after a conscious effort to reduce exposure and Financial Lines Loss picks (included in this note is a schedule P analysis).

### **Since CY2019, AIG has experienced \$1.8bn of cumulative adverse development on U.S. Financial Lines.**

To be sure, its overall PYD experience has been positive during the same period and we do not have any fundamental concerns about reserve adequacy (in fact, YTD AIG completed its reserve review on 90% of its book). Since AIG's \$660mn of adverse PYD for U.S. Financial lines during 3Q22 were predominantly for AYs 2018-2019, and to a lesser extent AY2020, we focus our attention on those AYs (that are not subject to its ADC). We reviewed the development of schedule P loss picks for a selection of top D&O underwriters in those years. A limitation is relying on 2021 statutory data, a slight lag from current performance. See figures 1-4 for further details.

We recognize AIG's multi-prong approach to risk selection (limit profile, attachment point, etc.) and reunderwriting during AYs 2018-2020. Nonetheless, we think it can take 3-5 years for D&O reserves to fully develop, therefore those AYs are still green. Likewise pricing was less rich in 2018-2020 than what we are seeing now considering the compounding effect. AIG's D&O prior year emergence continues to be driven by large losses.

In conclusion, we observed significant variability of the development of insurers' loss picks (other liability claims made) in AYs: 2018, 2019 and 2020. **AIG experienced more upward revisions to its loss picks for AY2017-2019 than peers while AIG's AY2020 loss pick is relatively lower than the pull forward from prior years.** To take it one step further, AIG, TRV and the industry have reduced their AY2021 initial loss picks vs. AY2020 while CB raised its AY2021 loss picks relative to prior years, a more conservative stance. On the earnings call, AIG mentioned that its primary and excess not-for-profit loss pick for policy year '21 at 18 months of development is 80% lower than the prior year which reflects management's confidence of how different its book is today.

**Appetite to grow property catastrophe underwriting.** According to Peter Zaffino, Chairman & CEO "*I think that the market will be very good for us to deploy more property. But again, we'll be disciplined, and we'll see what really transpires over the next 60 to 90 days.*" We take that statement as more opportunistic, where it makes the most sense for AIG to participate. Reinsurance availability can be a significant factor for the deployment of capital on the primary side. We do not see AIG growing in property on the personal lines side in any meaningful way.

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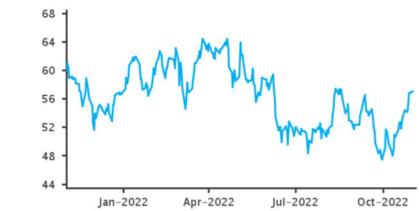
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AIG	<b>EQUAL WEIGHT</b>
	Unchanged
U.S. Insurance/Non-Life	<b>POSITIVE</b>
	Unchanged
Price Target	<b>USD 59.00</b>
	raised 11% from USD 53.00
Price (02-Nov-22)	<b>USD 57.28</b>
Potential Upside/Downside	<b>+3.0%</b>
Market Cap (USD mn)	<b>42558</b>
Shares Outstanding (mn)	<b>742.98</b>
Free Float (%)	<b>99.79</b>
52 Wk Avg Daily Volume (mn)	<b>4.9</b>
Dividend Yield (%)	<b>2.24</b>
Return on Equity TTM (%)	<b>26.67</b>
Current BVPS (USD)	<b>51.58</b>

Source: Bloomberg

Price Performance	<b>Exchange-NYSE</b>
52 Week range	<b>USD 65.73-47.05</b>



Source: IDC  
[Link to Barclays Live for interactive charting](#)

### **U.S. Insurance/Non-Life**

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We point out that while AIG manages its property catastrophe risk relative to capital by legal entity, S&P takes an enterprise view of capital. We think that AIG's catastrophe risk charge to S&P capital had benefited from a larger balance sheet that included life operations. With a smaller balance sheet, post separation, we see its PML growth to be more constrained.

**AIG: Quarterly and Annual EPS (USD)**

	<b>2021</b>	<b>2022</b>			<b>2023</b>			<b>Change y/y</b>	
<b>FY Dec</b>	<b>Actual</b>	<b>Old</b>	<b>New</b>	<b>Cons</b>	<b>Old</b>	<b>New</b>	<b>Cons</b>	<b>2022</b>	<b>2023</b>
Q1	1.05A	1.30A	1.30A	1.30A	1.41E	1.44E	1.48E	24%	11%
Q2	1.52A	1.19A	1.19A	1.19A	1.39E	1.49E	1.58E	-22%	25%
Q3	0.97A	0.51E	0.66A	0.66A	1.31E	1.31E	1.47E	-32%	98%
Q4	1.58A	1.14E	1.18E	1.32E	1.51E	1.55E	1.65E	-25%	31%
Year	5.12A	4.19E	4.39E	4.44E	5.63E	5.79E	6.18E	-14%	32%
P/E	11.2		13.1			9.9			

Consensus numbers are from Bloomberg received on 02-Nov-2022; 12:51 GMT

Source: Barclays Research

U.S. Insurance/Non-Life						POSITIVE
AIG, Inc. (AIG)						EQUAL WEIGHT
<b>Income statement (\$mn)</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>CAGR</b>	Price (02-Nov-2022) <b>USD 57.28</b>
Net premiums earned	25,057	25,677	26,310	27,439	3.1%	Price Target <b>USD 59.00</b>
Net investment income (NII)	N/A	N/A	N/A	N/A	N/A	<b>Why EQUAL WEIGHT?</b>
Underwriting income	1,055	1,887	1,541	1,681	16.8%	We view AIG as a wait-and-see proposition as it goes down the complex path of deconsolidation as well as ongoing initiatives to achieve expense savings objectives.
Operating income	4,430	3,479	4,231	4,655	1.7%	
Net income	9,359	10,788	4,231	4,655	-20.8%	
Effective tax rate (%)	19.4	21.8	22.0	22.0	4.3%	
Combined ratio (%)	95.8	92.7	94.1	93.9	-0.7%	
Combined ratio (ex cats & py development) (%)	90.9	88.9	89.2	88.9	-0.8%	<b>Upside case</b> <b>USD 64.00</b>
<b>Per share data (\$)</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>CAGR</b>	Eventual successful deconsolidation that yields a fair market value resulting in a rerating of AIG RemainCo. Our upside case assumes ~11x our '23 EPS estimate.
EPS (adj)	5.12	4.39	5.79	6.84	10.1%	
EPS (reported)	10.73	13.28	5.79	6.84	-13.9%	
DPS	1.28	1.28	1.28	1.28	0.0%	
BVPS	79.97	52.01	56.35	62.15	-8.1%	
BVPS (ex AOCI)	71.80	84.39	92.06	99.74	11.6%	<b>Downside case</b> <b>USD 50.00</b>
<b>Balance sheet and capital return (\$mn)</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>CAGR</b>	Adverse reserve development accompanying expansion of underwriting risk appetite too fast too soon. Our downside case assumes ~8.6x our '23 EPS estimate.
Total investments	91,792	87,463	82,717	77,855	-5.3%	
Common shareholders' equity (ex AOCI)	58,784	62,014	61,332	63,134	2.4%	
Share buybacks	2,643	5,250	4,000	2,000	-8.9%	
Dividends paid	1,094	1,003	923	858	-7.8%	
<b>Balance sheet and capital return metrics</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>Average</b>	<b>Upside/Downside scenarios</b>
Debt leverage (%)	22.8	34.4	34.7	33.8	31.4	Price History Prior 12 months High
Financial leverage (%)	24.6	36.7	37.1	36.0	33.6	Price Target Next 12 months Upside
Total capital return as a % of op. earnings	84.3	179.8	116.4	61.4	110.5	
<b>Valuation metrics</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>Average</b>	
P/BV (ex AOCI) (x)	0.80	0.68	0.62	0.57	0.67	
P/E (adj) (x)	11.2	13.1	9.9	8.4	10.6	
Dividend yield (%)	2.2	2.2	2.2	2.2	2.2	
ROE (%)	6.7	6.7	11.2	12.1	9.2	

Note: FY End Dec  
Source: Company data, Bloomberg, Barclays Research

Category	Value
Current	57.28
Price History Prior 12 months High	65.73
Target Price Next 12 months Upside	59.00
Price History Prior 12 months Low	47.05
Downside Price	50.00

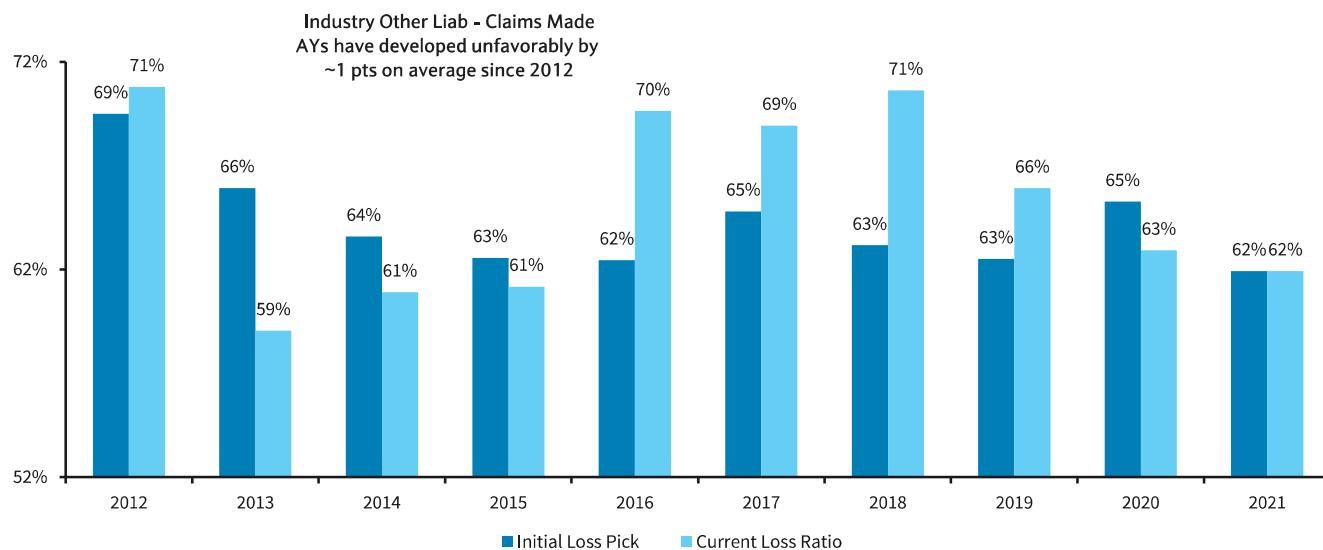
## Industry Loss Picks: Other Liability Claims Made

Insurers' narrative behind the continuation of hard pricing has been a rising claims environment. However, the industry has not raised its initial loss picks in AY2021 relative to prior years with significant variability by insurer.

The industry has raised its other liability claims made loss picks for AYs 2018 and 2019 (from initial to current) by 7.5 and 3.4 points, respectively. In contrast, the industry has lowered its

2020 loss pick by 2.3 points (12 months development). The industry's AY2021 loss pick of 62% is relatively lower than prior years.

**FIGURE 1. Other Liability Claims Made – P&C Industry**



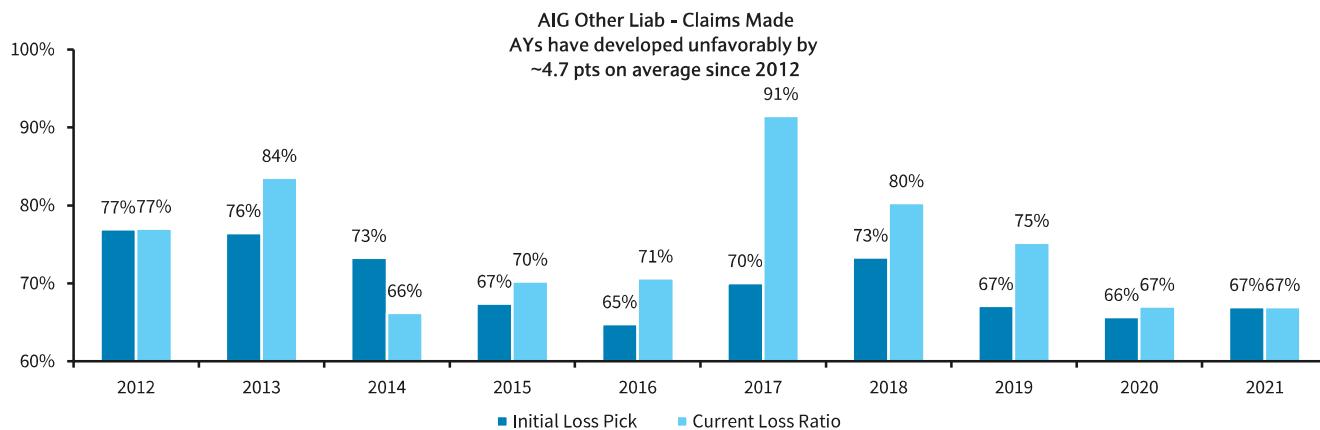
Source: S&P Capital IQ Pro and Barclays Research

## AIG Loss Picks: Other Liability Claims Made

### D&O Market share: #1 in 2018, #2 2019, #3 2020

AIG has notably raised its other liability claims made loss picks for AYs 2018, 2019, 2020 (from initial to current) by 7.0, 8.1 and 1.3 points, respectively. This development is well ahead of the industry (see figure 1). On an absolute basis, AIG's loss picks for AYs 2018, 2019, 2020 are running higher than the industry and peers.

**FIGURE 2. Other Liability Claims Made – AIG**



Source: S&P Capital IQ Pro and Barclays Research

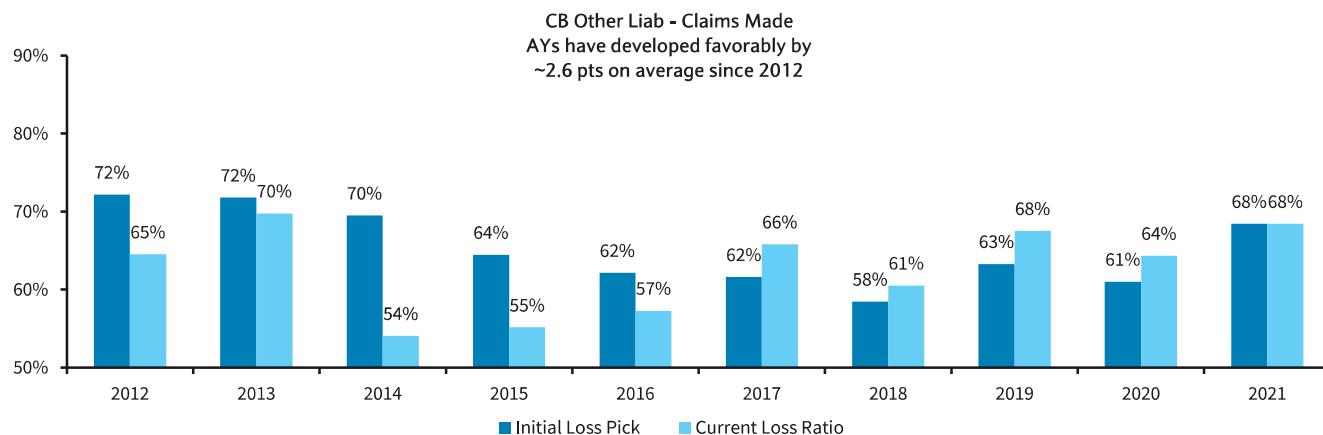
## CB Loss Picks: Other Liability Claims Made

### D&O Market share: #2 in 2018, #3 2019, #2 2020

CB has raised its other liability claims made loss picks for AYs 2018, 2019, 2020 (from initial to current) by 2.1, 4.2 and 3.3 points, respectively. This development is below the industry (see

figure 1) for AYs 2018-2019 but appears more conservative for AY20 as it raised its loss picks rather than reduced it. On an absolute basis, CB's loss picks for AYs 2018, 2019, 2020 are running lower than the industry and peers that could reflect superior underwriting.

**FIGURE 3. Other Liability Claims Made – CB**



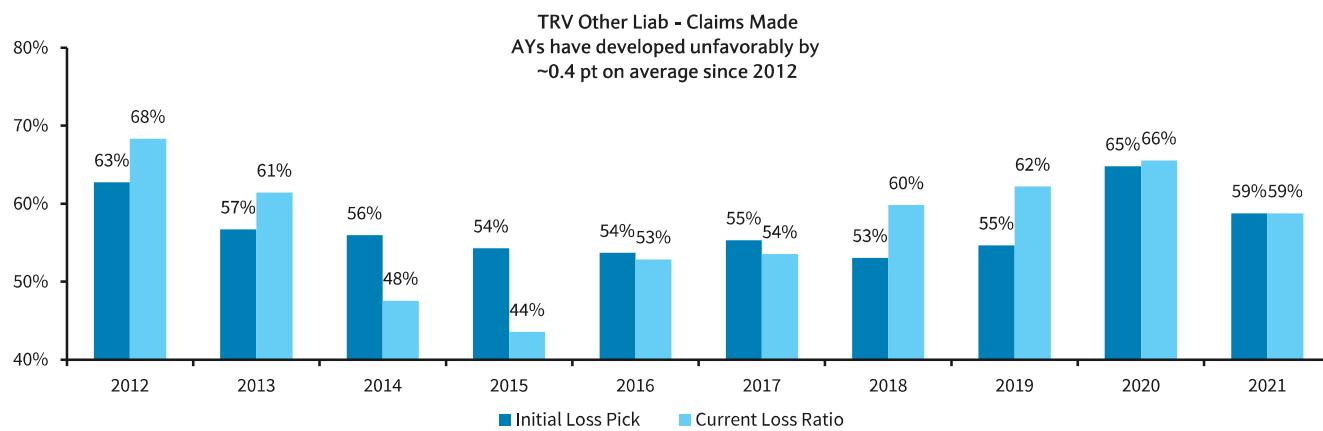
Source: S&P Capital IQ Pro and Barclays Research

## TRV Loss Picks: Other Liability Claims Made

### D&O Market share: #5 in 2018, #5 2019, #8 2020

TRV has notably raised its other liability claims made loss picks for AYs 2018, 2019, 2020 (from initial to current) by 6.8, 7.5 and 0.8 points, respectively. This development is well ahead of the industry (see figure 1). On an absolute basis, TRV's loss picks for AYs 2018, 2019, 2020 are running lower than the industry and peers.

**FIGURE 4. Other Liability Claims Made – TRV**



Source: S&P Capital IQ Pro and Barclays Research

## NA Commercial Pricing Coming Back in 3Q

NA Commercial pricing grew to +9% in 3Q22 vs +7% in 2Q22 and +8% in 1Q22. At the same time AIG raised its view of loss trends to 6.5% in 3Q22 from 6.0% in 2Q22, mostly reflecting inflationary pressure on property loss cost trends on its weighted average. Just looking at excess casualty, loss trends are in the double digits. Digging into the segment contributions, International Commercial pricing dropped q/q to +6% in 3Q22 from +7% in 2Q22 and +10% in 1Q22.

**FIGURE 5. AIG Pricing more robust in NA than International**

AIG	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Global Commercial	+15%	+13%	+12%	+10%	+9%	+7%	
Global Commercial ex WC					+10%		
NA Commercial	+15%	+13%	+11%	+11%	+8%	+7%	+9%
Financial Lines	+24%		>+15%	+15%	+12%		
Cyber*					+85%	+52%	+32%
Excess Casualty	+31%	+20%	>+15%	+14%		+10%	+12%
Lexington				+11%	+13%	+18%	+20%
Lexington - Property		+15%				+17%	
Lexington - Casualty	+36%	+19%					
NA Retail Property				13%	+14%		
Intl Commercial	+14%	+13%	+13%	+9%	+10%	+7%	+6%
UK	+23%		+21%	+12%			
EMEA				+18%	+14%	+10%	+10%
Commercial Property	+19%	+18%			+14%	+10%	
Financial Lines	+20%	+21%	+24%	+18%	+21%	+11%	
Cyber*	+41%	+40%			+60%	+47%	
Global Energy	+26%	+16%	+14%	+11%			
APAC ex Japan	+13%				+10%		

Note: Cyber rates are included in financial lines, NA and International respectively.

Source: Barclays Research, Company Data.

## 3Q Highlights

North America Commercial rate, ex WC, increased 9% (from 7% in 2Q22) in 3Q22 and continued to exceed loss cost trends. Last quarter, AIG characterized loss trend as 6% but should look more like 4% when taking into account 2 points of exposure growth. Note, other P&C insurers refer to the reverse, inflationary exposure as a component of rate, obscuring peer comparisons.

**PYD Spotlight:** On a net basis, AIG's net favorable PYD was \$72mn for 3Q22. AIG disclosed favorable PYD from global personal lines, global specialty and WC offset by **adverse PYD in U.S. Financial Lines.**

Underlying combined ratio of 88.4% (210 bps improvement y/y) vs. our estimated 89.4% despite deterioration seen in NA Personal Lines. The standout is International Commercial AYCR improvements by 6.4 pts y/y. NA Commercial AYLR improved 4.0 pts y/y and on a sequential basis it improved by 80 bps to 62.5% from 63.3%. GI NPW declined 3% y/y, with a drag mostly seen in international personal lines. On a FX constant basis GI NPW growth was 3%.

**NA Personal Lines AYCR deteriorated** to 112.8% in 3Q22 vs. 99.8% in 2Q22 and 98.4% in 3Q21 reflecting ongoing remediation in PCG - from admitted to non-admitted. AIG is still committed to its business. We would like to better understand the economics and efficiency of its reinsurance program (i.e. Syndicate 2019). The growth side was impacted by one large client non-renewal.

L&R: AIG continues to grow spread business with doubling of sales in FAs and robust FIA production. That said fee income was down amid weaker capital market conditions. AIG is seeing less adverse mortality. AIG's stake in CRBG is currently 77.7%. AIG consolidates CRBG results (NCI reflects its the equity interest not owned by AIG) until its ownership stake is <50%.

### Key Results

**EPS Beat:** AIG's 3Q22 Operating EPS of \$0.66 was above our \$0.51 estimate and \$0.46 consensus Street estimate. The beat primarily reflects better-than-expected GI underwriting gains including lower catastrophe losses and better underlying combined ratio, somewhat offset by lower NII due to lower alternative performance vs our estimates.

BVPS (common) fell to \$51.58 in 3Q22, from to \$58.16 in 2Q22, mostly due to negative marks.

**VII:** Alternative returns were \$194mn (pre-tax) worse than AIG's expectations.

**Cat losses:** \$600mn (net of reinsurance) vs. our \$830mn estimate.

**Capital Management:** Parent liquidity was strong at \$6.5bn at the end of the quarter, up from \$5.6bn at the end of 2Q22. To recap, AIG received \$1.7bn of gross proceeds from the CRBG IPO. \$1.3bn of buybacks were completed during the quarter (vs. our \$1.25bn estimate).

## Forward Looking Statements

- **Capital Deployment:** AIG expects to put additional capital into its insurance subsidiaries for organic growth. AIG is bullish about the E&S market in particular. AIG is aiming to reduce its share count to 600-650mn range, while achieving leverage at the 20% to 25% level post-deconsolidation.
- **CRBG windows for a secondary offering:** Mid to late March, mid May or late June. Net proceeds to be delayed for share repurchases
- **Share buybacks:** AIG has \$4.3bn remaining on its current share repurchase authorization and expect to end 2022 with >\$5bn of buybacks. We are taking down our buyback assumption to \$5.25bn from our original \$5.87bn for FY22.
- **Fixed income/loan portfolio yields:** Expected to rise 10-15 bps in 4Q, following +17 bps in 3Q, and +9 bps in 2Q. Over time, yield uplift from NII could add 1 to 2 pts to ROCE.
- CRBG is expecting spread expansion from compression beginning in 2023.
- **Expense savings:** Remaining \$350mn be realized from AIG 200; ~\$300mn of corporate GOE and ~\$400mn of interest expense that will be transferred to Corebridge; and additional expense savings transitioning AIG to a leaner operating model.

## Valuation

Our Equal Weight rating and \$59 price target (up from \$53) are based on a 50/50 weighted average of 10x (up from 9.0x) our 2023 EPS estimate and 0.7x (up from 0.6x) our 2023 book value per share (ex-AOCI) estimate. Our target multiples for AIG are below the P/C insurance group given we expect lower ROEs, especially for GI standalone.

## 3Q Variance Analysis

FIGURE 6. 3Q22 Variance Analysis

Financial Summary		Q/Q		Y/Y		Barclays Est.		
(in \$ mn, expect per share data)		3Q22A	2Q22	% Change	3Q21	% Change	3Q22E	% Var.
Adjusted pre-tax income (loss)		\$725	\$1,359	-47%	\$1,126	-36%	\$694	4%
General Insurance		\$750	\$1,257	-40%	\$811	-8%	\$345	117%
Life and Retirement		\$589	\$563	5%	\$877	-33%	\$684	-14%
Other Ops		(\$614)	(\$461)	-33%	(\$562)	-9%	(\$334)	-84%
NII APTI Basis		\$2,535	\$2,504	1.2%	\$3,276	-22.6%	\$2,619	-3.2%
Adjusted Net Income		\$509	\$979	-48%	\$837	-39%	\$391	30%
Adjusted EPS		\$0.66	\$1.19	-45%	\$0.97	-32%	\$0.51	30%
Adjusted return on common equity		3.7%	7.0%	(327 bps)	6.5%	(280 bps)	2.8%	85 bps
Repurchases		\$1,300	\$1,699	-23%	\$1,059	23%	\$1,250	4%
Wgt. Avg. Diluted Shares Outstanding		771.1	843.3	-9%	864.0	-11%	769.4	0%
Adjusted book value per common share		\$73.28	\$72.23	1%	\$61.80	19%	\$72.54	1%
Book value per common share		\$51.58	\$58.16	-11%	\$77.03	-33%	\$56.71	-9%
General Insurance		Q/Q		Y/Y		Barclays Est.		
(in \$ mn, expect per share data)		3Q22A	2Q22	% Change	3Q21	% Change	3Q22E	% Var.
Net premiums written		\$6,403	\$6,866	-7%	\$6,590	-3%	\$6,632	-3%
Underwriting gains (loss)		\$168	\$799	-79%	\$20	740%	(\$111)	-252%
Adjusted pre-tax income		\$750	\$1,257	-40%	\$811	-8%	\$345	117%
Underwriting ratios								
Loss ratio		67.5%	56.2%	1127 bps	68.4%	(88 bps)	70.3%	(284 bps)
Cat losses & reinstatement premiums		9.8%	1.9%	794 bps	9.8%	2 bps	12.5%	(271 bps)
PYD		(0.9%)	(2.9%)	199 bps	(0.6%)	(30 bps)	(0.2%)	(70 bps)
Underlying Loss ratio		58.6%	57.3%	134 bps	59.2%	(61 bps)	58.0%	57 bps
Expense ratio		29.8%	31.3%	(146 bps)	31.3%	(151 bps)	31.3%	(153 bps)
Combined ratio		97.3%	87.5%	981 bps	99.7%	(239 bps)	101.7%	(438 bps)
Underlying combined ratio		88.4%	88.5%	(12 bps)	90.5%	(211 bps)	89.4%	(96 bps)
General Insurance - North America		Q/Q		Y/Y		Barclays Est.		
(in \$ mn, expect per share data)		3Q22A	2Q22	% Change	3Q21	% Change	3Q22E	% Var.
Net premiums written		\$3,138	\$3,401	-8%	\$3,005	4%	\$3,245	-3%
Commercial		\$2,757	\$2,918	-6%	\$2,576	7%	\$2,834	-3%
Personal		\$381	\$483	-21%	\$429	-11%	\$412	-7%
Underwriting gain (loss)		(\$439)	\$406	-208%	(\$166)	-164%	(\$310)	42%
Commercial		(\$374)	\$416	-190%	(\$503)	26%	(\$214)	75%
Personal		(\$65)	(\$10)	550%	\$337	119%	(\$96)	32%
Underwriting ratios - North America Commercial								
Combined ratio		113.6%	83.7%	2994 bps	120.0%	(643 bps)	107.8%	580 bps
Underlying combined ratio		88.4%	88.2%	19 bps	90.5%	(207 bps)	88.0%	45 bps
Underwriting ratios - North America Personal								
Combined ratio		116.4%	102.3%	1405 bps	14.9%	10150 bps	121.6%	(520 bps)
Underlying combined ratio		112.8%	99.8%	1304 bps	98.4%	1435 bps	102.5%	1026 bps
General Insurance - International		Q/Q		Y/Y		Barclays Est.		
(in \$ mn, expect per share data)		3Q22A	2Q22	% Change	3Q21	% Change	3Q22E	% Var.
Net premiums written		\$3,265	\$3,465	-6%	\$3,585	-9%	\$3,387	-4%
Commercial		\$1,992	\$2,037	-2%	\$2,071	-4%	\$2,009	-1%
Personal		\$1,273	\$1,428	-11%	\$1,514	-16%	\$1,378	-8%

<b>Underwriting gain (loss)</b>	\$607	\$393	54%	\$186	226%	\$199	205%
Commercial	\$469	\$349	-34%	(\$94)	-599%	\$178	164%
Personal	\$138	\$44	214%	\$280	-51%	\$21	553%
<b>Underwriting ratios - Intl Commercial</b>							
Combined ratio	75.4%	82.4%	(699 bps)	104.8%	(2944 bps)	91.2%	(1580 bps)
Underlying combined ratio	80.4%	81.4%	(97 bps)	86.8%	(644 bps)	84.2%	(380 bps)
<b>Underwriting ratios - Intl Personal</b>							
Combined ratio	89.8%	96.9%	(713 bps)	82.2%	760 bps	98.5%	(870 bps)
Underlying combined ratio	99.9%	95.2%	470 bps	93.0%	693 bps	95.1%	480 bps

<b>Life and Retirement</b> <b>(in \$ mn, expect per share data)</b>	Q/Q			Y/Y		Barclays Est.	
	3Q22A	2Q22	% Change	3Q21	% Change	3Q22E	% Var.
Adjusted pre-tax income	\$589	\$563	5%	\$969	-39%	\$684	-14%
Premiums and fees	\$2,136	\$1,862	15%	\$3,524	-39%	\$2,107	1%
Net flows	(\$92)	\$80	-215%	(\$1,106)	92%	(\$264)	65%
NII APTI basis	\$2,004	\$1,989	1%	\$2,357	-15%	\$2,025	-1%

Source: Barclays Research, Company Data.

## Model Summary

FIGURE 7. Model Summary

Summary (\$ in mn except per share data)	2019	2020	2021	2022E	2023E	2024E
<b>Operating Income by Segment</b>						
General Insurance	\$3,533	\$1,901	\$4,359	\$4,286	\$4,136	\$4,205
Life and Retirement						
Individual Retirement	\$1,977	\$1,938	\$1,939	\$1,082	\$1,477	\$1,653
Group Retirement	\$937	\$1,013	\$1,284	\$798	\$1,043	\$1,131
Life Insurance	\$331	\$142	\$106	\$363	\$569	\$653
Institutional Markets	\$308	\$438	\$582	\$371	\$523	\$602
Other Operations	(\$1,616)	(\$2,429)	(\$2,350)	(\$1,954)	(\$1,488)	(\$1,528)
<b>Total Operating Earnings</b>						
Pre-Tax	\$5,470	\$3,003	\$5,920	\$4,945	\$6,260	\$6,897
After-Tax	\$4,078	\$2,201	\$4,430	\$3,479	\$4,231	\$4,655
<b>Operating EPS</b>						
	\$4.58	\$2.52	\$5.12	\$4.39	\$5.79	\$6.84
<b>General Insurance</b>						
Net premiums written	\$25,092	\$22,959	\$25,890	\$26,047	\$27,051	\$28,218
Net earned premiums	\$26,438	\$23,662	\$25,057	\$25,677	\$26,310	\$27,439
Combined Ratio	99.7%	104.3%	95.8%	92.7%	94.1%	93.9%
Combined ratio ex cats, prior yr dev. & chg in disc.	96.0%	94.1%	90.9%	88.9%	89.2%	88.9%
<b>General Insurance - NA commercial</b>						
Net premiums written	\$8,854	\$8,635	\$10,226	\$11,056	\$11,609	\$12,189
Net earned premiums	\$9,600	\$8,516	\$9,451	\$10,462	\$11,135	\$11,692
Combined Ratio	102.3%	110.1%	103.6%	94.7%	93.8%	93.8%
Combined ratio ex cats, prior yr dev. & chg in disc.	97.6%	95.0%	90.9%	87.0%	87.3%	87.3%
<b>General Insurance - NA Personal</b>						
Net premiums written	\$3,249	\$1,149	\$1,507	\$1,462	\$1,492	\$1,521
Net earned premiums	\$3,253	\$1,786	\$1,538	\$1,677	\$1,646	\$1,679
Combined Ratio	100.1%	124.6%	80.8%	106.4%	104.8%	104.8%
Combined ratio ex cats, prior yr dev. & chg in disc.	94.7%	103.7%	99.6%	104.3%	100.0%	100.0%
<b>General Insurance - International Commercial</b>						
Net premiums written	\$6,203	\$6,874	\$8,030	\$8,125	\$8,540	\$8,977
Net earned premiums	\$6,364	\$6,927	\$7,746	\$7,881	\$8,153	\$8,570
Combined Ratio	99.5%	100.4%	92.9%	84.2%	86.6%	86.6%
Combined ratio ex cats, prior yr dev. & chg in disc.	95.1%	90.0%	86.9%	81.6%	82.1%	82.1%
<b>General Insurance - International Personal</b>						
Net premiums written	\$6,786	\$6,301	\$6,127	\$5,404	\$5,411	\$5,531
Net earned premiums	\$7,221	\$6,433	\$6,322	\$5,657	\$5,376	\$5,497
Combined Ratio	96.1%	95.3%	91.3%	96.5%	103.0%	102.0%
Combined ratio ex cats, prior yr dev. & chg in disc.	95.2%	93.7%	93.7%	97.8%	100.3%	99.3%
<b>Net Investment Income by Segment</b>						
General Insurance	\$3,444	\$2,925	\$3,304	\$2,399	\$2,595	\$2,705
Life and Retirement	\$8,733	\$8,881	\$9,521	\$8,172	\$8,868	\$9,383
Corporate	\$2,598	\$1,087	\$1,112	\$710	\$672	\$672
Total NII before eliminations	\$14,775	\$12,893	\$13,937	\$11,282	\$12,135	\$12,760
Book value per share, ex AOCI	\$69.20	\$60.78	\$71.80	\$84.39	\$92.06	\$99.74
Operating ROE, ex AOCI and DTA	8.3%	4.4%	8.4%	6.0%	7.1%	7.8%
Share Buybacks	\$0	\$500	\$2,643	\$5,250	\$4,000	\$2,000

Source: Barclays Research, Company Data.

**Analyst(s) Certification(s):**

I, Tracy Benguigui, hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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**Primary Stocks (Ticker, Date, Price)**

**AIG, Inc.** (AIG, 02-Nov-2022, USD 57.28), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M/N

**Materially Mentioned Stocks (Ticker, Date, Price)**

**Chubb Limited** (CB, 02-Nov-2022, USD 210.54), Overweight/Positive, A/CE/D/J/K/L/M/N

**The Travelers Companies, Inc.** (TRV, 02-Nov-2022, USD 182.31), Equal Weight/Positive, CD/CE/J/K/M/N

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Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the “industry coverage universe”).

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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**Overweight** - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

**Equal Weight** - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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**Positive** - industry coverage universe fundamentals/valuations are improving.

**Neutral** - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

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#### **U.S. Insurance/Non-Life**

AIG, Inc. (AIG)	Allstate Corp. (ALL)	Arch Capital Group Ltd. (ACGL)
Chubb Limited (CB)	James River Group Holdings (JVRV)	Lemonade Inc (LMND)
Palomar Holdings, Inc. (PLMR)	Progressive Corp. (PGR)	Root Inc. (ROOT)
Ryan Specialty Holdings (RYAN)	The Hartford Financial Services Group, Inc. (HIG)	The Travelers Companies, Inc. (TRV)

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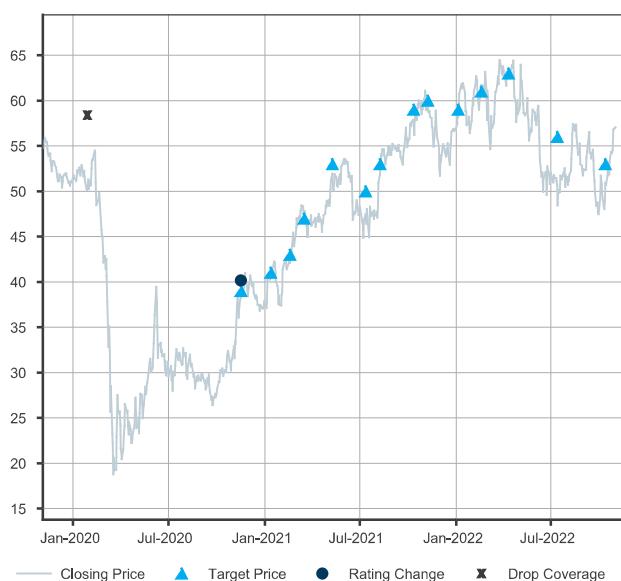
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**AIG, Inc. (AIG / AIG)**Stock Rating: **EQUAL WEIGHT**Industry View: **POSITIVE****USD 57.28** (02-Nov-2022)**Rating and Price Target Chart - USD (as of 02-Nov-2022)**

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
13-Oct-2022	48.96		53.00
13-Jul-2022	51.12		56.00
11-Apr-2022	63.14		63.00
18-Feb-2022	61.38		61.00
05-Jan-2022	59.00		59.00
08-Nov-2021	59.16		60.00
12-Oct-2021	57.40		59.00
09-Aug-2021	51.85		53.00
12-Jul-2021	47.44		50.00
10-May-2021	51.92		53.00
17-Mar-2021	47.67		47.00
18-Feb-2021	42.11		43.00
12-Jan-2021	41.00		41.00
16-Nov-2020	38.49	Equal Weight	39.00
22-Jan-2020	52.26	Coverage Dropped	

On 03-Nov-2019, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 67.00.

Source: Bloomberg, Barclays Research

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**Valuation Methodology:** Our Equal Weight rating and \$59 price target are based on a 50/50 weighted average of 10x our 2023 EPS estimate and 0.7x our 2023 book value per share (ex-AOCI) estimate. Our target multiples for AIG are below the P/C insurance group given we expect lower ROEs, especially for GI standalone.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Potential calls on capital to complete a separation. Expansion of underwriting risk appetite too fast too soon and/or over exuberance at hardening pricing that falter AIG's resolve to walk away from business that does not meet risk return hurdles. Unexpected adverse reserve development which would not only impair earnings or capital but undermine the creditability of its underwriting remediation actions to date. Ultimately we think a smaller capital base post separation may temper AIG's ability to compete at the upper end of the market where we see less trading partners.

## Chubb Limited (CB / CB)

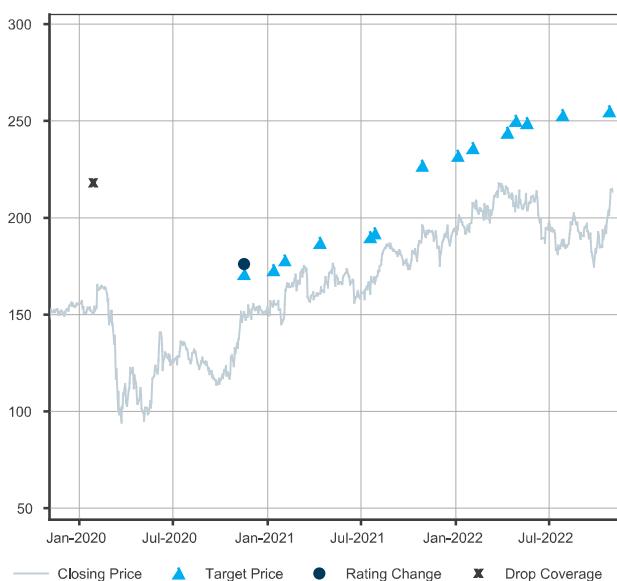
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

**USD 210.54** (02-Nov-2022)

### Rating and Price Target Chart - USD (as of 02-Nov-2022)

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
26-Oct-2022	204.15		255.00
27-Jul-2022	187.00		253.00
19-May-2022	203.88		249.00
27-Apr-2022	203.40		250.00
11-Apr-2022	216.15		244.00
03-Feb-2022	199.87		236.00
05-Jan-2022	195.61		232.00
28-Oct-2021	196.09		227.00
28-Jul-2021	166.02		192.00
19-Jul-2021	160.79		190.00
12-Apr-2021	160.94		187.00
03-Feb-2021	155.32		178.00
12-Jan-2021	156.61		173.00
16-Nov-2020	151.36	Overweight	171.00
22-Jan-2020	153.83	Coverage Dropped	

On 03-Nov-2019, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 185.00.

Source: Bloomberg, Barclays Research

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**Valuation Methodology:** Our Overweight rating and \$255 price target are based on 50/50 weighted average P/E of 15x our 2023 EPS estimate and 1.5x our 2023 book value per share (ex-AOCI) estimate. Our target multiples for CB are above the P/C insurance group based on a stronger, more durable earnings trajectory and greater excess capital.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Lower investment income is expected but underutilization of the underwriting platform (not taking full advantage of hard pricing / customer base seeks out cheaper insurance providers or a material adverse reserve development) could keep fundamentals from accelerating. Chubb does have a sizeable capital buffer which in our view is an overhang on ROE.

## The Travelers Companies, Inc. (TRV / TRV)

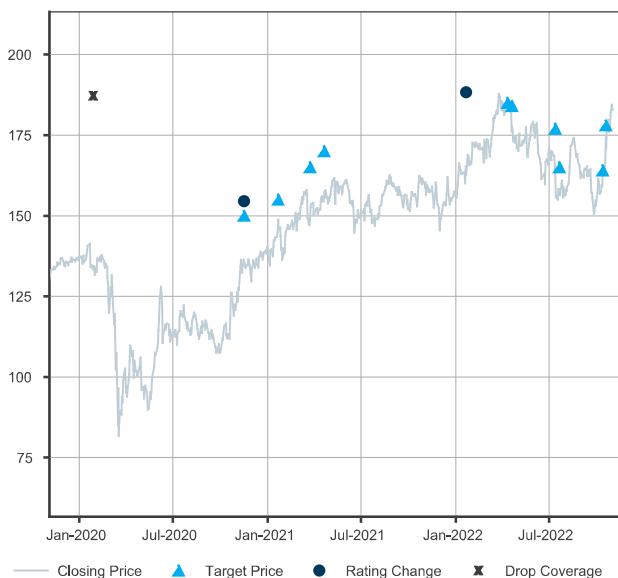
Stock Rating: **EQUAL WEIGHT**

Industry View: **POSITIVE**

**USD 182.31** (02-Nov-2022)

### Rating and Price Target Chart - USD (as of 02-Nov-2022)

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
19-Oct-2022	166.77		178.00
13-Oct-2022	159.16		164.00
21-Jul-2022	156.83		165.00
13-Jul-2022	165.28		177.00
20-Apr-2022	176.16		184.00
11-Apr-2022	184.86		185.00
21-Jan-2022	165.18	Equal Weight	
20-Apr-2021	155.73		170.00
24-Mar-2021	149.28		165.00
21-Jan-2021	148.72		155.00
16-Nov-2020	136.29	Overweight	150.00
22-Jan-2020	141.34	Coverage Dropped	

On 03-Nov-2019, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 162.00.

Source: Bloomberg, Barclays Research

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**Valuation Methodology:** Our Equal Weight rating and \$178 price target are based on a 50/50 weighted average of ~13.5x our '23E EPS and 1.4x '23E BVPS ex AOCI.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Natural catastrophe exposure has potential to create earnings volatility. Depleted workers comp reserve margin and/or adverse loss emergence within long tail lines and commercial auto could result in reserve strengthening.

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