


responding to global need



Climate change is causing companies to change the way they operate, but it also brings opportunities and no other business sector is more aware of the risks than the insurance industry. Climate change policies, programmes and products help American International Group, Inc. (AIG) pave the way to a low carbon future. Alice LeBlanc discloses an insurer's strategies and initiatives.

IN MAY 2006, AIG announced its corporate policy and programmes on climate change – becoming the first US insurance organisation to take a position on this critically important global environmental issue. By focusing on the business risks and opportunities related to climate change, AIG’s policy responds to the demand and needs of customers and investors with an interest in reducing greenhouse gas (GHG) emissions.

Insurance companies, as well as investment and financial service companies, have an important role to play in reducing GHG emissions and in mitigating climate change risk. Clearly, investments in new businesses, projects and technologies are needed to provide lower-emitting energy and industrial infrastructures, as well as to promote a variety of innovative and cost-effective ways to reduce or sequester GHG emissions.

The emerging carbon market, created by government regulations, is beginning to offer financial incentives to spur these new investments. Insurance and financial products can help provide the security and liquidity that investors and the carbon market require.

At AIG, there are three components of the company’s strategy on climate change.

Products and services that provide climate change solutions

Since the launch of their climate change policy, the AIG companies have developed or expanded products and services that support the carbon market and promote investment in, and deployment of, technologies and activities that mitigate GHG emissions. These include insurance solutions such as the newly formed AIG ecoPractice and Alternative Energy Practice.

AIG ecoPractice focuses on customers outside of North America and offers products and services to private and public entities that mitigate their evolving climate change risks. The Alternative Energy Practice supports renewable energy and other GHG mitigating facilities globally, from construction through operation, by providing property, casualty and marine insurance and services.

The AIG companies are in the forefront of structuring new products, such as those to insure monetary losses resulting from non-delivery of Clean Development Mechanism (CDM) carbon credits, as well as selected risks associated with technology design deficiencies from US alternative fuel facilities. In addition, new AIG products provide incentives for building ‘greener’ buildings and installing more efficient energy systems following a loss in both commercial and residential buildings.

AIG Investments invests in renewable energy and energy efficiency projects and related businesses, both through private equity and project debt financing. Additional private equity seed funds have been allocated to a Sustainable Future Portfolio. The AIG Global Real Estate Group continues its leadership role as developer and investor of ‘green’ buildings around the world.

AIG Financial Products is active in the full spectrum of over-the-counter (OTC) derivative and structured product markets. It has invested directly in renewable energy and participated as a credit support provider in a large transaction of carbon credit recognised under the Kyoto Protocol, while continually assessing other opportunities to participate in the carbon market.

Advancing the policy discussion

At a corporate level, AIG is lobbying for legislation in the US and Europe that both supports mandatory limits on GHG emissions and that uses emissions trading as a mechanism to help achieve the required reductions in an economically sound way. In the US, AIG participates in the

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US Climate Action Partnership, a group of more than 30 major corporations and environmental groups promoting immediate cap-and-trade legislation. AIG also participates in several lobbying coalitions in Europe and aligns itself to groups of like-minded companies that support climate change solutions.

Internal initiatives

In 2006, AIG conducted its first GHG inventory. The company found that most of its emissions come from the generation of the electricity it purchases and from the commercial flights the company uses. AIG is committed to improving the emissions performance of its own business operations, and the company is buying carbon offsets (voluntary emissions reductions) to offset all of its 2006 emissions.

For the future, AIG is formulating commitments for energy efficiency and renewable energy purchases. The company is in the midst of planning for the launch of a ‘Go Green’ initiative that will engage employees in a