



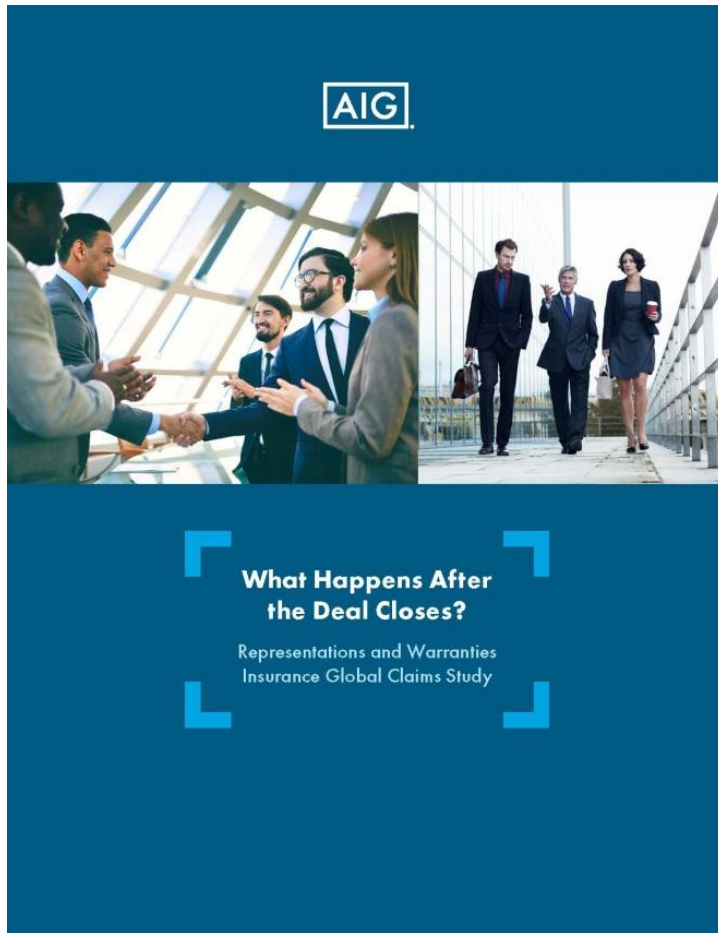
What Happens After the Deal Closes? Representations and Warranties Insurance Global Claims Study

March 10, 2016

AIG is requesting confidential treatment and the information is being submitted pursuant to 12 U.S.C. §1828(x). AIG further requests that it be notified pursuant to FRBNY policy if the FRBNY is requested to disclose any information that AIG has shared with the FRBNY in its capacity as federal supervisory authority and requests that it be afforded an opportunity to object to disclosure.

Unique Insights From Over 15 Years of Experience

Review of R&W Claims Between 2011 - 2014



- Common forms of breaches reported.
- Frequency of claims by deal size.
- Timing of claims reported.
- Severity and frequency of buyer-side vs. seller-side claims.

Common Forms of Breaches Reported

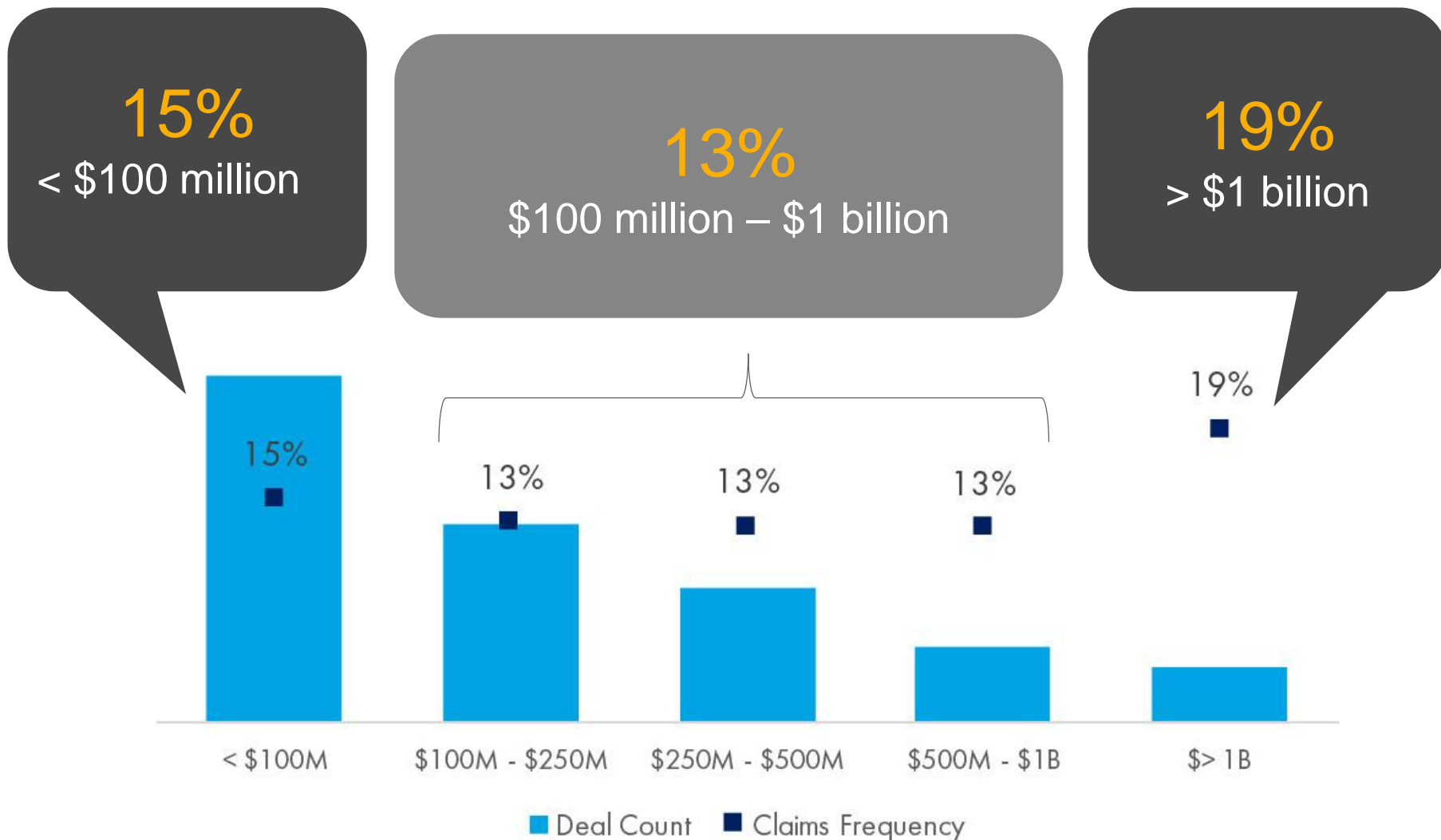
Financial statement misrepresentations account for 28% of all claims during the period.



- Most commonly alleged breaches were reported for financial statements, tax information, and contracts.
- The U.S. was the only region to report alleged breaches of intellectual property, data, and insurance.
- Europe, the Middle East and Africa (EMEA), and Asia Pacific reported significantly more alleged breaches of contracts than other categories.

Frequency of Claims Varies With the Size of the Deal

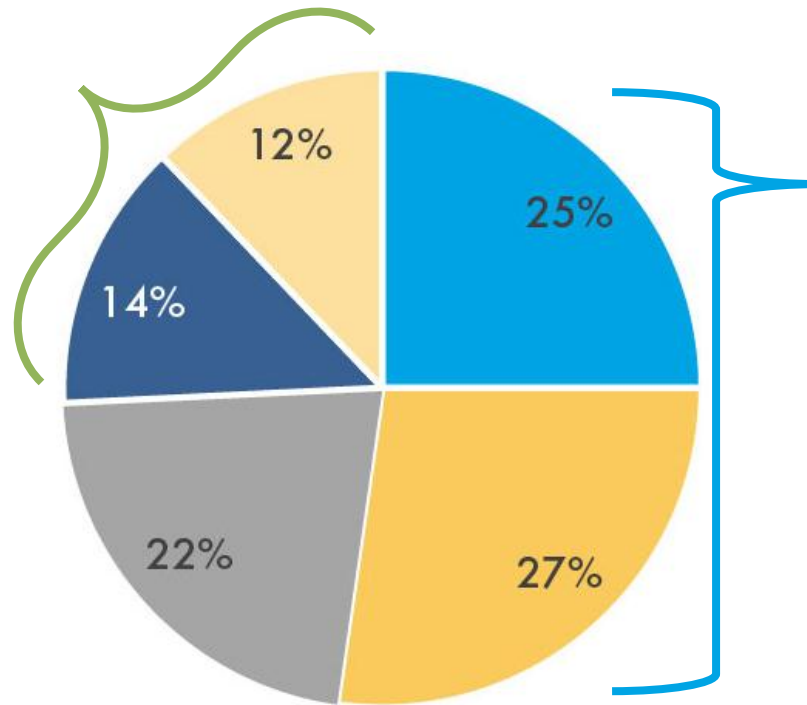
Deals \geq \$1 billion most likely to claim damages.



How Long is Too Long?

24% of claims reported after the 18-month mark.

26% of claims were reported 18 or more months after the close of the transaction.

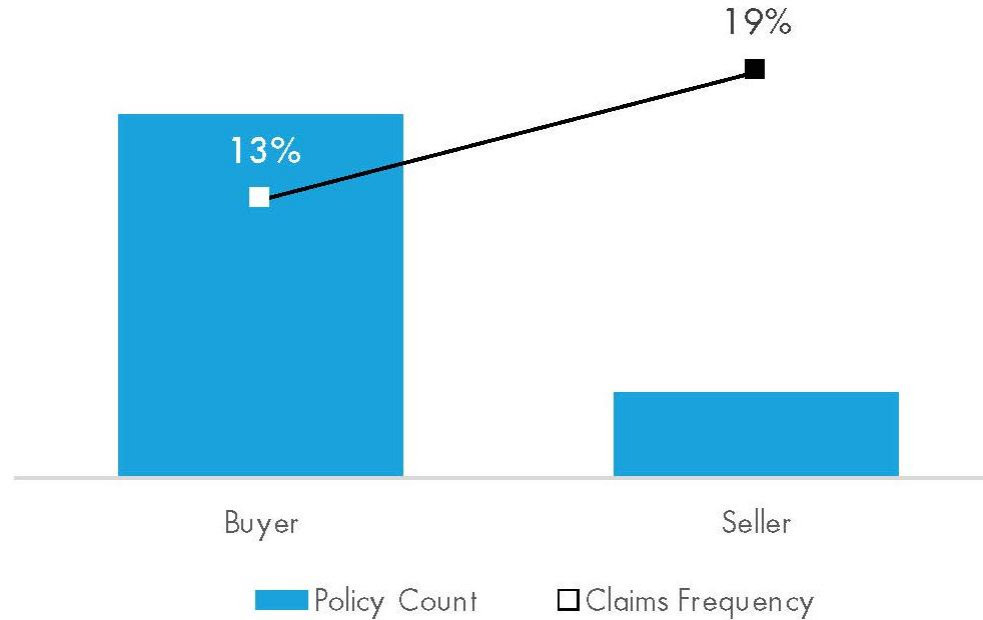


More than **50%** of all global claims reviewed were reported within the first year after a deal is closed.

■ 0-6 Months ■ 6-12 Months ■ 12-18 Months ■ 18-24 Months ■ 24+ Months

Both Buyers and Sellers Beware

1 in 5 sellers to report a claim.



- Purchased the most policies.
 - Filed the most claims.
 - Reported the most severe losses.
- More likely to report a claim.

R&W Insurance in Action

Europe



THE DEAL

Accountancy and business advisory firm sold its UK investment management business.



THE CLAIM

Buyer alleged breaches of the warranties regarding:

- Financial statements of the target,
- Regulatory compliance, and
- Claims in respect of how certain funds had been invested in the past by the seller.



AIG'S RESPONSE

AIG enabled the seller to swiftly agree to the terms of the settlement with the buyer. AIG paid out a substantial sum in settlement and expenses.



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