



Powered by  Clickability

## S&P cuts AIG's coveted AAA rating

Credit-rating agency says "inappropriate transactions" raise questions, may cut ratings again.

March 30, 2005: 4:21 PM EST

**NEW YORK (Reuters) - Standard & Poor's cut American International Group's highly coveted "AAA" credit rating Wednesday and said it may cut it again, citing accounting errors that the rating agency said raise questions about management.**

The cut may raise the giant insurer's borrowing costs, and is a blow to the prestige of what had been one of only a handful of companies to bear a top credit rating from S&P.

"The number and scope of inappropriate financial transactions -- some characteristic of aggressive financial management -- have diminished our assessment of management and its internal controls, corporate governance, and aggressive culture," Standard & Poor's credit analyst Grace Osborne said in a statement.

Separately, AIG acknowledged Wednesday that it had engaged in [questionable deals](#) that could stretch back for 14 years and may cause it to cut shareholders' equity by as much as \$1.7 billion.

S&P cut AIG's senior debt rating and long-term counterparty credit rating to "AA-plus," the second-highest rating, from "AAA."

Counterparty credit ratings pertain to transactions like derivatives trades. A host of other ratings, including those at subsidiaries, were also cut.

S&P is one of three firms that are authorized by the Securities and Exchange Commission to rate debt in the United States.

A lower credit rating can boost a company's cost of borrowing since lenders may demand higher interest rates on the bonds they buy as compensation for the increased risk.

For more on Fortune 500 companies, [click here](#).

For more on the corporate scandals, [click here](#). ■

**Find this article at:**

[http://money.cnn.com/2005/03/30/news/fortune500/aig\\_sp.reut/index.htm](http://money.cnn.com/2005/03/30/news/fortune500/aig_sp.reut/index.htm)

Check the box to include the list of links referenced in the article.