

PLAINTIFF'S
EXHIBIT
63

MEMORANDUM



August 7, 2000

CONFIDENTIAL ATTORNEY-CLIENT COMMUNICATION

TO: M. R. Greenberg
E. Patrikis

FROM: Joseph H. Umansky

RE: Special Reinsurance

The attached schedule shows the amount of investments held in excess of NPV is \$61 million. Please note:

- During the first and second quarters we took back \$280 million, reducing our cushion by \$52 million.
- 2000 Treaties are not included in the attachment. Excluding APs, premium to be ceded is \$481 million plus \$200 million of cash transfers that will not be recorded as premium ceded. To date only \$2 million has been paid. A schedule of 2000 treaties is attached.
- The warranty structure, including the recapitalization of Capco Re, will be completed by the end of August.
- I expect \$107 million of losses to be recovered this year; \$49 million has already been received.
- Our portfolio had an unrealized loss of \$47 million as of June 30, 2000.
- FP is creating the high yield securities to be purchased by the trusts. The target date for completion is mid September.

JHU:ge
Attachment

A handwritten signature in black ink, appearing to be "JHU".

cc: E. G. Greenberg
H. I. Smith
T. R. Tizzio

CONFIDENTIAL

AIG-F 0002783

SPECIAL REINSURANCE

(In millions)

	Ulti- mate Loss	NPV of Ulti- mate	Cash Avail- able	Over (Short)	Credit Taken
<u>AGGREGATE EXCESS / STOP LOSS</u>					
1. Aggregate Excess - 1984-1985 (A)	206	140	140	0	206
2. Abeille - 1988 - Retrospective	400	345	315	(30)	400
3. Abeille - 1991 - 10 Yr.	189	152	148	(4)	189
4. AIGRM Stop Loss - 1993	50	42	35	(7)	23
5. AIGRM Stop Loss - 1994	50	38	36	0	23
6. Division 50 - Blown Max - 1991-1997	38	24	22	(2)	22
7. Excess Casualty - 1993	27	18	23	5	27
8. Excess Casualty - 1994	33	21	49	28	33
9. Aggregate Loss Ratio / Excess - 1996	550	286	271	(15)	440
10. Aggregate Loss Ratio / Excess - 1997	650	327	327	0	478
11. Aggregate Loss Ratio / Excess - 1998	800	388	340	(48)	543
12. Aggregate Loss Ratio / Excess - 1999	650	269	269	0	408
13. DBG - Fac Obligatory - Aggregate Excess - 1999	142	73	73	0	142
14. AIU - Aggregate Excess - 1999	30	16	18	0	30
15. DBG - Aggregate Excess - 1999	60	33	33	0	60
Total Aggregate Excess / Stop Loss	5,015	2,170	2,097	(73)	3,512
<u>MISCELLANEOUS</u>					
16. Other - Active Contracts	33	33	10	(23)	23
17. Other - Commuted & Cancelled Contracts (B)	0	0	157	157	0
Total Miscellaneous	33	33	167	134	23
<u>TOTAL SPECIAL REINSURANCE</u>	5,048	2,203	2,264	61	3,535

(A) This agreement and the credit taken has been approved by Coopers & Lybrand

(B) Commuted & Cancelled Accounts Funds:

Global Catastrophe Cover	131
Lexington Warehouse (Committed for \$47.82 Million-12/30)	117
DBG Replacement Treaties	(79)
Professional Liability (NU Agg X/S)-Div 65	(13)
All Others Including Interest on Balance	1
Total Commuted & Cancelled Contracts	157

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