SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

THE PEOPLE OF THE STATE OF NEW YORK by ELIOT SPITZER, Attorney General of the State of New York, and HOWARD MILLS, Superintendent of Insurance of the State of New York, Plaintiffs,	:	**COMPLAINT**
-against-	:	Index No.
AMERICAN INTERNATIONAL GROUP, INC., MAURICE R. GREENBERG and HOWARD I. SMITH, Defendants.	:	

EXHIBITS TO COMPLAINT

ELIOT SPITZER
Attorney General of the State of New York
Attorney for Plaintiffs
120 Broadway - 23rd Floor
New York, N.Y. 10271
(212) 416-8198

Milton, Chris

From: jhouldsw@colognere.com
Sent: Wednesday, December 27, 2000 1:36 PM
To: Milton, Chris
Cc: [redacted]@gcre.com
Subject: Cologne Re of Dublin Cover

Milton27Dec.doc AIGALALD27Dec.doc

eSafe Protect Gateway (tm) has scanned this mail for viruses, vandals and
suspicious attachments and has found it to be CLEAN.

File: Milton27Dec.doc (24,576 bytes)
Encoding: Base64
Result: Clean.

File: AIGALALD27Dec.doc (50,176 bytes)
Encoding: Base64
Result: Clean.

Chris, please find below electronic copies of documents currently being sent to you by fax.

(See attached file: Milton27Dec.doc)(See attached file: AIGALALD27Dec.doc)

Best regards, John

[illegible] · 1 George's Dock · I.F.S.C. · Dublin 1 · [illegible]

Dublin,
27.12.2000
[illegible]

[illegible]
Company (Dublin) Ltd.

1 George's Dock
I.F.S.C.
Dublin 1
Ireland

Telephone [illegible]
Telefax [illegible]

[illegible]

Registered No. [illegible]
Ireland
Registered Office
1 George's Dock, I.F.S.C.
Dublin 1

[illegible]

Christian M. Milton
Vice President
American International Group
110 William Street, 15th Floor
NY, NY 10038
USA

Dear Chris,

Re: Our Aggregate Liability Adverse Loss Development Agreement

I am writing further to my fax of December 17th and our subsequent conversations in respect of the above agreement. We are encouraged that you believe AIG will be able to provide us with cover for approximately 50% of what we originally had in mind.. We can also confirm that we will currently be retaining the remaining balance of these exposures for our own account.

Consequently we have drafted a contract wording for discussion purposes which I have attached for your examination. You will note that the Reinsurer's participations have been amended in Schedule A to reflect your agreement to accept $250m of current liabilities with a maximum exposure of $300m. I would stress that this is very much a discussion document and we may yet need to make some minor adjustments from our end.

I hope that on review of the draft agreement you will be able to support this cover and look forward to hearing from you shortly with your initial comments

Yours sincerely,

John Houldsworth,
Chief Executive Officer.

The Cologne Re of Dublin.
Cologne Reinsurance Company (Dublin) Ltd.

27.12.2000

DRAFT

Milton, Chris

From: [redacted]@colognere.com
Sent: Wednesday, December 20, 2000 12:21 PM
To: Milton, Chris

Project A.doc   Milton.doc

eSafe Protect Gateway (tm) has scanned this mail for viruses, vandals and
suspicious attachments and has found it to be CLEAN.

File: Project A.doc (36,864 bytes)
Encoding: Base64
Result: Clean.

File: Milton.doc (27,136 bytes)
Encoding: Base64
Result: Clean.

Please see attached fax that was resent today.

(See attached file: Project A.doc)(See attached file: Milton.doc)

Draft for Discussion Purposes

Reinsured: Cologne Reinsurance Company (Dublin) Limited

Type: Loss portfolio transfer Agreement

Term: Continuous commencing 12:01a.m., Central European Time, 1/12/2000, until all liability hereunder has been discharged.

Territory: As detailed under the attached schedule of original Reinsurance contracts.

Business Covered: Original Reinsurance Contracts or other evidences of liability (whether written or oral) heretofore issued covering in respect of business written as detailed under the attached schedule.

Limit: The Reinsured obligates itself to cede to the Reinsurer and the Reinsurer obligates itself to accept as reinsurance from the Reinsured a 100% interest in the Net Retained liability of the Reinsured in respect of the Business covered, subject however to an overall limit of liability to the Reinsurer equal to USD 600m.

Reinsurance Premium: A reinsurance premium of USD 500,000,000 of which 98% shall be retained within an experience account by the Reinsured.

Reporting and Accounts: Within 90 days of the end of each calendar year, the Reinsured shall prepare an account for the Reinsurer showing:

A) Outstanding reserves, including allocated loss adjustment expenses at the beginning of the year, plus

B) The sum of reserves including allocated loss adjustment expenses increased or established during the year, minus

C) Claims and allocated loss adjustment expenses paid during the year, equals

D) Outstanding reserves, including allocated loss adjustment expenses at the end of the year.

The Reinsurer shall upon receipt of the account, authorise the Reinsured to draw payment from the experience account for the balance due in respect of claims paid during the year. In the event that the balance within the experience account is insufficient to satisfy the obligation of the Reinsurer, then payment shall be made within 90 days by the Reinsurer of the amount owed in excess of the balance in the experience account.

Draft for Discussion Purposes

Definition:

A) The term "Ultimate Net Loss" as used in this Agreement shall be understood to mean the sum actually paid or payable by the Reinsured in settlement of losses for which it is liable, such losses to include expenses of litigation and any and all other loss expenses of the Reinsured except for office expenses and salaries of the Reinsured's officials. Any salvages and recoveries, including recoveries under any reinsurances which inure to the benefit of this Agreement, whether collected or not, are to be first deducted from such loss to arrive at the amount of liability, if any, attaching hereunder.

Nothing in this definition shall be construed as meaning that losses are not recoverable hereunder until the Ultimate Net Loss to the Reinsured has been finally ascertained.

B) The term "Net Retained Liability" as used in this Agreement shall be understood to mean, and this Agreement shall only apply to, that portion of any insurance or reinsurance covered by this Agreement which the Reinsured retains net for its own account and in calculating the amounts of loss hereunder, only loss or losses in respect of that portion of any insurance or reinsurance which the Reinsured retains net for its own account shall be included.

It is understood and agreed that the amount of the Reinsurer's liability hereunder in respect of loss or losses shall not be increased due to the Reinsured's failure to retrocede in accordance with its normal practice, nor by reason of the inability of the Reinsured to collect from any other Reinsured, whether specific or general, any amounts which may have become due from them, whether such inability arises from the insolvency of such other Reinsurer or otherwise.

C) The term "Original Reassured" as used in this Agreement shall be understood to mean the insurance or reinsurance company to which the Reinsured issued an Original Reinsurance Contract.

D) The term "Original Reinsurance Contract" as used in this Agreement shall be understood to mean all binders, policies, certificates, agreements, treaties, bonds or contracts or reinsurance or retrocession authorised by the Reinsured to Original Reassured's under the same Reinsurance Form covering the same liability (whether issued in one layer or more then one layer).

E) The term "Reinsurance Form" as used herein shall be understood to mean the type of Liability reinsurance afforded.

Exclusions: As contained in the Reinsured's Original Reinsurance, without additional limitations hereunder.

Draft for Discussion Purposes

Experience Account:

At inception, the Reinsured shall establish a funds withheld experience account into which shall initially be placed the withheld portion of the reinsurance premium and from which the Reinsured shall make claim payments hereunder. Annually the Reinsured shall prepare a status report on the experience account showing:

Credit Items

A) Credit balance brought forward from the previous statement.

B) Withheld premiums equal to 98% of reinsurance premiums due.

C) Interest on the positive balance within the account calculated at a rate of 3% per annum on the beginning balance brought forward from the previous statement.

Debit Items

A) Claims paid during the year.

B) Any settlements made as commutation of claims, loss adjustment expenses or other liabilities hereunder.

Cancellation:

This Agreement may be cancelled by the parties hereto:

1) Immediately by giving the other party notice:

A) If the performance of the whole or any part of this Agreement be prohibited or rendered impossible de jure or de facto in particular and without prejudice to the generality of the preceding words in consequence or any law or regulation which is or shall be in force in any country or territory, or if any law or regulation shall prevent directly or indirectly the remittance of any or all or any part of the balance of payments due to or from either party.

B) If the other party has become insolvent or unable to pay its debts or has lost the whole or any part of its capital.

C) If there is any material change in the ownership or control of the other party.

D) If the country or territory in which the other party resides or has its head office or is incorporated shall be involved in armed hostilities with any other country whether war be declared or not or is partly or wholly occupied by another power.

Draft for Discussion Purposes

E) If the other party shall have failed to comply with any of the terms and condition so this Agreement.

All notices of termination which the Reinsured shall have the right to issue in accordance with any of the provisions of this paragraph shall be by Telex, Facsimile or Registered Mail and shall be deemed to be served upon dispatch, or, where communications between the parties are interrupted, upon attempted dispatch.

2) By the Reinsured giving 90 days notice at any time in writing of its intention to cancel this Agreement.

All outstanding losses and other reserves, if any, for business covered under this Agreement, shall be commuted on the date of cancellation upon payment to the Reinsured of the amount equal to the credit balance under the experience account at the date of cancellation. Such payment shall constitute full and final release of all liabilities of the Reinsurer under this agreement.

Administration Fee: TBA payable on TBA and annually on 1st January thereafter until termination.

General Conditions:

Currency Conversion: All balances shall be converted to USD at the rate of exchange used in the Reinsurer's books.
Offset Clause
Errors and Omissions Clause
Access to Records Clause
Insolvency Clause
Arbitration Clause (English law).
Inspection of Records: *The Reinsured retains the right to protect the confidentiality of the underlying reinsurance covers and reserves the right to inspection of records. However inspection by an independent third party as approved by the Reinsured will be arranged if requested.*
Change in underlying reinsurance contracts: *The Reinsured retains the right to manage the run off of the underlying reinsurance contracts without detailed disclosure to the Reinsurer. The Reinsured will however act in good faith at all times.*
Ultimate net loss clause: This reinsurance shall have the benefit of all underlying reinsurances inuring to the benefit of the underlying reinsurance contracts.

Wording: To be agreed.

Draft for Discussion Purposes

Reinsurer:

Ref: ______________ **By:** ____________________

Dated: ________________________________

Placement Agreed

Reinsured: Cologne Reinsurance Company (Dublin) Limited

Ref: ______________ **By:** ____________________

Dated: ________________________________

Draft for Discussion Purposes

Appendis A:

Schedule of underlying reinsurance contracts

Contract	Country of Origin	Current reserves in USD
Contract A	USA	254,000,000
Contract B	Germany	63,243,000
Contract C	USA	69,323,000
Contract D	Norway	25,734,000
Contract E	USA	36,728,000
Contract F	Australia	60,416,000

The Cologne Re of Dublin. • 1 George's Dock • I.F.S.C. • Dublin 1 • Ireland

Mr Chris Milton
AIG

Dublin,
12.12.2000
Milton.doc

Cologne Reinsurance Company (Dublin) Ltd.

1 George's Dock
I.F.S.C.
Dublin 1
Ireland

Telephone [redacted]
Telefax [redacted]

http://www.[illegible]

Registered No. [redacted]
Ireland
Registered Office
1 George's Dock, I.F.S.C.
Dublin 1

Directors
[redacted]

DRAFT

Dear Chris,

Re: Our Aggregate Liability Adverse Loss Development Cover

I am writing further to your various conversations in respect of the above with [redacted] of our parent company in Stamford. I hope that I can give you a little more background on the proposal we hope that you will be able to help us with.

Fundamentally we are seeking to achieve two primary objectives. Firstly to reduce the reserving "leverage" in our local balance sheet and secondly to smooth any unexpected adverse loss development in our local statutory income statements (as opposed to our US GAAP consolidation packs). There are a number of other minor benefits and costs in the structure proposed but the above are the headline objectives.

The contract structure we have in mind (which I have attached as a draft for discussion purposes) serves our purpose at a cost we believe to be appropriate to the benefit and risk involved for our reinsurer. To anticipate one question you may ask it is important to note that our local accounting here follows similar risk transfer rules to the US but does not differentiate between retrospective and prospective contracts.

In relation to the risk inherent in the underlying portfolio we are willing to make the following representations at this time:-

1) The current stated reserves plus accumulating interest will, we believe, be adequate to meet the maturing liabilities.

2) The current stated reserves are based in best current information on each portfolio.

3) The portfolio's are distinct and unrelated (i.e. diversified).

DRAFT

4) The underlying portfolio's are not "cat" exposed and should under all normal circumstances exhibit little volatility.

The reason we are making these representations reflects, I trust as [redacted] has mentioned, that it is very important to us that confidentiality in respect of the underlying client specific portfolio's is maintained more so than in any normal reinsurance relationship. We will of course make limited records available for initial underwriting purposes but would not expect these to be withheld for public review in your offices. In addition it will be contractually required that any subsequent inspections are performed by independent professional advisors legally bound by confidentiality agreements.

I hope that the above gives you a feel for what we have in mind and look forward to any comments you may have in respect of either my letter or the attached "discussion" draft slip.

I hope that on further review AIG will be able to support this cover and look forward to working together over the next few years.

Yours sincerely,

John Houldsworth,
Chief Executive Officer.

Copy - [redacted]
Support for GENRE Topside Entry
[redacted]

The Cologne Re of Dublin

Affiliated with the World's oldest Reinsurance Company

The Cologne Re of Dublin, · 1 George's Dock · I.F.S.C. · Dublin 1 · Ireland

Cologne Reinsurance Company (Dublin) Ltd.
1 George's Dock
I.F.S.C.
Dublin 1
Ireland
Telephone [redacted]
Telefax
http://www.cologne-re.com
Registered No. [redacted]
Registered Office:
1 George's Dock, I.F.S.C., Dublin 1
Directors:
[redacted]

Dublin
17.12.2000

Christian M. Milton
Vice President
American International Group
110 William Street, 15th Floor
NY, NY 10038
USA

[redacted] Copy t. [redacted] (Hand deliver please).
AIG. will take 50% = 2000
x consider a further 50% = 2001.

Dear Chris,

Re: Our Aggregate Liability Adverse Loss Development Cover

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The contract structure we have in mind (I have attached a draft slip for discussion purposes) serves our purpose at a cost we believe to be appropriate to the benefit and risk involved for our reinsurer. To anticipate one question you may ask it is important to note that our local statutory accounting here follows similar risk transfer rules to the US but does not differentiate between retrospective and prospective contracts.

In relation to the risk inherent in the underlying portfolio we are willing to make the following representations at this time:-

1) The current stated reserves plus accumulating interest will, we believe, be adequate to meet the maturing liabilities.

2) The current stated reserves are based in best current information on each portfolio.

RECEIVED
JAN 22 2001

The Cologne Re of Dublin.
Cologne Reinsurance Company (Dublin) Ltd.

17.12.2000

DRAFT

4) The underlying portfolios are not "cat" exposed and should under all normal circumstances exhibit little volatility.

The reason we are making these representations reflects, I trust as [redacted] has mentioned, that it is very important to us that confidentiality in respect of the underlying client specific portfolios is maintained more so than in any normal reinsurance relationship. We will of course make limited records available for initial underwriting purposes but would not expect these to be withheld for public review in your offices. The reinsurance agreement will provide that access to our records by AIG is subject to a confidentiality agreement and access will only be provided to those AIG officers or agents similarly bound by confidentiality agreements.

I hope that the above gives you a feel for what we have in mind and look forward to any comments you may have in respect of either my letter or the attached "discussion" draft slip.

I hope that on further review AIG will be able to support this cover and look forward to working together over the next few years.

Yours sincerely,

J.H.

John Houldsworth,
Chief Executive Officer.

Draft for Discussion Purposes

Reinsured: Cologne Reinsurance Company (Dublin) Limited

Type: Loss portfolio transfer Agreement

Term: Continuous commencing 12:01a.m., Central European Time, 1/12/2000, until all liability hereunder has been discharged.

Territory: As detailed under the attached schedule of original Reinsurance contracts.

Business Covered: Original Reinsurance Contracts or other evidences of liability (whether written or oral) heretofore issued covering in respect of business written as detailed under the attached schedule.

Limit: The Reinsured obligates itself to cede to the Reinsurer and the Reinsurer obligates itself to accept as reinsurance from the Reinsured a 100% interest in the Net Retained liability of the Reinsured in respect of the Business covered, subject however to an overall limit of liability to the Reinsurer equal to USD 600m.

Reinsurance Premium: A reinsurance premium of USD 500,000,000 of which 98% shall be retained within an experience account by the Reinsured.

Reporting and Accounts: Within 90 days of the end of each calendar year, the Reinsured shall prepare an account for the Reinsurer showing:

A) Outstanding reserves, including allocated loss adjustment expenses at the beginning of the year, plus

B) The sum of reserves including allocated loss adjustment expenses increased or established during the year, minus

C) Claims and allocated loss adjustment expenses paid during the year, equals

D) Outstanding reserves, including allocated loss adjustment expenses at the end of the year.

The Reinsurer shall upon receipt of the account, authorise the Reinsured to draw payment from the experience account for the balance due in respect of claims paid during the year. In the event that the balance within the experience account is insufficient to satisfy the obligation of the Reinsurer, then payment shall be made within 90 days by the Reinsurer of the amount owed in excess of the balance in the experience account.

Definition:

A) The term "Ultimate Net Loss" as used in this Agreement shall be understood to mean the sum actually paid or payable by the Reinsured in settlement of losses for which it is liable, such losses to include expenses of litigation and any and all other loss expenses of the Reinsured except for office expenses and salaries of the Reinsured's officials. Any salvages and recoveries, including recoveries under any reinsurances which inure to the benefit of this Agreement, whether collected or not, are to be first deducted from such loss to arrive at the amount of liability, if any, attaching hereunder.

Nothing in this definition shall be construed as meaning that losses are not recoverable hereunder until the Ultimate Net Loss to the Reinsured has been finally ascertained.

B) The term "Net Retained Liability" as used in this Agreement shall be understood to mean, and this Agreement shall only apply to, that portion of any insurance or reinsurance covered by this Agreement which the Reinsured retains net for its own account and in calculating the amounts of loss hereunder, only loss or losses in respect of that portion of any insurance or reinsurance which the Reinsured retains net for its own account shall be included.

It is understood and agreed that the amount of the Reinsurer's liability hereunder in respect of loss or losses shall not be increased due to the Reinsured's failure to retrocede in accordance with its normal practice, nor by reason of the inability of the Reinsured to collect from any other Reinsured, whether specific or general, any amounts which may have become due from them, whether such inability arises from the insolvency of such other Reinsurer or otherwise.

C) The term "Original Reassured" as used in this Agreement shall be understood to mean the insurance or reinsurance company to which the Reinsured issued an Original Reinsurance Contract.

D) The term "Original Reinsurance Contract" as used in this Agreement shall be understood to mean all binders, policies, certificates, agreements, treaties, bonds or contracts of reinsurance or retrocession authorised by the Reinsured to Original Reassured's under the same Reinsurance Form covering the same liability (whether issued in one layer or more than one layer).

E) The term "Reinsurance Form" as used herein shall be understood to mean the type of Liability reinsurance afforded.

Exclusions: As contained in the Reinsured's Original Reinsurance, without additional limitations hereunder.

Experience Account:

At inception, the Reinsured shall establish a funds withheld experience account into which shall initially be placed the withheld portion of the reinsurance premium and from which the Reinsured shall make claim payments hereunder. Annually the Reinsured shall prepare a status report on the experience account showing:

Credit Items

A) Credit balance brought forward from the previous statement.

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C) Interest on the positive balance within the account calculated at a rate of 3% per annum on the beginning balance brought forward from the previous statement.

Debit Items

A) Claims paid during the year.

B) Any settlements made as commutation of claims, loss adjustment expenses or other liabilities hereunder.

Cancellation:

This Agreement may be cancelled by the parties hereto:

1) Immediately by giving the other party notice:

   A) If the performance of the whole or any part of this Agreement be prohibited or rendered impossible de jure or de facto in particular and without prejudice to the generality of the preceding words in consequence or any law or regulation which is or shall be in force in any country or territory, or if any law or regulation shall prevent directly or indirectly the remittance of any or all or any part of the balance of payments due to or from either party.

   B) If the other party has become insolvent or unable to pay its debts or has lost the whole or any part of its capital.

   C) If there is any material change in the ownership or control of the other party.

   D) If the country or territory in which the other party resides or has its head office or is incorporated shall be involved in armed hostilities with any other country whether war be declared or not or is partly or wholly occupied by another power.

E) If the other party shall have failed to comply with any of the terms and condition so this Agreement.

All notices of termination which the Reinsured shall have the right to issue in accordance with any of the provisions of this paragraph shall be by Telex, Facsimile or Registered Mail and shall be deemed to be served upon dispatch, or, where communications between the parties are interrupted, upon attempted dispatch.

2) By the Reinsured giving 90 days notice at any time in writing of its intention to cancel this Agreement.

All outstanding losses and other reserves, if any, for business covered under this Agreement, shall be commuted on the date of cancellation upon payment to the Reinsured of the amount equal to the credit balance under the experience account at the date of cancellation. Such payment shall constitute full and final release of all liabilities of the Reinsurer under this agreement.

Administration Fee: TBA payable on TBA and annually on 1st January thereafter until termination.

General Conditions:

Currency Conversion: All balances shall be converted to USD at the rate of exchange used in the Reinsurer's books.
Offset Clause
Errors and Omissions Clause
Access to Records Clause
Insolvency Clause
Arbitration Clause (English law).
Inspection of Records: *The Reinsured retains the right to protect the confidentiality of the underlying reinsurance covers and reserves the right to inspection of records. However inspection by an independent third party as approved by the Reinsured will be arranged if requested.*
Change in underlying reinsurance contracts: *The Reinsured retains the right to manage the run off of the underlying reinsurance contracts without detailed disclosure to the Reinsurer. The Reinsured will however act in good faith at all times.*
Ultimate net loss clause: This reinsurance shall have the benefit of all underlying reinsurances inuring to the benefit of the underlying reinsurance contracts.

Wording: To be agreed.

Draft for Discussion Purposes

Reinsurer:

Ref: ______________ **By:** ____________________

Dated: ____________________________________

Placement Agreed

Reinsured: Cologne Reinsurance Company (Dublin) Limited

Ref: ______________ **By:** ____________________

Dated: ____________________________________

Draft for Discussion Purposes

Appendix A:

Schedule of underlying reinsurance contracts

Contract	Country of Origin	Current reserves in USD
Contract A	USA	254,000,000
Contract B	Germany	63,243,000
Contract C	USA	69,323,000
Contract D	Norway	25,734,000
Contract E	USA	36,728,000
Contract F	Australia	60,416,000

01:23pm EDT 26-Apr-01 Bear Stearns (A. Smith,M./[redacted]) AIG TW
AIG: Strong Earnings. Raise Estimates

Michael A. Smith 212 272-9465 masmith@bear.com
[redacted]@bear.com

04/26/01

Subject: Analysis of Sales/Earnings
Industry: Insurance/Nonlife

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

American International Group (AIG $79.75) - Buy
Strong Earnings. Raise Estimates

Data

Last ROE 16%	52-Wk Range $104-$52	Shares Out 2,359
Target Price $104-$107	Dividend/Yield $0.15/0.2%	Market Cap (MM) $188,130

Key Points

*** American International Group beat "Street" estimates by $0.01 per share in the first quarter.
*** Property-casualty insurance premiums increased by 15%, accelerating from the 12.4% growth rate reported in the 2000 fourth quarter. Domestic brokerage premiums increased by 27%, reflecting the addition of HSB Group late last year.
*** Loss reserves increased $62 million, three-times the level of increase last year.
*** Life insurance operations were ahead of expectations, both top and bottom line.
*** We are raising our estimates and reiterating our aggressive Buy rating of American International Group shares, with a price target of $104-$107.

Earnings Estimates

	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	P/E Year
2000	$0.56A	$0.61A	$0.61A	$0.65A	$2.45A	32.6
2001	$0.67A	$0.70E	$0.73E	$0.75E	$2.85E	28.0
Previous	$0.65E	$0.70E	$0.70E	$0.75E	$2.80E	28.5
2002	$0.77E	$0.80E	$0.85E	$0.88E	$3.30E	24.2
Previous	$0.75E	$0.80E	$0.85E	$0.85E	$3.25E	24.5

American International Group reported first quarter earnings that were $0.01 ahead of the consensus estimate, at $0.67 per share (diluted, excluding realized investment gains and losses), up from $0.58 a year ago.

Earnings were much better than we had anticipated in both the general insurance (property-casualty) and in the life insurance segments, and we are raising our estimates for this year and 2002 by $0.05 per share, to $2.85 and $3.30 respectively.

-- FIRST CALL --

General Insurance: Premiums Up 15% and Accelerating
Written premiums in the general insurance segment increased by 15.1% from last year's level, accelerating from the 12.4% growth rate reported in the fourth quarter. Within this figure, domestic brokerage operations, commercial lines businesses, increased by 27.5%, driven mostly by price increases and improved renewal retentions. HSB Group that was acquired late in 2000 added, by the company's estimation, approximately two percentage points to the overall growth rate and less than five points to the brokerage subtotal rate.

Perhaps as attractive, the underlying quality of the general insurance results also improved, evidenced by the increase in loss reserves that in turn drove the paid-to-incurred claims ratio down to 98% from last year's 99%. The loss reserve increase of $62.8 million was three-times the $22.0 million reported last year. Of this amount, we estimate approximately $36-$38 was in the Transatlantic Holdings (TRH, rated Attractive) book and in 21st Century Insurance (TW, not rated). In recent quarter, the declining rate of increase, and even decreases, had raised some concerns in the market when reported, although those figures were explainable by the company's retrenchment in exposures as it went through a rigourous re-pricing/re-underwriting of its book of business.

Overall, the combined ratio (a proxy for underwriting margin, consisting of claims and expenses measured as a percent of premium) was 95.9%, up very slightly from last year's 95.8%, with deterioration in the personal lines that reported an unprofitable result. Winter storm losses palyed a part, but only a part, in the personal lines results that the company describes as still unsatisfactory.

Life Insurance Results Also Ahead of Expectations
Life insurance results were also stronger than we had anticipated, especially in view of the slowdown in world-wide economies. But according to the company, business remained strong, with premiums up 31.8% and pretax earnings up 17.8%. Most of the strength appears to be in the domestic markets which reported a14% increase in premiums and more than doubled its deposits in investment products. However, the international growth rate was not too shabby, either, when measured in original currency. Foreign life insurance premiums increased by 7.9% in US currency, 14% when measured in original currency.

According to the company, American International Group continues to benefit from the flight to quality in the Asian markets, especially in Japan where life insurance companies have been failing and American International Group's triple-A rating is a major marketing asset. The sale of investment products through the company's overseas life insurance channels declined by 7.5%, although this includes the negative translation effect of foreign currency - in original currency, sales and deposits increased.

Domestic annuities and investment product sales more than doubled, although the company cautions against annualizing this figure. However, we also notice a steady upward progression toward the current figure over the past four quarters.

Financial Services: Strong Growth, Improved Margins.
Revenues in the financial services segment increased by 14.5%, with the largest element, International Lease Financing, growing by 13.1%. The so-called

10:55am EST 8-Feb-01 Wasserstein Perella (Kenneth S. Zuckerberg 212.903.218)
Wasserstein: AIG Initial Read on 4Q Results

Initial Read on 4Q Results

COMPANY: American International Group
RATING : Hold
ANALYST: (Kenneth S. Zuckerberg 212.903.2189) PRICE: $86.9 EXCH: NYSE

E P S :	--- FULL YEAR ($US) ----			--------- PRICE -----		---SHARES (Thsnd's)---	
FY: Dec.	Curr.	Prior	P/E	12 Mo Tgt :	$100	Mkt Cap:	$201,221,729
2000 FC	2.45a			52 Wk High:	$103.75	Shrs Out:	2,315,555
2001 WP	2.80e		31.04x	52 Wk Low :	$52.38	Dly Vol :	4,968
FC	2.81e			3Yr Growth:	15.00%	Div/Yld :	$0.15/0.17%
2002 WP				YTD Perf :	-11.83%	LTD/CAP :	46.60%
FC	3.22e			Book Value:	$15.79		
2003 WP				Px/Book :	5.50x		
FC							

as of: 02/08/2001 10:34 EST

E P S :	--- 1st QTR ---		--- 2nd QTR ---		--- 3rd QTR ---		--- 4th QTR ---	
	Curr.	Prior	Curr.	Prior	Curr.	Prior	Curr.	Prior
2000	0.58a		0.61a		0.61a		0.65a	
2001								
2002								
2003								

Footnote: Earnings have been adjusted for the July 31, 2000 3 for 2 stock split.

Event: AIG reports on-target 4Q00 results.

Recommend: Maintain existing positions.

Analysis: AIG reported 4Q00 operating EPS of $0.65 compared to $0.56 in 4Q99, exactly in line with our EPS estimate and consensus. While property & casualty earnings growth fell materially short of our projections (11% actual growth vs. 27% projected) and asset management earnings were modestly below target (all references relate P/T operating income), the shortfalls were completely offset by better results in life insurance (18% actual growth vs. 15% projected) and financial services (23% growth vs. a projected 2% decline), the latter being driven by aircraft leasing and AIG Financial Products. In the core P&C segment, it appears that underwriting profits were dampened by U.S. personal lines, consistent with our recent comments about private passenger auto insurance. While AIG's actual underwriting ratios (76.16% loss ratio, 22.65% expense ratio, 98.81% combined ratio) were several points higher than our estimate, the quarter's combined ratio was below 4Q99's level of 98.95%. That said, AIG added to loss reserves during the quarter--the net change was $106 million--a clear positive from an earnings quality standpoint. Importantly, worldwide net premiums written and earned grew by a robust 12% and 15% even with negative foreign currency adjustments (we had projected 8% for each), underscoring our view that AIG continues to achieve low double-digit rate increases. CEO Greenberg commented that "stronger rates are evident

-- FIRST CALL --

Fourth quarter earnings, at $0.65 per share (diluted, excluding investment gains), up from $0.56, were in line with consensus expectations, but apparently the market wanted more, judging by the decline in the share price. In our view, there was nothing in the earnings release itself that could be interpreted as bad news that would justify a sell-off.

In our opinion, the "Street" received earnings in line with what we viewed to be an aggressive expectation. Our own estimate was $0.63, and as it turns out, our estimate was low for each operating segment with the exception of the comparatively small asset management operation. But in view of the report, we are adding $0.02 to our 2001 earnings estimate, bringing it up to $2.80 per share. And we are raising our 2002 estimate from $3.15 per share to $3.25.

General Insurance -- Written Premiums Up 12.4%:
Our initial reaction, and one that we have not changed, is that the earnings report was quite positive if only because of the 12.4% growth of written premiums in the general insurance (property-casualty) segment. This was up from the 8% growth rate reported in the third quarter, and is in line with the trends we have been anticipating, as we look for upward acceleration of the growth rate of written premiums that we believe will drive the property-casualty stocks higher.

Nay-sayers might carp about the premium growth, pointing to the inclusion of one month of premium of the newly acquired HSB Group, and to the downward effect of foreign exchange currency translation. However, by our estimate, HSB business of perhaps $35 million accounts for less than 1% of the reported growth. And adjusted for the foreign exchange translation, the growth rate was a very strong 14%.

Especially impressive was the 18.4% growth in the domestic brokerage business. Most of the growth was in the core AIG business, as Transatlantic Holdings (TRH, rated Attractive), 56% owned by AIG and consolidated in the company's results, reported written premium growth of less than 9%.

In past quarters, American International Group has received criticism from some corners regarding what has been viewed to be a rather small increase in loss reserves, but we believe there is little room for criticism on this score in the most recent quarter. The company increased reserves by a total of $106 million, of which we believe roughly $30 million was put up by 21st Century (TW, not rated) that is also consolidated in AIG,s results, and $7 million by Transatlantic Holdings. That would leave roughly $70 million of reserves put up on the AIG core business.

A year ago, American International Group reduced reserves in the fourth quarter to the tune of $95 million net of increases at 21st Century and Transatlantic amounting to $65 million.

Perhaps some investors are concerned with the decline in profitability of the domestic property-casualty business, and especially the underwriting loss racked up by the personal lines operation. We had actually anticipated even weaker results in our model, simply based on industry conditions that are in the early stages of a broad upturn. However, the fact is that there is quite a delay after prices begin to improve before the results become visible on the bottom line of the income statements. But we do believe those results are well