Smith EXHIBIT 119
(10) EVD
BENJAMIN REPORTING SERVICE
3-18-10 M. NORENMAN-BANGEL

** TOTAL PAGE.02 **
JAN 18 2000 12:19 FR AIG 212 809 4543 TO 8094903 P.01/01

PLAINTIFF'S EXHIBIT 38

MEMORANDUM

FAX: 011-813-3284-4003

To: Don Kanak Date: December 20, 1999

From: Howard I. Smith Re: Warranty Book

The book of business we discussed is essentially all auto warranty business. As of December 31, 1999 the unearned premium reserve will approximate $210 million and, it is estimated, that the loss ratio will be about 200%, or incurred losses of $420 million. The payout pattern for these losses is estimated to be as follows:

Year	Payments (In millions)
2000	$144
2001	120
2002	82
2003	46
2004	20
2005	6
2006	2
	$420

Essentially we would swap this book of business for investments of a Japanese Company which are in an unrealized loss position of $210 million. The investments could be removed from the Japanese entity's books upon reaching an agreement with us while the warranty loss could be absorbed over a longer period of time. We could conceivably give the entity a note in payment for the investments and the payout terms of the note could roughly correspond to the warranty loss payouts. This scenario could, obviously, be further developed if we get close to an arrangement.

Discussion of this deal should be limited to as few people as possible. This should give you a good overview and if you need more details at this point, please let me know.

HIS:jak

CONFIDENTIAL

AIG-F 0003062

Facsimile

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Date:

To: Joe Umansky

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From: M. J. Castelli

Fax: 212-809-4903

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Message: As follow up to our meeting yesterday.

Number of pages including this page:

MAR 07 2000 14:16 FR AIG 212 809 4903 TO 7850599 P.01/02