PLAINTIFF'S EXHIBIT 69

August 28, 2000

PRIVILEGED AND CONFIDENTIAL

Messrs. E. G. Greenberg
K. Moor D+G head.
C. Schader Auto warranty claims
M. Sullivan Runs foreign & domestic ops.

RE: **AUTO WARRANTY**

I have asked for and gotten an update on the auto warranty debacle. Milliman & Robertson projected, on the three programs they looked at, approximately $490 million of losses. When we add the other auto warranty programs that they did not look at, it projects close to $600 million of ultimate losses. Taking back all business from the TPAs and setting up our own claims operation and inspection services as needed will reduce losses by approximately 25% gross (and probably 15-20% on a net basis). This does not include any recoveries for fraud or premiums that were not passed on to the insurer, which still remain to be seen.

My purpose in giving you this update is not to simply report the obvious—that these were the dumbest programs, not only from a point of underwriting but from common sense, and there was incredible mismanagement. If we sell a contract for one price and have a mark up by the dealer to another price, where the dealer could have multiple contracts and pick and choose whose contract will be delivered, it is, has been and will be the wrong way of doing this business. Unless everyone is on the same page and no one gets a profit until there is a profit, no program can succeed. This subject has been ventilated an endless number of times. I have not been convinced that anyone in this organization is so expert at doing it the old way that we can ever write a program like that again.

The auto warranty business is on our prohibitive list, unless it is done on a basis that is consistent with what I have just stated, and we are convinced we have someone who understands the business, and not superficially as has been true in the past.

MRG

MRG:dmm

AIG 90147

CONFIDENTIAL

5086
EXHIBIT NO.
1/26/07
H. BROWN CSR

AIG-0090147*

WARRANTECH-CAHILL 00000294

Confidential

AIG-NYAGMRG 01135036