

PLAINTIFF'S  
EXHIBIT  
87

Smith EXHIBIT 127  
10 EVD  
GENERAL REPORTING SERVICE  
31810 M. GREENBERG

MEMORANDUM

November 16, 2000

CONFIDENTIAL ATTORNEY-CLIENT COMMUNICATION

TO: M. R. Greenberg  
E. Patrikis

FROM: Joseph H. Umansky

RE: Special Reinsurance

Investments held in excess of NPV is shown \$26 million. The decrease from the previous report is principally attributable to the Personal Lines treaty (#22) offset by the gains on the AIG Cat treaty (#20). The deficiency in the Personal Lines treaty of \$43 million will be made up over the next three years.

- The Warranty treaty (#21) is designed to cover \$210 million of losses through a unique structure. The cash has been transferred into the structure and is shown on our balance sheet as assets; nothing has yet been charged to expense. The expectation is that as the losses develop and are recovered from the reinsurer, a capital loss will be recognized. On this and future schedules I will be showing this contract with no over/(short).
- The Newbridge Trust securities (\$250 million), yielding approximately 8.8% are now included in the investment portfolios. We are now planning for the second tranche.
- Year to date we took back \$280 million as a result of commutations and \$50 million in losses recovered. I expect an additional \$50 million in recoveries before year end.
- Excluding APs, premiums to be ceded for 2000 treaties approximate \$480 million. \$260 million of the \$480 million is on a funds withheld basis. To date only \$23 million of the balance has been paid. The \$480 million does not include the \$210 million cash transferred related to the Warranty treaty.
- The deferral of premium payments combined with an acceleration of loss recoveries is putting a strain on the overall position. While we are managing it for now, if the condition continues the indicated cushion will quickly disappear.
- The Foreign Gen Aggregate treaty is a stop loss designed to cover catastrophes. I understand that a \$70 million claim is expected which will generate a \$35 million AP.

JHU:ge  
Attachment



cc: H. I. Smith  
T. R. Tizzio

CONFIDENTIAL

AIG-D 0023603

## SPECIAL REINSURANCE

(In millions)

	Ulti- mate Loss	NPV of Ulti- mate	Cash Avail- able	Over (Short)	Credit Taken
<b>AGGREGATE EXCESS / STOP LOSS</b>					
1. Aggregate Excess - 1984-1985	206	143	143	0	206
2. Abeille - 1988 - Retrospective	400	352	321	(31)	400
3. Abeille - 1991 - 10 Yr.	189	155	150	(5)	189
4. AIGRM Stop Loss - 1993	50	42	43	1	23
5. AIGRM Stop Loss - 1994	50	37	38	1	23
6. Division 50 - Blown Max - 1991-1997	36	25	23	(2)	23
7. Excess Casualty - 1993	27	18	23	5	27
8. Excess Casualty - 1994	33	21	50	29	33
9. Aggregate Loss Ratio / Excess - 1996	550	282	266	(16)	440
10. Aggregate Loss Ratio / Excess - 1997	650	332	332	0	478
11. Aggregate Loss Ratio / Excess - 1998	800	393	344	(49)	543
12. Aggregate Loss Ratio / Excess - 1999	650	273	273	0	406
13. Aggregate Loss Ratio / Excess - 2000	652	0	0	0	315
14. DBG - Fac Obligatory - Aggregate Excess - 1999	269	147	147	0	269
15. AIU - Aggregate Excess - 1999	30	16	16	0	30
16. AIU - Aggregate Excess - 2000	30	15	15	0	30
17. DBG - Aggregate Excess - 1999	60	35	35	0	60
18. DBG - Aggregate Excess - 2000	60	0	0	0	60
19. Foreign General Aggregate - 2000	0	0	0	0	0
20. AIG Catastrophe Aggregate Excess - 2000	0	0	9	9	0
21. Warranty - 2000	210	211	211	0	210
22. Personal Lines Auto Aggregate - 2000	80	62	19	(43)	80
<b>Total Aggregate Excess / Stop Loss</b>	<b>5,032</b>	<b>2,559</b>	<b>2,458</b>	<b>(101)</b>	<b>3,845</b>
<b>MISCELLANEOUS</b>					
23. Other - Active Contracts	42	42	17	(25)	24
24. Other - Commuted & Cancelled Contracts (A)	0	0	152	152	0
<b>Total Miscellaneous</b>	<b>42</b>	<b>42</b>	<b>169</b>	<b>127</b>	<b>24</b>
<b>TOTAL SPECIAL REINSURANCE</b>	<b>5,074</b>	<b>2,601</b>	<b>2,627</b>	<b>26</b>	<b>3,869</b>

(A) Commuted & Cancelled Accounts Funds:

Global Catastrophe Cover	131
Lexington Warehouse	117
DBG Replacement Treaties	(80)
Professional Liability (NU Agg XVS)-Div 65	(13)
All Others including interest on Balance	(3)
<b>Total Commuted &amp; Cancelled Contracts</b>	<b>152</b>

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