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MEMORANDUM

PLAINTIFF'S  
EXHIBIT  
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American International Group  
70 Pine Street  
New York, NY 10270  
Phone : 770-8600 Fax: 809-4903

To: M. R. Greenberg  
From: M. J. Castelli  
Date: May 30, 2001  
Re: HSB Integration Cost Savings - Yours of May 29, 2001

In response to your questions,

**Redacted for Privilege**

Upon resolution, my understanding is that actions will commence to generate expected annualized savings identified as part of the due diligence process of approximately \$4 million. It is not my understanding that savings will be immediate. Information Technology, Telecommunications and Operations were the principal areas identified to achieve the savings. Larry English and I have a meeting scheduled with Neil Faulkner on June 6, 2001 to review his plans in more detail and determine, with Ernie Patrikis' assistance, if any actions can be accelerated.

The additional approximately \$8 million of unrealized savings I cited in my May 24, 2001 memorandum to you are unrelated to the government contracting issue and principally relate to a renewed retrospectively rated excess reinsurance program with General Re. This program was renewed as an added protection beyond the loss reserves we established as part of the purchase accounting adjustments and to manage the earnings impact of any deterioration in severity of the large losses HSB experienced in the latter part of 2000.

Separately, Chris Milton reported to me today that \$6 million of the premium ceded in 2001 to General Re will be restructured to compensate General Re for the two \$250 million loss reserve portfolio transactions we booked in the fourth quarter of 2000 and first quarter of 2001, respectively. Additionally, Chris represented that the HSB excess reinsurance program with General Re is not planned to be renewed in 2001.

MJC:ec



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