

*See what  
we can  
close out*

MEMORANDUM

September 9, 2002

TO: M. R. Greenberg  
H. I. Smith

FROM: Joseph H. Umansky

RE: Special Re - 2Q02

The attached shows an \$87 million shortfall, \$67 million of which relates to Personal Lines which will be repaid over the next 3 years. In addition to points previously raised the following should be noted:

1. SICO replaced Astral on the Union Excess Agreement, which is in the form of a swap.
2. CAPCO will be liquidated by year-end. AIG contracts in CAPCO will be commuted or novated by September 30.
3. Further to our discussion, in planning for 2003, I will be looking to wear us off the Aggregate Stop Loss type treaties. However, I continue to see a demand for discounting contracts in a number of profit centers because of the nature of the business they write. One alternative is to account for these contracts as deposits rather than premiums written. The benefits would be actual expense savings, lower loss ratios, a greater focus on economic gain and the elimination of a backdoor discounting practice. This approach can be used in a limited, defined way. If implemented the change will have a direct impact on GPW but only a minimal impact on NPW. I suggest exploring it further using Environmental policies as a test case.

*JHU*

JHU:gc  
Attachments

## SPECIAL REINSURANCE

(in millions)

	Ultimate Loss	NPV of Ultimate	Funds Avail- able	Over (Short)	Credit Taken
<b>AGGREGATE EXCESS / STOP LOSS</b>					
1. Aggregate Excess - 1984-1986	206	158	161	3	206
2. Abeille - 1988 - Retrospective	352	318	318	0	352
3. Abeille - 1991 - 10 Yr.	140	119	118	(1)	139
4. AIGRM Stop Loss - 1993	50	47	46	(1)	23
5. AIGRM Stop Loss - 1994	50	42	42	0	23
6. Division 50 - Blown Max - 1997	34	27	25	(2)	25
7. Aggregate Loss Ratio / Excess - 1986	680	354	303	(51)	519
8. Aggregate Loss Ratio / Excess - 1997	735	427	364	(63)	581
9. Aggregate Loss Ratio / Excess - 1998	800	447	373	(74)	669
10. Aggregate Loss Ratio / Excess - 1999	650	345	303	(42)	490
11. Aggregate Loss Ratio / Excess - 2000 (B)	652	324	287	(37)	587
12. Aggregate Loss Ratio / Excess - 2001 (B)	835	386	347	(39)	752
13. Aggregate Loss Ratio / Excess - 2002 (B)	900	360	360	0	443
14. DBG - Fac Obligatory - Aggregate Excess - 1999	385	211	211	0	365
15. AIU - Aggregate Excess - 1999	30	18	18	0	30
16. AIU - Aggregate Excess - 2000	30	17	17	0	30
17. DBG - Aggregate Excess - 1999	60	39	39	0	60
18. DBG - Aggregate Excess - 2000	60	32	32	0	60
19. Foreign General Aggregate - 2000	51	30	30	0	51
20. Foreign General Aggregate - 2001	64	35	35	0	64
21. Foreign General Aggregate - 2002	5	5	5	0	5
22. Warranty - 2000	137	127	127	0	137
23. Personal Lines Auto Aggregate - 2000-2002	224	118	51	(67)	159
24. DBG Divisional Stop Loss - 7/2000 (B)	200	121	121	0	150
25. DBG Divisional Stop Loss - 1/2001 (B)	210	117	117	0	210
26. DBG Divisional Stop Loss - 7/2001 (B)	190	116	116	0	190
27. Starr Excess - Excess of Loss - 2001-2002	95	21	21	0	0
<b>Total Aggregate Excess / Stop Loss</b>	<b>7,785</b>	<b>4,361</b>	<b>3,987</b>	<b>(374)</b>	<b>6,320</b>
<b>MISCELLANEOUS</b>					
28. Other - Active Contracts	56	56	135	79	25
29. Other - Commuted & Cancelled Contracts (A)	0	0	208	208	0
<b>Total Miscellaneous</b>	<b>56</b>	<b>56</b>	<b>343</b>	<b>287</b>	<b>25</b>
<b>TOTAL SPECIAL REINSURANCE</b>	<b>7,841</b>	<b>4,417</b>	<b>4,330</b>	<b>(87)</b>	<b>6,345</b>

(A) Commuted & Cancelled Accounts Funds:

Global Catastrophe Cover	131
Lexington Warehouse	117
DBG Replacement Treaties	(80)
Professional Liability (NU Agg XJS)-Div 65	(3)
All Others Including Interest on Balance	43
<b>Total Commuted &amp; Cancelled Contracts</b>	<b>208</b>

09/06/2002  
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(B) Fund is recorded as funds withheld by DBG and accrues interest