

DEC 22 '00 08:58 FR CFO DBG

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P.01/01

Memorandum

To: M.R. Greenberg  
From: Rob Jacobson  
Re: DBG Budget 2001  
Date: December 21, 2000

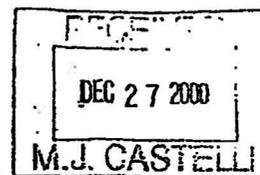
At yesterday's DBG luncheon, you referred to our budgeted GAAP loss of \$16M as an unacceptable return on our capital. Of course, we also are not satisfied with that result and, as you know, we are exploring all possibilities for improvement, including expense management, reinsurance placement and optimizing the current market opportunities. While that process continues, I thought it might be helpful to summarize the following components of our budgeted loss:

|   |                   |
|---|-------------------|
| Total operating units   | \$362.5M          |
| Estimated loss emergence on years with no remaining IBNR                          | (160.0M)          |
| Estimated loss emergence in excess of IBNR on reinsurance commuted in prior years | ( 80.0M)          |
| Provision for uncollectible prior year balances                                   | ( 89.0M)          |
| Estimated operating results for divisions in run-off                              | ( 66.3M)          |
| Other, net  | <u>16.8M</u>      |
| Total DBG   | <u>(\$ 16.0M)</u> |

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We, of course, need to manage the business to deal with all of the above, but I believe that our core profit centers have set some tough goals in their budgets.

Cc: Tom Tizzio  
Kris Moor  
Howie Smith  
Mike Castelli



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