Morgan Stanley

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Equity Research
North America

United States of America

Insurance - Property & Casualty

American Int'l Grp

Reuters: AIG.N Bloomberg: AIG US NYSE: AIG

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Analysis of Sales/Earnings

February 5, 2003

Lowering Estimates; Maintaining Equal-weight

STOCK RATING	EQUAL-WEIGHT
Price (February 3, 2003)	$55.33
Price Target	NA
52-Week Range	$77.37 - 47.75

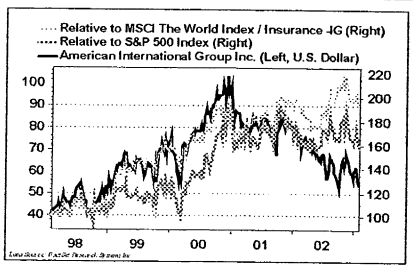
Stock ratings are relative to the analyst's industry (or industry team's) coverage universe.

GICS SECTOR	FINANCIALS
US Strategist Weight	19.6%
S&P 500 Weight	20.6%

WHAT'S CHANGED	
Earnings (2002)	*From $3.38 to $2.70*
Earnings (2003)	*From $3.75 to $3.60*

- **We are maintaining our Equal-weight rating**
  Despite the recent pullback, we believe other stocks in our coverage universe could outperform. On a relative basis, AIG has underperformed recently but not by a huge amount. Also, its earnings growth outlook now is lower than two weeks ago, and it remains one of the more economically sensitive names in our coverage universe.
- **We have reduced our 2002 and 2003 estimates**
  Our 2002 estimate, which incorporates the $1.8b A-T reserve charge, falls to $2.70 from $3.38. Our 2003 declines to $3.65 from $3.75
- **Other companies could have similar issues**
  The charge could mean that other insurers have to increase reserves as well, especially those that write workers compensation coverage.
- **Industry view: In-Line**
  While we believe margins and book value growth should remain healthy for some time, we now view investing in our sector as more of a stock picking exercise, given regulatory trends in personal lines, a continued weak economy, and commercial lines pricing that appears to be moderating.

Stock Price Performance



Fiscal Year Ends (Dec 31)	2001	2002e	2003e	2004e
EPS ($)	2.80	2.70	3.65	–
Prior EPS Ests. ($)	–	3.38	3.75	–
First Call Consensus ($)	2.80	3.41	3.95	–
P/E	19.7	20.5	15.2	–
Price/Book	2.8	2.4	2.1	–
Yield (%)	0.3	0.3	0.3	–
Market Cap ($mn)	144,333.5			
Debt/Cap (12/01) (%)	41.8			
Return on Equity (12/01) (%)	14.9			
Shares Outstanding (mn)	2,608.6			

Q'trly EPS	2001 actual	2002e curr	2002e prior	2003e curr	2003e prior
Q1	0.72	0.81	–	–	–
Q2	0.76	0.84	–	–	–
Q3	0.55	0.85	–	–	–
Q4	0.77	0.20e	0.88e	–	–

e – Morgan Stanley Research estimates

Company Description

American International Group is the leading U.S.-based international multiline insurance and financial services organization and the largest commercial underwriter in the U.S. AIG has an extensive global presence, particularly in Japan and Asia, in both l

Please see the important disclosures at the end of this report.

Lowering Estimates; Maintaining Equal-weight

Summary and Investment Conclusion

Despite the pullback in AIG's share price after its announcement that it was taking a $1.8 billion after-tax reserve charge, we are maintaining our Equal-weight rating. There are four factors driving our decision:

- In the context of our rating system, we rate stocks relative to our coverage universe. As such, relative outperformance or underperformance, all other things being equal, generally drives a rating change. In this case, AIG has declined some 15% over the past week and a half, about 5-7% more than the average stock in our coverage universe (which includes the insurance brokers and financial guarantors). While there has been relative underperformance in the case of AIG, we don't think the gap is wide enough to warrant a change in rating at this time, especially in light of the other items noted below.

- The decline in AIG's stock price has been accompanied by lower earnings earnings estimates (we have once again reduced our estimate by $0.10 for 2003 and we suspect consensus could fall by as much as $0.30). That means on a pure earnings or book value multiple basis, the stock's valuation has not fallen as much as the decline in its share price would suggest (i.e., the p-e and p-b multiple basis have not compressed as much as the share price decline). At the same time, we have generally not been lowering earnings estimates for other stocks in our coverage universe, making their valuations more compelling — at least on a relative basis. The average p-c stock trades at 1.4 times book value (with some near book value), while AIG is at 2.3 times book value. We acknowledge that this set of stocks might not be the most relevant peer group for AIG, but from a rating standpoint, we assess the stock in that context.

- Of the stocks in our coverage universe, AIG remains among the more economically and capital markets sensitive names (due to its consumer finance, airline leasing, and equity-linked life insurance operations). Given the lack of signs of a rapid recovery in the economy, we believe some of the other less economically-sensitive stocks could outperform AIG over the next 12-18 months.

- Finally, the company has not yet reported earnings and we believe the actual details of 4Q02 are important (not just the bottom line). We are not forecasting any additional surprises but would like to assess the quality of earnings.

Overall, we continue to believe that AIG is a solid franchise, given its diverse business mix and its geographic reach. Trading at 2.3 times current book value and 2 times forward book value, the stock is trading near its 12-year historic average of 2.4 times. However, over the past eight years, during which time the company expanded rapidly and broadened its geographic reach, the stock has traded at an average of 3 times book value.

Details of the Conference Call

The list of insurers taking large fourth quarter charges continued on Monday, as AIG took a $2.8 billion pre-tax charge. Both the size and nature of the charge were larger than we expected. We were not looking for reserves in the excess casualty area in particular, and certainly not to the tune of $1.8 billion after-tax. The total, $2.8 billion, is quite manageable for AIG financially, but implies potential deficiencies that might put significant strain on some others, especially, in our view, some of the competitors that write workers compensation. As a result, we suspect pencils might be getting sharpened at the rating agencies right now. This dose of reality in these lines can only be positive for nonlife insurance pricing, in our view.

Highlights from its conference call:

- The reserve charge resulted from a new reserving method to deal with the lost cost inflation of recent years. If AIG had used its historic methodology, the charge would been $700 million less, management said.

- AIG typically does not provide earnings guidance, although it did say it expects year end equity in excess of $58 billion and a 2003 ROE of at least 15%. Management said a 15% ROE in 2003 is an "approximate" number and a "minimum hurdle" which it believes it can beat — the main obstacle being low interest rates.

- Griping about lower guidance: Investors are conditioned to expect higher, not lower guidance accompanying a reserve charge. As with Chubb, the lower guidance, in our view, drove the stock's weak performance (more than the charge itself). By resetting the base of earnings to an expectation that is reasonable under today's environment, however, we believe the company conveyed important information. We now hope that most of what is needed to be known is reflected in the stock, although we do want to see the full release, of course.

- There are a range of interpretations to various comments made on the call relating to ROE; possible interpretations could lead to estimates both slightly above and below our number. We are comfortable with our new estimate for now. The slight reduction in number primarily relates to lower investment returns and translates into a ROE of 15% on the adjusted equity balance, roughly in line with management's minimum hurdle. Consensus estimates prior to the release were running at $3.95. Our new estimate for 2003 is now $3.65, down from $3.75.

- The company is looking for a $4-5 billion reserve increase (float) in 2003, bringing AIG to close to $35 billion of reserves at year end — a positive, we believe, from a cash flow standpoint.

- A focus on the conference call also was on record cash flows and their impact. Our model incorporates continued strong cash flows for 2003.

- Asbestos is not an issue, according to AIG. We believe that if AIG had needed to take any significant asbestos charges, now would probably have been the time. S&P reaffirmed the company's ratings without any qualification today. Since S&P has been the principal driver on this issue from a rating standpoint, we are content to let its opinion prevail.

- AIG reiterated there is not a problem at ILFC. Management continues to dismiss claims that there could be asset writedowns in this business. We believe the accounting treatment is not the issue; rather, investors are reflecting perceptions of changes in the value of the business (e.g., breakup value) as fundamentals of the aviation business have shifted. These would swing back in a more favorable direction in a recovering economy, but for now, appear depressed relative to historic levels.

- AIG believes the economic environment will improve in the second half of the year. It believes the conclusion of a war in Iraq will have a dramatic and positive impact on global economy.

Credit Ratings: We believe that AIG will be able to maintain its AAA rating, although Fitch's and Moody's actions do raise questions about how much cushion AIG still has. Fitch and Moody's recently put AIG's senior debt on negative watch/outlook, while S&P said that it is not taking any action at this time and that its "preliminary assessment is that the reserve charge will not materially affect the assessment of capital adequacy (which is extremely strong)."

Lowering earnings growth for 2003: We believe AIG is not in the earnings management game. It appeared to us that management once again signaled this by saying, "You can't run a major company in any industry and think that every quarter is going to be better than the next quarter." As such, we believe the charge this quarter represents management's best estimate of what was needed, not some sort of "kitchen sink" to set up a favorable 2003. That said, it was clear the company was not trying to set an aspiration goal of 15% ROE that would be a difficult hurdle to meet.

We currently view the main risk to the stock as interest rates and the economy. The property casualty environment, if anything appears stronger than ever after this event, which we view as having implications for others in the industry.

AIG closed yesterday at $51.70, approximately 2.3 times 2002E and 2.0 times 2003E book value per share. Price to book multiples shown in Exhibit 1 show the impact of AIG's $1.8 billion after tax charge on our book value estimates and Exhibit 2 shows book value on a historical basis.

Exhibit 1

Book value multiples (current and prior to charge)

	Previous forecast		Current forecast	
	2002E	2003E	2002E	2003E
BVPS	$ 23.31	$ 27.10	$ 22.63	$ 26.13
BVPS, ex FAS 115	$ 23.24	$ 27.03	$ 22.56	$ 26.06
TBVPS	$ 21.08	$ 25.17	$ 20.40	$ 24.19
P/B	2.22	1.91	2.28	1.98
P/B ex FAS 115	2.22	1.91	2.29	1.98
P/TBVPS	2.45	2.05	2.53	2.14

Source: Company data, Morgan Stanley Research

Exhibit 2

Historical book value multiples

	Op EPS	52 wk. Hi	52 wk. Lo	BVPS	HI P/B	Low P/B	Avg P/B
2001	$2.80	$100.19	$66.00	$19.94	5.02	3.31	4.17
2000	$2.68	$103.75	$52.38	$18.09	5.74	2.90	4.32
1999	$2.32	$75.25	$51.00	$15.25	4.93	3.34	4.14
1998	$1.90	$54.73	$34.60	$15.08	3.63	2.29	2.96
1997	$1.61	$40.02	$25.24	$13.27	3.02	1.90	2.46
1996	$1.34	$27.59	$20.89	$10.27	2.69	2.03	2.36
1995	$1.15	$22.64	$15.19	$9.12	2.48	1.67	2.07
1994	$1.15	$15.92	$12.92	$11.25	1.42	1.15	1.28
1993	$0.98	$15.84	$11.60	$10.51	1.51	1.10	1.31
1992	$0.73	$12.79	$8.64	$8.68	1.47	1.00	1.23
1991	$0.62	$10.75	$7.59	$8.42	1.28	0.90	1.09
1990	$0.56	$8.92	$6.00	$7.30	1.22	0.82	1.02
			12 year avg. Hi/Lo		2.87	1.87	
				12 year avg		2.4	
				8 year avg		3.0	

Source: Company data, Morgan Stanley Research

Please see the important disclosures at the end of this report.

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Exhibit 3

Earnings Model

($ in millions, except per share data)	1998	1999	2000	2001	2002E	2003E	3Q01	4Q01	1Q02	2Q02A	3Q02A	4Q02E
Property - Casualty												
Gross written premium	20,684.3	22,569.4	25,049.6	29,639.8	37,498.8	46,424.6	7,395.0	8,113.8	8,976.9	8,717.8	9,256.2	10,548.0
change yr/yr	10.4%	9.1%	11.0%	18.3%	26.5%	23.8%	17.7%	24.9%	26.8%	23.7%	25.2%	30.0%
Net written premium	14,586.1	16,223.9	17,526.3	20,100.9	27,254.6	32,880.8	4,983.3	5,197.7	6,334.3	6,782.7	7,084.8	7,052.8
change yr/yr	8.8%	11.2%	8.0%	14.7%	35.6%	20.6%	16.1%	15.4%	30.2%	34.2%	42.2%	35.7%
Earned premium	14,098.0	15,543.8	17,406.9	19,364.9	24,143.2	30,468.2	4,845.2	5,055.9	5,506.5	5,859.2	6,195.8	6,581.7
change yr/yr	13.5%	10.3%	12.0%	11.2%	24.7%	26.2%	17.8%	5.6%	16.6%	23.6%	27.9%	30.2%
Paid losses	7,209.3	11,756.7	12,987.8	14,461.7	16,148.9	18,730.4	3,639.0	3,843.8	4,016.3	3,961.4	3,967.2	4,204.0
Reserve change (related to incurred claims)	3,447.4	(19.2)	116.6	943.9	4,392.9	4,303.2	691.2	140.9	126.8	378.0	641.1	3,247.0
Incurred losses	10,656.7	11,737.5	13,104.4	14,636.6	20,541.8	23,033.5	4,330.2	3,984.7	4,143.1	4,339.4	4,608.3	7,451.0
Other underwriting expenses	2,910.5	3,137.1	3,517.5	3,871.1	4,546.8	5,536.8	1,037.8	955.8	1,053.7	1,103.6	1,196.8	1,192.6
Pretax underwriting results	530.7	669.2	785.0	857.2	(945.3)	1,897.9	(522.8)	115.4	309.7	416.2	390.7	(2,061.9)
Loss ratio	*75.6%*	*75.5%*	*75.3%*	*75.6%*	*85.1%*	*75.6%*	*89.4%*	*78.8%*	*75.2%*	*74.1%*	*74.4%*	*113.2%*
Expense ratio	*20.6%*	*20.2%*	*20.2%*	*20.0%*	*18.8%*	*18.2%*	*21.4%*	*18.9%*	*19.1%*	*18.8%*	*19.3%*	*18.1%*
Combined ratio	*96.2%*	*95.7%*	*95.5%*	*95.6%*	*103.9%*	*93.8%*	*110.8%*	*97.7%*	*94.4%*	*92.9%*	*93.7%*	*131.3%*
Accident year CR	*98.2%*	*98.2%*	*96.9%*	*93.3%*								
Net investment income (pretax)	2,191.8	2,516.7	2,700.8	2,892.6	2,754.6	3,072.2	724.3	745.4	745.4	680.0	661.0	668.2
change yr/yr	18.3%	14.8%	7.3%	7.1%	-4.8%	11.5%	7.2%	6.1%	4.1%	-3.8%	-8.7%	-10.4%
Corporate pretax Income	(437.4)	62.2	172.1	3.3	(93.4)	(50.0)	(8.3)	(52.4)	6.5	(49.7)	(25.2)	(25.0)
General Insurance	2,722.6	3,185.9	3,485.8	3,749.9	1,809.3	4,970.1	201.5	860.8	1,055.1	1,096.3	1,051.7	(1,393.7)
Life Insurance	3,323.5	3,758.6	4,219.7	5,060.2	5,833.3	6,439.8	1,165.1	1,321.7	1,355.4	1,528.4	1,516.7	1,432.8
Financial Services	1,172.2	1,416.9	1,665.8	1,991.0	2,166.0	2,212.3	487.5	587.0	473.9	542.0	552.5	597.6
Asset Management	673.4	872.8	1,108.2	1,087.7	1,044.8	962.3	247.5	287.2	299.7	280.2	228.2	236.7
Other	(437.4)	62.2	(143.3)	(2,913.2)	(93.4)	(50.0)	(1,371.1)	(52.4)	6.5	(49.7)	(25.2)	(25.0)
Realized Gains (Losses)	130.029	103.078	-312.73	-836.34	-1456.866	0	-113.8	-287.1	-231.8	-629.5	-595.6	0.0
Total pretax income	7,584.3	9,399.5	10,023.4	8,139.2	9,303.1	14,534.5	616.7	2,717.3	2,958.7	2,767.7	2,728.4	848.3
Taxes	(2,190.5)	(2,832.6)	(2,970.8)	(2,339.1)	(2,835.6)	(4,578.4)	(163.4)	(804.0)	(891.8)	(871.8)	(817.4)	(254.5)
After-tax income	5,393.8	6,566.9	7,052.6	5,800.0	6,467.5	9,956.2	453.4	1,913.3	2,066.9	1,895.9	1,910.9	593.8
Minority Interest, net of tax	347.8	380.6	413.7	301.0	305.5	351.3	45.4	47.4	86.6	94.7	69.7	54.5
Cum. Effect Chg. Accting, net of tax	-	-	-	136.2	-	-	81.3	-	-	-	-	-
Net income	5,046.0	6,186.3	6,638.9	5,362.8	6,162.1	9,604.9	326.8	1,865.9	1,980.3	1,801.2	1,841.2	539.4
change yr/yr	18.6%	22.6%	7.3%	-19.2%	14.9%	55.9%	-80.8%	3.5%	6.7%	37.0%	463.5%	-71.1%
Net EPS	$1.92	$2.34	$2.52	$2.02	$2.34	$3.65	$0.12	$0.70	$0.75	$0.68	$0.70	$0.20
Realized gains/losses	$0.02	$0.02	($0.08)	($0.20)	($0.37)	$0.00	($0.03)	($0.07)	($0.06)	($0.16)	($0.15)	$0.00
Special Items	$0.00	$0.00	($0.08)	($0.58)	$0.00	$0.00	($0.39)	$0.00	$0.00	$0.00	$0.00	$0.00
Operating EPS	**$1.90**	**$2.32**	**$2.68**	**$2.80**	**$2.70**	**$3.65**	**$0.55**	**$0.77**	**$0.81**	**$0.84**	**$0.85**	**$0.20**
change yr/yr	18.1%	22.2%	15.6%	4.6%	-3.6%	35.0%	-17.7%	9.5%	12.5%	10.2%	55.5%	-73.5%
Fully diluted shares	2,633.5	2,650.3	2,637.8	2,649.9	2,636.7	2,632.0	2,651.3	2,645.4	2,641.0	2,639.9	2,634.0	2,632.0
Shareholders Equity	38,994.3	39,726.4	47,437.6	52,150.0	58,937.5	68,047.9	50,786.5	52,150.0	52,675.0	54,963.0	58,783.1	58,937.5

Source: Company data, Morgan Stanley Research

American Int'l Grp - February 5, 2003

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Exhibit 4

Operating Statistics

($ in millions, except per share data)	1998	1999	2000	2001	2002E	2003E	3Q01	4Q01	1Q02	2Q02A	3Q02A	4Q02E
Operating/Capital Statistics												
Dividend	$0.11	$0.13	$0.14	$0.16	$0.18	$0.19	$0.04	$0.04	$0.04	$0.05	$0.05	$0.05
Operating Payout ratio	6.0%	5.5%	5.2%	5.6%	6.8%	5.2%	7.7%	5.4%	5.2%	5.6%	5.5%	22.9%
Net written premiums: surplus	118.7%	121.5%	125.2%	142.5%	171.3%	179.0%	144.0%	147.4%	176.2%	191.2%		
Net reserves:surplus	200.3%	184.2%	178.2%	183.6%	190.3%	188.3%	186.1%	183.6%	181.0%	186.0%		
Operating ROE	13.6%	15.6%	16.2%	14.9%	12.8%	15.1%	11.4%	15.9%	16.3%	16.5%	15.7%	3.7%
Total ROE	13.8%	15.7%	15.2%	10.8%	11.1%	15.1%	2.6%	14.5%	15.1%	13.4%	12.9%	3.7%
Debt/Capital	31.7%	32.5%	36.8%	41.8%	42.4%	40.2%	41.2%	41.8%	42.8%	43.2%	42.7%	42.4%
Book value per share	$15.08	$15.25	$18.09	$19.94	$22.63	$26.13	$19.44	$19.94	$20.16	$21.05	$22.53	$22.63
Operating ROE (Ex. FAS 115)	13.7%	15.2%	15.4%	14.3%	12.7%	15.2%	11.1%	15.5%	15.6%	15.7%		
Total ROE (Ex. FAS 115)	13.8%	15.3%	14.5%	10.3%	10.9%	15.2%	2.5%	14.1%	14.5%	12.8%		
Debt/Capital (Ex. FAS 115)	31.7%	31.4%	35.7%	41.0%	42.4%	40.3%	40.6%	41.0%	41.5%	42.3%		
Book value per share (Ex. FAS 115)	$15.08	$16.16	$19.01	$20.60	$22.56	$26.06	$19.89	$20.60	$21.24	$21.84		
Reserve Analysis (Net)												
Beginning reserve balance	21,171.5	24,618.9	24,599.7	24,951.6	25,895.5	30,288.6	25,063.4	25,754.6	25,895.5	26,022.5	26,400.5	27,041.6
Incurred losses	10,656.7	11,737.5	13,104.4	15,405.6	20,541.8	23,033.5	4,330.2	3,984.7	4,143.1	4,339.4	4,608.3	7,451.0
Paid losses	(7,209.3)	(11,756.7)	(12,987.8)	(14,461.7)	(16,148.9)	(18,730.4)	(3,639.0)	(3,843.8)	(4,016.3)	(3,961.4)	(3,967.2)	(4,204.0)
Other changes	0.0	0.0	235.3	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Ending net reserve balance	24,618.9	24,599.7	24,951.6	25,895.5	30,288.6	34,591.7	25,754.6	25,895.5	26,022.5	26,400.5	27,041.6	30,288.6
Paid: incurred	67.7%	100.2%	99.1%	93.9%	78.6%	81.3%	84.0%	96.5%	96.9%	91.3%	86.1%	56.4%
Paid: earned	51.1%	75.6%	74.6%	74.7%	66.9%	61.5%	75.1%	76.0%	72.9%	67.6%	64.0%	63.9%
Calendar year loss ratio	75.6%	75.5%	75.3%	75.6%	85.1%	75.6%	89.4%	78.8%	75.2%	74.1%	74.4%	113.2%
Pts of dev. favorable/ (unfavorable)	2.0%	2.5%	1.4%	-2.3%								
Accident year loss ratio	77.6%	78.0%	76.7%	73.3%								
Each point =	$0.03	$0.04	$0.04	$0.05	$0.06	$0.08	$0.01	$0.01	$0.01	$0.01	$0.02	$0.02
Investment Income Analysis - Gen. Insur.												
Amortized cost investment balance	36,687.2	39,810.1	43,037.2	40,355.7	45,515.1	57,611.8	40,049.1	40,355.7	43,358.4	42,786.0		
change yr/yr	23.4%	8.5%	8.1%	-6.2%	12.8%	26.6%	-5.4%	-6.2%	4.4%	1.5%		
Calculated pretax yield	6.6%	6.6%	6.5%	6.9%	6.4%	6.0%	7.0%	7.4%	7.1%	6.3%	6.1%	6.0%
Calculated after-tax yield	5.3%	5.1%	5.0%	5.2%	4.9%	4.6%	5.3%	5.6%	5.4%	4.8%	4.7%	4.6%
Invested assets at market	39,858.2	39,261.1	43,412.2	43,158.7	53,897.1	65,993.8	44,153.1	43,158.7	44,604.4	45,904.0		
change yr/yr	20.9%	-1.5%	10.6%	-0.6%	24.9%	22.4%	4.6%	-0.6%	2.9%	5.8%		

Source: Company data, Morgan Stanley Research

Global Stock Ratings Distribution

(as of Jan 31, 2003)

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight	607	32%	240	38%	40%
Equal-weight	891	47%	286	45%	32%
Underweight	396	21%	105	17%	27%
Total	1,894		631		

Data include common stock and ADRs currently assigned ratings. For disclosure purposes (in accordance with NASD and NYSE requirements), we note that Overweight, our most positive stock rating, most closely corresponds to a buy recommendation; Equal-weight and Underweight most closely correspond to neutral and sell recommendations, respectively. However, Overweight, Equal-weight, and Underweight are not the equivalent of buy, neutral, and sell but represent recommended relative weightings (see definitions below). An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

ANALYST STOCK RATINGS

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V). We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Ratings prior to March 18, 2002: SB=Strong Buy; OP=Outperform; N=Neutral; UP=Underperform. For definitions, please go to www.morganstanley.com/companycharts.

ANALYST INDUSTRY VIEWS

Attractive (A). The analyst expects the performance of his or her industry coverage universe to be attractive vs. the relevant broad market benchmark over the next 12-18 months.

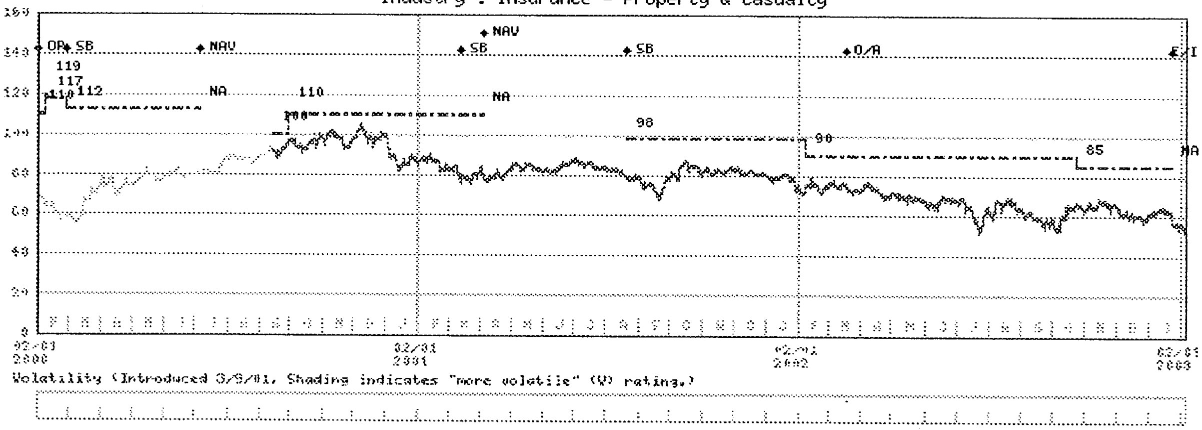
In-Line (I). The analyst expects the performance of his or her industry coverage universe to be in line with the relevant broad market benchmark over the next 12-18 months.

Cautious (C). The analyst views the performance of his or her industry coverage universe with caution vs. the relevant broad market benchmark over the next 12-18 months.

Stock price charts and rating histories for companies discussed in this report are available at www.morganstanley.com/companycharts. You may also request this information by writing to Morgan Stanley at 1585 Broadway, 14th Floor (Attention: Research Disclosures), New York, NY, 10036 USA.

Stock Price, Price Target and Rating History (See Rating Definitions)

American Int'l Grp (AIG.N) - As of 2/4/03 in USD
Industry : Insurance - Property & Casualty



Stock Rating History: 1/21/99 : OP; 2/28/00 : SB; 7/6/00 : NAV; 3/14/01 : SB; 4/4/01 : NAV; 8/21/01 : SB; 3/18/02 : O/A; 1/24/03 : E/I

Price Target History: 10/29/99 : 110; 2/8/00 : 119; 2/10/00 : 117; 2/28/00 : 112; 7/6/00 : NA; 9/14/00 : 100; 9/29/00 : 110; 4/4/01 : NA; 8/21/01 : 98; 2/8/02 : 90; 10/25/02 : 85; 1/24/03 : NA

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Available (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ◆
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAV)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAV)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: INSURANCE - PROPERTY & CASUALTY

Company	Ticker	Rating	as of	Price at 2/3/03
ACE Limited	ACE.N	E	7/31/02	$29.75
Allstate Corporation	ALL.N	E	1/24/03	$35.18
AMBAC Inc.	ABK.N	U	3/18/02	$53.50
American Int'l Grp	AIG.N	E	1/24/03	$55.33
Aon Corporation	AOC.N	E	3/18/02	$19.11
Arthur J. Gallagher & Co.	AJG.N	U	3/18/02	$24.99
Berkshire Hathaway Inc.	BRKa.N	O	3/18/02	$68,490.00
Everest Re Group, Ltd.	RE.N	O	1/24/03	$51.38
IPC Holdings, Ltd.	IPCR.O	O	7/24/02	$28.89
Marsh & McLennan	MMC.N	E	1/24/03	$42.40
Max Re Capital Limited	MXRE.O	E	1/24/03	$11.26
MBIA	MBI.N	U	1/24/03	$40.24
Montpelier Re Holdings, Ltd.	MRH.N	E	11/20/02	$25.93
PartnerRe Ltd.	PRE.N	U	1/24/03	$51.46
RenaissanceRe Holdings Ltd.	RNR.N	E	3/18/02	$39.40
SAFECO Corporation	SAFC.O	O	7/23/02	$36.01
St. Paul Companies, Inc.	SPC.N	E	5/24/02	$32.56
The Chubb Corporation	CB.N	U	5/24/02	$54.57
The Progressive Corporation	PGR.N	E	1/24/03	$49.08
Travelers Property Casualty	TAPa.N	O	1/24/03	$16.15
W.R. Berkley Corp.	BER.N	O	3/18/02	$38.15
Willis Group Holdings	WSH.N	E	3/18/02	$26.00
XL Capital Ltd.	XL.N	E	1/24/03	$76.09

Stock ratings are subject to change. Please see latest research for each company.