

PLAINTIFF'S
EXHIBIT
141

MEMORANDUM



May 21, 2001

CONFIDENTIAL ATTORNEY-CLIENT COMMUNICATION

TO: M. R. Greenberg
E. Patrikis

FROM: Joseph H. Umansky

RE: Special Reinsurance

You will note that the attached schedule shows a \$47 million shortfall. Issues to note:

- The DBG Aggregate Loss Ratio treaties (#7 through #11) show a combined shortfall of \$104 million, representing a shortfall to the treaty. The ultimate losses are expected to go through the limit of the treaty, therefore the effect on AIG is as earlier described by Frank Douglas. The shortfall numbers are present value numbers.
- We have assembled a plan to fund the Aggregate Loss Ratio treaties' trusts. We have not begun to implement the plan in the hope that we would find a more effective solution.
- Approximately \$61 million of the shortfall will be eliminated as a result of additional premium (Personal Lines treaty #20) or the management of payout patterns (1988 Abeille treaty #2).
- The Foreign Gen Aggregate treaty (#17) was designed as part of the AIG Aggregate Cat treaty. However, it was used in 2000 to cover losses in excess of the loss ratio attachment point - \$28 million of premium was ceded, \$51 million of benefit was taken. A similar treaty will be in place for 2001.
- I am working to takeback the 1988 Abeille treaty (#2), partially for cash flow purposes and partially to take back the risk from AXA Re. AXA is on 50% of the treaty. It is a slow process but we are at no economic disadvantage if the process takes longer. The related assets are yielding 8%+.

- Premium to be ceded in 2001 will approximate \$610 million, net of commission. Losses to be recovered will be \$222 million, exclusive of \$51 million of takebacks. The majority of the 2001 treaties are on a funds withheld basis. \$30 million of the recoveries will be collected in the second quarter; most of the balance will be collected in the fourth quarter.



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Attachment

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

SPECIAL REINSURANCE

(In millions)

	Ulti- mate Loss	NPV of Ulti- mate	Cash Avail- able	Over (Short)	Credit Taken
<u>AGGREGATE EXCESS / STOP LOSS</u>					
1. Aggregate Excess - 1984-1985	206	148	148	0	206
2. Abeille - 1988 - Retrospective	400	351	334	(17)	400
3. Abeille - 1991 - 10 Yr.	189	161	155	(6)	189
4. AIGRM Stop Loss - 1993	50	43	43	0	23
5. AIGRM Stop Loss - 1994	50	38	38	0	23
6. Division 50 - Blown Max - 1997	36	25	23	(2)	23
7. Aggregate Loss Ratio / Excess - 1996	560	318	284	(34)	352
8. Aggregate Loss Ratio / Excess - 1997	650	379	342	(37)	475
9. Aggregate Loss Ratio / Excess - 1998	800	393	353	(40)	532
10. Aggregate Loss Ratio / Excess - 1999	650	305	283	(22)	509
11. Aggregate Loss Ratio / Excess - 2000 (B)	652	286	265	(21)	324
12. DBG - Fac Obligatory - Aggregate Excess - 1999	326	176	176	0	326
13. AIU - Aggregate Excess - 1999	30	17	17	0	30
14. AIU - Aggregate Excess - 2000	30	16	16	0	30
15. DBG - Aggregate Excess - 1999	60	38	38	0	60
16. DBG - Aggregate Excess - 2000	60	29	29	0	60
17. Foreign General Aggregate - 2000	51	28	28	0	51
18. AIG Catastrophe Aggregate Excess - 2000	0	0	18	18	0
19. Warranty - 2000	210	215	215	0	210
20. Personal Lines Auto Aggregate - 2000	80	64	20	(44)	80
21. DBG Divisional Stop Loss - 2000 (B)	200	112	112	0	0
Total Aggregate Excess / Stop Loss	5,290	3,142	2,937	(205)	3,903
<u>MISCELLANEOUS</u>					
22. Other - Active Contracts	43	43	18	(25)	25
23. Other - Commuted & Cancelled Contracts (A)	0	0	183	183	0
Total Miscellaneous	43	43	201	158	25
<u>TOTAL SPECIAL REINSURANCE</u>	<u>5,333</u>	<u>3,185</u>	<u>3,138</u>	<u>(47)</u>	<u>3,928</u>

(A) Commuted & Cancelled Accounts Funds:

Global Catastrophe Cover	131
Lexington Warehouse	117
DBG Replacement Treaties	(80)
Professional Liability (NU Agg X/S)-Div 65	(13)
All Others Including Interest on Balance	28
Total Commuted & Cancelled Contracts	<u>183</u>

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(B) Fund is recorded as funds withheld by DBG and accrues interest