M E M O R A N D U M

April 30, 2001

To: M. R. Greenberg

From: C. M. Hamrah

Re: **First Quarter Earnings Report – Analyst Comments**

Analyst comments were positive and analysts all commented that it was a good, solid quarter, with no surprises.

There were very few questions on the change in loss reserves. Most wanted to talk about the increase in general insurance premiums and looked for details concerning line of business increase, size of increase and sustainability of increase. Although they generally talked about personal lines, there was no particular concern. There were also questions concerning the life division's premium/sales figures. There were several questions concerning the continued slowdown at AIG Trading.

Enclosed are the First Call notes for AIG & TRH. There were none for TW.

Enclosures

cc: E. E. Matthews
H. I. Smith
T. R. Tizzio
J. T. Wooster

09:33am EDT 26-Apr-01 Salomon Smith Barney (Ronald W. Frank 212-816-1681) AIG
AIG: EPS ABOVE OUR ESTIMATE; SOLID QUARTER ACROSS THE BOARD

SALOMON SMITH BARNEY

American International Group (AIG)
AIG: EPS ABOVE OUR ESTIMATE; SOLID QUARTER ACROSS THE BOARD

1L (Buy, Low Risk)
Mkt Cap: $183,490.2 mil.

April 26, 2001

INSURANCE--PROPERTY & CASUALTY

Ronald W. Frank
212-816-1681
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SUMMARY
* Operating EPS $0.67; $0.01 above our estimate and Street.
* General Insurance combined ratio of 95.9% slightly better than we had estimated. Following 4Q pattern, improvement in Domestic Brokerage Group more than offset deterioration in smaller Personal Lines segment.
* Life and asset management earnings strong and in close to our expectations. Variable annuity sales at SunAmerica were up in the quarter.
* Domestic Brokerage Group premiums up 27.5% in 1Q01, vs. 18.4% in 4Q00 and 6.7% in 3Q00. AIG is clearly getting continued rate increases and finding strong new business opportunities; we gather that virtually all key profit centers in this core division had double-digit premium growth. Company sees continued rate firming.
* Our earnings estimates are unchanged and we reiterate our Buy rating on AIG.

FUNDAMENTALS

P/E (12/01E)	27.8x
P/E (12/02E)	24.2x
TEV/EBITDA (12/01E)	NA
TEV/EBITDA (12/02E)	NA
Book Value/Share (12/01E)	$16.98
Price/Book Value	4.6x
Dividend/Yield (12/01E)	$0.15/0.2%
Revenue (12/01E)	$46,990.0 mil.
Proj. Long-Term EPS Growth	15%
ROE (12/01E)	16.7%
Long-Term Debt to Capital(a)	NA

AIG is in the S&P 500(R) Index.
(a) Data as of most recent quarter

SHARE DATA

Price (4/25/01)	$78.66
52-Week Range	$103.69-$73.04
Shares Outstanding(a)	2,332.7 mil.
Convertible	No

RECOMMENDATION

Current Rating	1L
Prior Rating	1L
Current Target Price	$120.00
Previous Target Price	$120.00

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
12/00A	Actual	$0.58A	$0.61A	$0.61A	$0.65A	$2.45A
12/01E	Current	$0.67A	$0.70E	$0.70E	$0.76E	$2.83E
	Previous	$0.66E	$0.70E	$0.71E	$0.76E	$2.83E
12/02E	Current	NA	NA	NA	NA	$3.25E
	Previous	NA	NA	NA	NA	$3.25E

-- FIRST CALL --

12/03E	Current	NA	NA	NA	NA	NA
	Previous	NA	NA	NA	NA	NA

First Call Consensus EPS: 12/01E $2.82; 12/02E $3.25; 12/03E NA
Revenues exclude capital gains/losses; book value as of 12/31/00

OPINION

See above.

INVESTMENT THESIS

We view AIG as a core financial sector holding and, as the largest commercial insurer in the U.S., an attractive play on the commercial property/casualty cycle. Under legendary CEO Hank Greenberg, AIG has consistently delivered mid-double-digit EPS growth and mid-teens ROEs, a consistency that is increasingly hard to find and which we therefore consider deserving of a rich relative valuation. Should AIG's offer for American General Corporation prevail, the company would reap substantial strategic benefits as well as EPS accretion.

COMPANY DESCRIPTION

American International Group is a U.S.-based global insurance and financial services company. AIG is among the ten largest companies in the U.S. measured by market capitalization, and does business in more than 130 countries and jurisdictions. General (property/casualty) insurance and life insurance each comprise about 40% of AIG's pretax earnings, with other financial services businesses comprising the remainder. AIG derives over 40% of its operating income from non-U.S. sources.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

Ronald W. Frank 212-816-1681

-> End of Note <-

-- FIRST CALL --

10:52am EDT 26-Apr-01 Dresdner Kleinwort Wasserstein (Kenneth S. Zuckerberg (
DrKW: AIG Quick Read on Upside EPS; Reiterate Buy Rating

Quick Read on Upside EPS; Reiterate Buy Rating

COMPANY: American International Group
RATING : Buy
ANALYST: (Kenneth S. Zuckerberg (212) 903-2189) PRICE: $78.38
EXCH: NYSE

E P S :	--- FULL YEAR ($US) ----			--------- PRICE -----		---SHARES (Thsnd's)---	
FY: Dec.	Curr.	Prior	P/E	12 Mo Tgt :	$100	Mkt Cap:	$182,838,044
00 FC	2.45a			52 Wk High:	$103.75	Shrs Out:	2,332,713
01 DrKW	2.82e	2.80e	27.79x	52 Wk Low :	$71.83	Dly Vol :	5,169
FC	2.82e			3Yr Growth:	15.00%	Div/Yld :	$0.15/0.19%
02 DrKW	3.25e		24.12x	YTD Perf :	-20.48%	LTD/CAP :	46.38%
FC	3.25e			Book Value:	$16.98		
03 DrKW				Px/Book :	4.61x		
FC							

as of: 04/26/2001 10:31 EDT

E P S :	--- 1st QTR ---		--- 2nd QTR ---		--- 3rd QTR ---		--- 4th QTR ---	
	Curr.	Prior	Curr.	Prior	Curr.	Prior	Curr.	Prior
2000	0.58a		0.61a		0.61a		0.65a	
2001	0.67a	0.65e	0.70e		0.70e		0.75e	
2002								
2003								

Footnote: Earnings have been adjusted for the July 31, 2000 3 for 2 stock split
.

Event: AIG reports first quarter EPS.

Recommend: Aggressive purchase of the stock.

Analysis: AIG reported 1Q01 operating EPS of $0.67, up 15.5% relative to 1Q00, TWO CENTS higher than our estimate and ONE CENT above the Street. We have raised our 2001 EPS estimate from $2.80 to $2.82 to reflect the quarter's positive variance, and are maintaining our 2002 EPS estimate of $3.25. At first blush, we view this as a good quarter but we will be "digging deeper" into the life segment results later today.

Positive surprise relative to our model came in the property & casualty operations, which grew p/t earnings by 11% overall, driven by 15% growth in premiums earned, 8% growth in net investment income and very favorable underwriting results. The quarter's combined ratio was 95.89%, about 50 bps better than our target and relatively steady with 1Q00. Importantly, AIG had a positive addition to loss reserves. P&C top-line growth (NPW) was 15% overall on a reported basis and 17.3% after adjusting for the negative impact of foreign exchange. Growth was partially driven by last year's acquisition of Hartford Steam Boiler (we're working on the underlying growth number now), but clearly reflected the uptick in commercial pricing. Unfortunately, the quarter's press release did not quantify what AIG is seeing in terms of rate level increases, though Hank Greenberg did say "AIG is benefiting from continuing strengthening in pricing in the commercial property-casualty market. " He went on to say that worldwide premium growth of 15.1% reflected: "broad increases in commercial pricing both in the United States and in key overseas market." and that while rates continued to firm, "additional strengthening is required in order to return pricing to satisfactory levels after years of eroding rates."

Life insurance earnings pretax grew by 18%, slightly below our 21% forecast, but were nonetheless very favorable. The 18% rate compares nicely with growth of 18% in 4Q00, 16% in 3Q00, 17% in 2Q00 and 21% in 1Q00. Life sales trends were very strong, as statutory premiums and deposits rose by 32% in the quarter . Financial services earnings grew 17%, on target with our model. Asset Management earnings grew by 7%, slightly below target, due to the difficult equity market environment. No mention of the American General Corp merger proposal. Our sense is that more news should be out about this within a month.

Valuation: AIG shares are trading at 28x our revised EPS 2001 EPS estimate of $2.82 and 24.3x our 2002 EPS estimate of $3.25 (unchanged.) Our 12-month price target of $100 (unchanged since August of 2000) assumes that, looking out one year, the stock will trade at approximately 31.0x projected 2002 EPS. While our target multiple may be viewed as aggressive at first blush, it is well below the stock's recent peak of 37.1x projected 2001 EPS reached in December 2000. We believe this comparison is relevant given that there has been no change in underlying company fundamentals or in our (and the consensus) outlook for continued mid-teens earnings growth.

Upcoming Events: None.

-> End of Note <-

-- FIRST CALL --

01:23pm EDT 26-Apr-01 Bear Stearns (A. Smith,M./M. Wright,B. 212 272-9) AIG TW
AIG: Strong Earnings. Raise Estimates

Michael A. Smith 212 272-9465 masmith@bear.com
Brian M. Wright 212 272-4329 bmwright@bear.com

04/26/01

Subject: Analysis of Sales/Earnings
Industry: Insurance/Nonlife

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

American International Group (AIG $79.75) - Buy
Strong Earnings. Raise Estimates

Data

Last ROE 16%	52-Wk Range $104-$52	Shares Out 2,359
Target Price $104-$107	Dividend/Yield $0.15/0.2%	Market Cap (MM) $188,130

Key Points
*** American International Group beat "Street" estimates by $0.01 per share in the first quarter.
*** Property-casualty insurance premiums increased by 15%, accelerating from the 12.4% growth rate reported in the 2000 fourth quarter. Domestic brokerage premiums increased by 27%, reflecting the addition of HSB Group late last year.
*** Loss reserves increased $62 million, three-times the level of increase last year.
*** Life insurance operations were ahead of expectations, both top and bottom line.
*** We are raising our estimates and reiterating our aggressive Buy rating of American International Group shares, with a price target of $104-$107.

	Earnings Estimates					P/E
	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	Year
2000	$0.56A	$0.61A	$0.61A	$0.65A	$2.45A	32.6
2001	$0.67A	$0.70E	$0.73E	$0.75E	$2.85E	28.0
Previous	$0.65E	$0.70E	$0.70E	$0.75E	$2.80E	28.5
2002	$0.77E	$0.80E	$0.85E	$0.88E	$3.30E	24.2
Previous	$0.75E	$0.80E	$0.85E	$0.85E	$3.25E	24.5

American International Group reported first quarter earnings that were $0.01 ahead of the consensus estimate, at $0.67 per share (diluted, excluding realized investment gains and losses), up from $0.58 a year ago.

Earnings were much better than we had anticipated in both the general insurance (property-casualty) and in the life insurance segments, and we are raising our estimates for this year and 2002 by $0.05 per share, to $2.85 and $3.30 respectively.

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General Insurance: Premiums Up 15% and Accelerating
Written premiums in the general insurance segment increased by 15.1% from last year's level, accelerating from the 12.4% growth rate reported in the fourth quarter. Within this figure, domestic brokerage operations, commercial lines businesses, increased by 27.5%, driven mostly by price increases and improved renewal retentions. HSB Group that was acquired late in 2000 added, by the company's estimation, approximately two percentage points to the overall growth rate and less than five points to the brokerage subtotal rate.

Perhaps as attractive, the underlying quality of the general insurance results also improved, evidenced by the increase in loss reserves that in turn drove the paid-to-incurred claims ratio down to 98% from last year's 99%. The loss reserve increase of $62.8 million was three-times the $22.0 million reported last year. Of this amount, we estimate approximately $36-$38 was in the Transatlantic Holdings (TRH, rated Attractive) book and in 21st Century Insurance (TW, not rated). In recent quarter, the declining rate of increase, and even decreases, had raised some concerns in the market when reported, although those figures were explainable by the company's retrenchment in exposures as it went through a rigourous re-pricing/re-underwriting of its book of business.

Overall, the combined ratio (a proxy for underwriting margin, consisting of claims and expenses measured as a percent of premium) was 95.9%, up very slightly from last year's 95.8%, with deterioration in the personal lines that reported an unprofitable result. Winter storm losses palyed a part, but only a part, in the personal lines results that the company describes as still unsatisfactory.

Life Insurance Results Also Ahead of Expectations
Life insurance results were also stronger than we had anticipated, especially in view of the slowdown in world-wide economies. But according to the company, business remained strong, with premiums up 31.8% and pretax earnings up 17.8%. Most of the strength appears to be in the domestic markets which reported a14% increase in premiums and more than doubled its deposits in investment products. However, the international growth rate was not too shabby, either, when measured in original currency. Foreign life insurance premiums increased by 7.9% in US currency, 14% when measured in original currency.

According to the company, American International Group continues to benefit from the flight to quality in the Asian markets, especially in Japan where life insurance companies have been failing and American International Group's triple-A rating is a major marketing asset. The sale of investment products through the company's overseas life insurance channels declined by 7.5%, although this includes the negative translation effect of foreign currency - in original currency, sales and deposits increased.

Domestic annuities and investment product sales more than doubled, although the company cautions against annualizing this figure. However, we also notice a steady upward progression toward the current figure over the past four quarters.

Financial Services: Strong Growth, Improved Margins.
Revenues in the financial services segment increased by 14.5%, with the largest element, International Lease Financing, growing by 13.1%. The so-called

"other" element doubled its revenues, to $116.6 million. "Other" consists of consumer finance and premium finance, plus a number of smaller units. We believe the strength in the company's general insurance operations may be reflected in this item, in the premium finance business.

Margins also improved in financial services, including the aircraft leasing operation, in part because of lower borrowing costs as interest rates have declined.

Overall, we are impressed with the continued strength that American International Group continues to show broadly throughout its operations. Our current target price of $104-$107 is high, suggesting a valuation premium about 50% over the S&P 500 multiple of forward warnings expectations that is well above the historical average. However, there are three elements driving our enthusiasm.

** First, as when Babe Ruth justified his comparatively rich new contract with the Yankees by pointing out that he had had a better year than the President, American International Group is having a better earnings year than the S&P 500;

** Second, we believe the stock market is beginning to better recognize and appreciate the company's earnings consistency and low earnings volatility that merits higher valuations;

** Third, we believe the company can continue to deliver upside earnings surprises, and as long as this continues, we expect the shares to outperform. In the first quarter, the company surprised in both the domestic and in the international life insurance markets, despite market-wide challenges. Looking ahead, we believe more of these surprises are possible, plus the company has a strong wind in its sails in the property-casualty markets where fundamental improvements are becoming more visible in the numbers.

Companies Mentioned: American International Group (AIG), Transatlantic Holdings (TRH), 21st Century Insurance (TW)

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01:53pm EDT 26-Apr-01 Merrill Lynch (J.Cohen/A.Jacobowitz) AIG AIG.N
AMER INTL GROUP:Kickin' it Up a Notch

ML++ML++ML Merrill Lynch Global Securities Research ML++ML++ML

AMERICAN INTERNATIONAL GROUP (AIG/NYSE)

Kickin' it Up a Notch

Jay A. Cohen (1) 212 449-5206
Alison Jacobowitz (1) 212 449-8081

ACCUMULATE Long Term: BUY

Reason for Report: First-Quarter Earnings Announced

Investment Highlights:

o AIG reported operating EPS of $0.67, above our estimate of $0.65 and consensus of $0.66.

o Given the improvement in the non-life business and continued strong growth in life insurance, we believe there is room for valuation expansion toward the higher end of the company's historic range (relative multiple) suggesting a price objective of $93 per share.

o Property/Casualty premiums rose by 15.1%% (17% ex-currency) comfortably ahead of our forecast of 12%. We estimate organic growth to be 12.4% coming largely in U.S. commercial lines.

o Life Insurance earnings grew by 17.8%, a solid number and just above our estimate. Financial Services earnings rose by 17%, right in line with our estimate. ILFC's earnings expanded by 16% while AIG Financial Products saw its earnings jump by 18.5%, continuing its trend of strong earnings gains.

o We are maintaining our estimates. Our estimates do not include any earnings from AGC, a deal we expect to be consummated.

Price:	$79.13		
12 Month Price Objective:			
Estimates (Dec)	2000A	2001E	2002E
EPS:	$2.45	$2.85	$3.25
P/E:	32.3x	27.8x	24.5x
EPS Change (YoY):		16.5%	14.0%
Consensus EPS:		$2.82	$3.25
(First Call: 05-Apr-2001)			
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	$0.15	$0.16	$0.17
Dividend Yield:	0.2%	0.2%	0.2%

Opinion & Financial Data

Investment Opinion:	A-2-1-7
Mkt. Value / Shares Outstanding (mn):	$185,303.2 / 2,316
Book Value/Share (Dec-2000):	$16.98
Price/Book Ratio:	4.7x
ROE 2001E Average:	15.0%
LT Liability % of Capital:	7.0%
Est. 5 Year EPS Growth:	14.0%
Next 5 Year Dividend Growth:	13.0%

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Stock Data

52-Week Range:	$103.75-$69.63
Symbol / Exchange:	AIG / NYSE
Options:	Chicago
Institutional Ownership-Vickers:	57.9%
Brokers Covering (First Call):	23

For full investment opinion definitions, see footnotes.

Old Reliable

AIG's first quarter operating earnings beat our estimate by $0.02 per share and consensus by a penny, the first upside surprise in a year. All of the company's units performed well with only the smaller asset management business coming in below expectations, not a surprise given equity market volatility.

The biggest difference from our earnings model was the General Insurance premium growth of 15%. The upside largely came in the U.S. commercial lines business which jumped by 27.5% (22% excluding the HSB business). The acceleration in this line has been significant: 1Q00: -1%, 2Q00: 4%, 3Q00: 7%, 4Q00: 18%, 1Q01: 27.5%. While AIG's premium growth can be effected by changes in reinsurance and large financial deals, the acceleration does appear to provide solid evidence of the improving market conditions in U.S. commercial lines which represents about 60% of AIG General Insurance earnings.

We are maintaining our 2001 and 2002 earnings estimates, although we suspect the consensus numbers may narrow the gap with our forecasts. Our estimates do not include any earnings from AGC, a deal we expect to be consummated. Adding in another $0.30 of accretion to AIG's 2002 earnings estimates suggests that the stock would be trading at a 15% premium to the S&P 500, a relative valuation that is well within the company's recent trading range. Given the improvement in the non-life business and continued strong growth in life insurance, we believe there is room for valuation expansion toward the higher end of the company's historic range suggesting a price objective of $93 per share.

Details of the Quarter

General Insurance. Property/Casualty earnings rose by 11%, slightly higher than our estimate. Top-line growth was very strong. Worldwide general insurance net premiums written rose by 15.1% (17% in original currency) comfortably ahead of our forecast of 12% and a further acceleration from the previous quarter. We estimate that the acquisition of HSB helped this growth rate by about 2.5 points. U.S. premiums grew by a very healthy 22% (17.7% last quarter) while foreign premium grew by 1.6% (8.2% ex-currency as compared with 6.4% last quarter).

Personal lines premiums were up 5.5% (16.5% last quarter). The slowdown was expected given the company's efforts to raise rates as well as a more difficult comparison from the year ago quarter. The domestic brokerage group saw premiums rise by 27.5%, an acceleration from the recent run rate (18.4% growth last quarter). Even excluding HSB, we estimate that the U.S. commercial lines business growth was about 22%, a growth rate that stands in sharp contrast to the flat to down premium comparison just one year ago.

The combined ratio was 95.9% in the quarter versus 95.8% a year ago, despite

-- FIRST CALL --

some (unquantified) winter weather claims. The foreign combined ratio was 92.5%, in line with 92.6% a year ago. The domestic brokerage combined ratio improved to 98.2% from 101.0% and was the best quarterly combined ratio since before 1994. The personal lines combined ratio worsened to 103.5% from 96.7% a year ago but showed sequential improvement (105.4% last quarter), not too surprising given the emerging pressure in auto insurance. Net loss reserves increased by $63 million. Given the renewed premium growth we would expect reserves to continue rising at an accelerating pace, especially since the growth is coming in the longer-tail commercial lines business. CEO Greenberg's comments on market conditions were little changed from the past quarter.

Life Insurance earnings grew by 17.8% (18.3% last quarter), a solid number and slightly above our expectations. SunAmerica's earnings grew by 13% in the quarter (included in both life and asset mgt.) as compared with 28.9% last quarter, and annuity and investment products (including GICs) sales doubled in the quarter. Management warned that this sales growth rate does not represent a trend, just as the decline in sales in the 4Q was not particularly representative.

Financial Services Financial Services earnings rose by 17% (22.6% last quarter), right in line with our forecast. Within this segment, ILFC's earnings expanded by 16% (11% last quarter) while AIG Financial Products saw its earnings jump by 18.5% (30% last quarter), continuing a trend of double-digit growth. Earnings at the smaller trading unit were down by 70% in the quarter (34% last quarter).

Asset Management, AIG's smallest business segment, produced earnings growth of 7% in the quarter (14% last quarter), below our forecast, but respectable given the financial markets in the quarter. Assets under management were $33 billion, down from $35 billion at the end of 2000.

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services for, or solicit investment banking or other business from, any entity mentioned in this report.
This research report is prepared for general circulation and is circulated for general information only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance.
Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.

-> End of Note <-

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03:29pm EDT 26-Apr-01 A.G. Edwards (MUSSER/HOPSON 314-955-5862) AIG AIG.N
AIG: 1Q RESULTS ARE $0.02 AHEAD OF OUR ESTIMATE AND $0.01 AHEAD OF CONSENSUS

A.G. Edwards & Sons, Inc.
Equity Research - Insurance
April 26, 2001

Analyst: Steve Musser, CFA (314) 955-5862
Analyst: Jeff Hopson, CFA (314) 955-2639
Associate Analyst: Travis Hacker

1Q RESULTS ARE $0.02 AHEAD OF OUR ESTIMATE AND $0.01 AHEAD OF CONSENSUS

AMERICAN INTERNATIONAL GROUP (AIG-79.40-NYSE)
ACCUMULATE

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*1Q Highlights:
*AIG reported first quarter EPS, excluding the effect of an accounting adjustment, of $0.67 versus 0.58, $0.02 ahead of our expectations and $0.01 ahead of consensus. The strong results were driven by a continuing hardening of commercial rates in the property/casualty insurance arena and continued strong growth of the life insurance business both foreign and domestic.
*Worldwide life operating income increased 17.8% to $956.4 million from $812.1 million in the same period of 2000. The strong growth was led by a 21.7% increase in domestic life operating income of $363.9 million from $299.2 million.
*General Insurance operating income rose 11.2% to $972.3 million from $874.7 million in 2000. In the first quarter, foreign general insurance operating income outpaced domestic by rising 14.7% versus 9.7% compared to the same period of 2000.
*Financial Services income grew by 17.0% in the quarter led by strong gains in AIG Financial Products, up 18.5%, and International Lease Finance Corp., up 15.7%.
*Asset management operating income was up 7.2% to $111.2 million from $103.8 billion.

We would classify this as yet another solid quarter for AIG. Although the quarter was hampered by a volatile equity market pension and annuity sales were quite strong and results in their life and asset management segments were quite good. While the commercial lines recovery is well under way, the personal lines segment still has a way to go as the personal lines combined ratio deteriorated 6.77 points in the quarter to 103.47%, however, is an improvement over the 105.4% reported in the fourth quarter.

We believe that the diversity of the company's earnings from both a product and geographic basis will continue to lead to consistent 14% earnings growth over the next two years. Our 2001 and 2002 EPS estimates remain unchanged at $2.80 and $3.20, respectively. We consider AIG to be a core holding and continue to rate the shares of AIG Accumulate. We would place as peers similar companies with strong international prospects including Coca-Cola and GE. The attraction of these companies is the belief that foreign markets should result in greater growth potential and earnings diversification. When comparing AIG to these other entities, AIG compares very well. At current levels we would urge long-term investors to add to/build positions.

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Market Cap: $187.3 bil.
52-week price range: $103.75-71.83
Dividend: $0.15

Estd. L.T. EPS CAGR: 15%
Yield: 0.19%

Earnings Per Share estimates:

	Qtr1 (Mar)	Qtr2 (Jun)	Qtr3 (Sep)	Qtr4 (Dec)	Year
1996	$0.33	$0.36	$0.36	$0.38	$1.43
1997	$0.38	$0.41	$0.41	$0.44	$1.64
1998	$0.43	$0.48	$0.49	$0.53	$1.87
1999	$0.52	$0.54	$0.53	$0.56	$2.15
2000	$0.58A	$0.61A	$0.61A	$0.65A	$2.45
2001E	$0.67A				$2.80
2002E					$3.20

Property/Casualty operating income for the quarter rose 11.2% to $972.3 million from $874.7 million last year. Much of the rise in operating income can be attributed to the 14.7% gain in foreign general insurance operating income. This outpaced the domestic general operating income by 5.0 points. Although the foreign general combined ratio deteriorated to 93.14% from 92.52%, the results were still satisfactory. Brokerage Division (BD) operating income increased 20.5% on an improved combined ratio of 98.19% versus 100.92%. As a result of the hardening commercial property/casualty rate environment, BD net written premiums increased 27.5%. The company noted that rates are increasing in the United States and several key markets and further emphasized the need for future increases throughout the industry. We believe we will continue to see improvements in pricing throughout 2001 and into early 2002. Personal lines, despite rate increases, continued to disappoint turning in a combined ratio for the first quarter (103.47%) that improved over the fourth quarter of 2000 (105.36%) versus the third quarter (101.3%) versus last year's first quarter (96.7%). Personal lines net written premium growth was 5.5% in the quarter. The overall General Insurance combined ratio for the quarter remained relatively flat at 95.89% versus 95.78%. The loss ratio deteriorated slightly to 75.64% from 75.21% while expenses had a slight improvement to 20.25% from 20.57%. Worldwide premiums written increased 15.1% to $4.86 billion from $4.23 billion in 2000. Excluding a negative foreign currency translation of 2.2 points, worldwide premiums increased 17.3%.

Life operating income rose 17.8% to $956.4 million from $812.1 million in 2000. Domestic life operating income was $363.9 million, up 21.7%. Foreign life operating income rose 15.5% to $592.5 million. Including the results of SunAmerica, worldwide life revenues were up 31.8% in the quarter to $8.77 billion from $6.65 billion in 2000. Sales at SunAmerica were up 48.1% for the quarter. Excluding a negative foreign exchange impact of 4.6 points, worldwide life revenues increased 36.4%. The main contributor to the weakness in currency translation was the Japanese Yen. Life insurance net investment income expanded at the rate of 14.9% to $1.92 billion from $1.67 billion in the year-ago period.

Financial Services income rose 17.0% to $328.6 million from $280.8 million. AIG Financial Products Corp. saw operating income rise 18.5%. International Lease Finance Corporation's operating income increased 15.7% in the quarter while income the Trading Group's operating income tumbled 70.2%, reflecting the increased market volatility in the first quarter.

Asset Management reported a 7.2% increase in operating income, feeling the effects of the equity markets, to $111.2 million from $103.8 million. Third-party assets under management, including mutual funds and institutional accounts, declined to $33 billion at the end of the first quarter, down from $35 billion at year-end 2000.

Analyst owns a position in common or common equivalents.

Additional information available upon request. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee as to its accuracy or completeness. This material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. This material is not to be construed as providing investment services in any jurisdiction where such offers or solicitation would be illegal. Opinions and estimates are as of a certain date and subject to change without notice. You should be aware that investments can fluctuate in price, value and/or income, and you may get back less than you invested. Past performance is not necessarily a guide to future performance. Investments or investment services mentioned may not be suitable for you and if you have any doubts you should seek advice from your financial consultant. Where the purchase or sale of an investment requires a change from one currency to another, fluctuations in the exchange rate may have an adverse effect on the value, price or income of the investment. Certain investments may be mentioned that are not readily realizable. This means that it may be difficult to sell or realize the investment or obtain reliable information regarding its value. The levels and basis of taxation can change.

-> End of Note <-

-- FIRST CALL --

04:37pm EDT 26-Apr-01 Salomon Smith Barney (Ronald W. Frank 212-816-1681) AIG
AIG: AIG KEEPS ON DELIVERING

SALOMON SMITH BARNEY

American International Group (AIG)
AIG: AIG KEEPS ON DELIVERING

1L (Buy, Low Risk)
Mkt Cap: $183,490.2 mil.

April 26, 2001

INSURANCE--PROPERTY & CASUALTY
Ronald W. Frank
212-816-1681
ron.frank@ssmb.com

SUMMARY

* Operating EPS $0.67; $0.01 above our estimate and Street.
* General Insurance combined ratio of 95.9% slightly better than we had estimated. Following 4Q pattern, improvement in Domestic Brokerage Group more than offset deterioration in smaller Personal Lines segment.
* Life and asset management earnings strong and in close to our expectations. Variable annuity sales at SunAmerica were up in the quarter.
* Domestic Brokerage Group premiums up 27.5% in 1Q01, vs. 18.4% in 4Q00 and 6.7% in 3Q00. AIG is clearly getting continued rate increases and finding strong new business opportunities; we gather that virtually all key profit centers in this core division had double-digit premium growth. Company sees continued rate firming.
* Our earnings estimates are unchanged and we reiterate our Buy rating on AIG.

FUNDAMENTALS

P/E (12/01E)	27.8x
P/E (12/02E)	24.2x
TEV/EBITDA (12/01E)	NA
TEV/EBITDA (12/02E)	NA
Book Value/Share (12/01E)	$16.98
Price/Book Value	4.6x
Dividend/Yield (12/01E)	$0.15/0.2%
Revenue (12/01E)	$46,299.0 mil.
Proj. Long-Term EPS Growth	15%
ROE (12/01E)	16.7%
Long-Term Debt to Capital(a)	NA

AIG is in the S&P 500(R) Index.
(a) Data as of most recent quarter

SHARE DATA

Price (4/25/01)	$78.66
52-Week Range	$103.69-$73.04
Shares Outstanding(a)	2,332.7 mil.
Convertible	No

RECOMMENDATION

Current Rating	1L
Prior Rating	1L
Current Target Price	$120.00
Previous Target Price	$120.00

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
12/00A	Actual	$0.58A	$0.61A	$0.61A	$0.65A	$2.45A
12/01E	Current	$0.67A	$0.70E	$0.70E	$0.76E	$2.83E
	Previous	$0.67A	$0.70E	$0.70E	$0.76E	$2.83E
12/02E	Current	NA	NA	NA	NA	$3.25E
	Previous	NA	NA	NA	NA	$3.25E

-- FIRST CALL --

12/03E	Current	NA	NA	NA	NA	NA
	Previous	NA	NA	NA	NA	NA

First Call Consensus EPS: 12/01E $2.82; 12/02E $3.25; 12/03E NA
BVPS as of 12/31/00; Revenue excludes capital/gains losses

OPINION

AIG reported operating EPS of $0.67, $0.01 above our estimate and consensus. General Insurance underwriting results were very strong and slightly better than we had estimated, and variable annuity sales rose at SunAmerica bucking the industry trend. From our perspective, continued strong acceleration of premium growth in AIG's Domestic Brokerage Group was a major highlight of the quarter, underscoring not only the strength of the commercial cycle turn but, equally important, the fact that AIG's financial strength and market clout enable it to fully capitalize upon this improving environment. Our EPS estimates for AIG are unchanged and we reiterate our Buy rating on the stock.

STRONG GROWTH CONTINUES IN DOMESTIC BROKERAGE GROUP. This division, the largest in AIG's general insurance business, grew premiums by 27.5% in 1Q01, vs. 18.4% in 4Q00 and 6.7% in 3Q00. We estimate that the acquisition of Hartford Steam Boiler during 4Q00 only boosted the consecutive-quarter acceleration of growth by a couple of percentage points. Thus, it is clear that AIG is benefiting handsomely from higher renewal rate increases, as well as new business activity as a tighter market offers up more opportunities. Underwriting remained profitable in this segment at a 98.2% combined ratio, as it did for General Insurance as a whole at a 95.9% combined ratio. The smaller Personal Lines segment posted modest premium growth, and the combined ratio continued to lag at 103.5%. Auto rates increases are being filed but do not immediately affect underwriting results, which were also impacted by severe winter weather. Foreign General premiums grew 8.2% in local currencies, a very respectable performance in the face of a weak Japanese economy and a European insurance cycle which has lagged well behind that of the U.S.. The combined ratio here was very profitable at 93.1%. Although we continue to view small quarterly fluctuations (up or down) in AIG's reserve base, which totals about $25 billion, to be of limited analytical significance, we note that the company added $63 million to these reserves for the quarter.

SALES GROWTH AT SUNAMERICA HELD UP WELL IN A DIFFICULT ENVIRONMENT. Sales increased 48%, and variable annuity sales were up as well, a significant accomplishment and one that bucked the industry trend. Overall life profit growth of 18% was close to our projection, and domestic life profit growth was particularly strong at 22%.

NO BIG SURPRISES IN FINANCIAL SERVICES OPERATIONS. The two key components of this segment, AIG Financial Products and International Lease Finance Corporation, had mid-teens profit growth, while the smaller AIG Trading continued to lag. Management has recently been changed at the latter operation.

INVESTMENT THESIS

We view AIG as a core financial sector holding and, as the largest commercial insurer in the U.S., an attractive play on the commercial property/casualty cycle. Under legendary CEO Hank Greenberg, AIG has consistently delivered mid-double-digit EPS growth and mid-teens ROEs, a consistency that is increasingly

-- FIRST CALL --

hard to find and which we therefore consider deserving of a rich relative valuation. Should AIG's offer for American General Corporation prevail, the company would reap substantial strategic benefits as well as EPS accretion.

COMPANY DESCRIPTION

American International Group is a U.S.-based global insurance and financial services company. AIG is among the ten largest companies in the U.S. measured by market capitalization, and does business in more than 130 countries and jurisdictions. General (property/casualty) insurance and life insurance each comprise about 40% of AIG's pretax earnings, with other financial services businesses comprising the remainder. AIG derives over 40% of its operating income from non-U.S. sources.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

Ronald W. Frank 212-816-1681

-> End of Note <-

-- FIRST CALL --

06:32pm EDT 26-Apr-01 Prudential Securities (A.CORNISH 617-956-1017) AIG AIG.N
AIG: 1Q RESULTS AHEAD OF ESTIMATE - WE REALLY NEEDED THIS; STRONG BUY ...

AIG: 1Q RESULTS AHEAD OF ESTIMATE - WE REALLY NEEDED THIS; STRONG BUY RATING MAINTAINED- (PART 1 OF 2)

PRUDENTIAL SECURITIES

April 26, 2001

SUBJECT: American International Group (AIG-$78.66) --NYSE

----- ANALYST(S) --------------------
Alice Cornish 617.956.1017
Jay H. Gelb, CFA 617.956.1091

-------- OPINION --------
Current:Strong Buy/Select
Prior:--
Risk: Low
Target:$100.00

	FY	REV	EPS	P/E	1Q	2Q	3Q	4Q
Act	12/00		$2.45A	32.1X	$0.58A	$0.61A	$0.61A	$0.65A
Cur	12/01		$2.80E	28.1X	$0.67A			
Prev					$0.66E			
Cur	12/02		$3.20E	24.6X				

----- FUNDAMENTAL ---
Avg. Volume:5,700,000 IAD/Yield:0.15/0.19% EPS Growth:13.00%
Mkt Cap:$182,141 m 52w Range:103.80-71.80 P/E / Growth:2.2x
Shares:2,315.55 m

----- BUSINESS ---
American International Group (AIG), headquartered in New York, NY, is the leading U.S.-based international insurance and financial services organization and among the largest writers of commercial and industrial coverages in the U.S. It writes life and non-life coverages in 130 countries and jurisdictions. Financial services organizations include International Lease Finance Corporation, AIG Financial Products, AIG Trading, AIG Global Investment Group, AIG Credit, AIG Consumer Finance Group, and UeberseeBank.

----- HIGHLIGHTS---
1) AIG's first quarter profits were better than our $0.66 estimate.
2) General Insurance premiums rose at a double-digit pace and domestic brokerage premiums increased more than 20%. Higher rates played a major role.
3) Life insurance results were excellent and premiums rose almost 32%.
4) Financial services earnings increased 17% and asset management income was 7.2% higher.
5) The quarter's results emphasize the unique positioning of this organization that is able to report double-digit profit progress even in a slowing economy. We are maintaining our Strong Buy/Select rating and our 12-month price target of $100.

----- DISCUSSION---
After a week that has seemingly included more negative news than positive, AIG reported first quarter profits that were actually ahead of the Street consensus and our estimate by a penny. While an incremental $23.5 million in profits may appear to be an insignificant amount, the message it sends is loud and clear: there is a good reason to own insurance stocks. It also emphasized the unique positioning of this organization that is able to report double-digit profit progress even in a slowing economy.

-- FIRST CALL --

We finally saw double-digit top line growth in the General Insurance Segment and Domestic Brokerage premiums increased more than 20%, mainly due to higher rates. Underwriting was generally profitable and even the personal lines segment showed sequential improvement.

Importantly, the Life Insurance operations showed strong results as well as sales growth and the segments with sensitivity to the equity markets did not fall off a cliff. By the way, no new news on AGC, but we liked AIG before their announced counter bid and we would still like the stock should the acquisition be completed under the discussed terms. We are maintaining our Strong Buy/Select rating and our 12-month price target of $100.

FIRST QUARTER RESULTS

American International Group reported first quarter earnings per share of $0.67 compared to $0.58 the previous year and our estimate (which was the same as the Street's) of $0.66. The segment results are shown in Figure 1 along with our estimates and illustrate that Life insurance and General Insurance operating income was roughly equal. Both of these segments exceeded our expectations, while Financial Services results were lower than our forecast. Asset Management was on target.

Figure 1. Pre-Tax Operating Income By Segment
($ in millions, except per share)

	1Q01E	1Q01A	1Q00A	% Chg. 1Q01A/ 1Q00A
General Insurance	$935.8	$972.3	$874.7	11.2%
Life Insurance	950.8	956.4	812.1	17.8%
Financial Services	347.1	328.6	280.8	17.0%
Asset Management	111.7	111.2	103.8	7.2%
Corporate & Other	(70.2)	(45.9)	(60.0)	-23.4%
Total	2,275.2	2,322.6	2,011.4	15.5%
Taxes	668.9	682.9	596.8	14.4%
Minority Interest A/T	(56.3)	(68.2)	(50.5)	35.0%
Operating Income	1,550.0	1,571.6	1,364.1	15.2%
Realized Capital Gain	--	(39.9)	(18.0)	121.7%
Net Income	1,550.0	1,531.7	1,346.1	13.8%
EPS-Net Income	$0.66	$0.65	$0.57	13.2%
EPS-Operating	$0.66	$0.67	$0.58	14.6%

Source: Company data, Prudential Securities estimates.

GENERAL INSURANCE GROWTH HITS DOUBLE DIGITS

General insurance premiums rose 15.1% on a reported basis, 17.3% excluding foreign exchange. According to the company, higher rates are a major part of the story. The reunderwriting that has occurred over the past few years, and that last year alone resulted in a volume reduction of $380 million, has largely been completed.

Domestic General Brokerage premiums increased over 20%. As Figure 2 shows,

-- FIRST CALL --

excluding the Translantic Holding contribution, AIG currently owns 60% of TRH ($106.43, rated Hold), net premiums written increased 28.7% compared to our estimate growth rate of almost 11%. Even excluding an estimated $100 million from HSB, acquired in last year's fourth quarter and accounted for as a purchase, the gain would have been around 23%. Commercial rates are up across the board and responsible for much of the growth. As in previous quarters, management pointed out that rates needed to continue to rise in order to return pricing to satisfactory levels.

Personal lines premiums reflect double digit growth in AIG's core business offset somewhat by lower production from Robert Plan. 21st Century has implemented rate increases that should make a more noticeable contribution in the second half. Mortgage Guaranty results for United Guaranty Corporation were excellent.

Foreign General premium growth was somewhat slower; excluding currency, the change was 8.2%. In particular the business in Japan was impacted by the strong dollar; apparently, the economy had no greater impact this year than last.

Figure 2. General Insurance Written Premiums By Segment
($ in millions)

	1Q01E	1Q01A	1Q00A	% Chg. 1Q01A/ 1Q00A
Domestic Brokerage				
AIG	$2,076.2	$2,413.2	$1,874.4	28.7%
TRH	228.5	236.6	203.1	16.5%
Reported	2,304.7	2,649.9	2,077.5	27.5%
Personal Lines				
AIG	$485.1	$412.3	$388.1	6.2%
TW	224.0	222.2	213.2	4.2%
Reported	709.1	634.5	601.3	5.5%
Mortgage Guaranty	$122.4	$118.5	$108.8	8.9%
Total Domestic	$3,136.2	$3,402.9	$2,787.6	22.1%
Foreign General				
AIG	$1,394.3	$1,252.8	$1,249.2	0.3%
TRH	215.0	209.0	189.4	10.4%
Reported	1,609.3	1,461.9	1,438.7	1.6%
Total General Insurance	$4,745.5	$4,864.8	$4,226.3	15.1%

Source: Company data, Prudential Securities estimates.

Figure 3 illustrates the combined ratios by segment. Domestic brokerage results produced a combined ratio of just over 98.0% and better than we had expected. While the personal segment showed sequential improvement from the fourth quarter, the combined ratio at 103.27% was still high. We estimate that the AIG standalone ratio was 102.2% and that 21st Century had a combined ratio of 105.91%. The AIG result included higher losses related to the severe winter weather in the Northeast. Foreign General continued to be very profitable.
(Continued in Part 2)

-- FIRST CALL --

Prudential Securities Incorporated (or one of its affiliates or subsidiaries) or its officers, directors, analysts, employees, agents, independent contractors, or consultants may have positions in securities or commodities referred to herein and may, as principal or agent, buy and sell such securities or commodities.
Prudential Securities Incorporated and/or its affiliates or its subsidiaries have managed or comanaged a public offering of securities for AIG.

-> End of Note <-

-- FIRST CALL --

06:34pm EDT 26-Apr-01 Prudential Securities (A.CORNISH 617-956-1017) AIG AIG.N
AIG: 1Q RESULTS AHEAD OF ESTIMATE - WE REALLY NEEDED THIS; STRONG BUY ...

AIG: 1Q RESULTS AHEAD OF ESTIMATE - WE REALLY NEEDED THIS; STRONG BUY RATING MAINTAINED-(PART 2 OF 2)

PRUDENTIAL SECURITIES April 26, 2001

SUBJECT: American International Group (AIG-$78.66) --NYSE

----- ANALYST(S) --------------------
Alice Cornish 617.956.1017
Jay H. Gelb, CFA 617.956.1091

-------- OPINION --------
Current:Strong Buy/Select
Prior:--
Risk: Low
Target:$100.00

	FY	REV	EPS	P/E	1Q	2Q	3Q	4Q
Act	12/00		$2.45A	32.1X	$0.58A	$0.61A	$0.61A	$0.65A
Cur	12/01		$2.80E	28.1X	$0.67A			
Prev					$0.66E			
Cur	12/02		$3.20E	24.6X				

----- FUNDAMENTAL ---
Avg. Volume:5,700,000 IAD/Yield:0.15/0.19% EPS Growth:13.00%
Mkt Cap:$182,141 m 52w Range:103.80-71.80 P/E / Growth:2.2x
Shares:2,315.55 m
----- BUSINESS --
American International Group (AIG), headquartered in New York, NY, is the leading U.S.-based international insurance and financial services organization and among the largest writers of commercial and industrial coverages in the U.S. It writes life and non-life coverages in 130 countries and jurisdictions. Financial services organizations include International Lease Finance Corporation, AIG Financial Products, AIG Trading, AIG Global Investment Group, AIG Credit, AIG Consumer Finance Group, and UeberseeBank.
----- HIGHLIGHTS--
1) Part 1 continued.
2)

----- DISCUSSION--
Figure 3. General Insurance Combined Ratios By Segment
($ in millions)

	1Q01E	1Q01A	1Q00A	Pt. Chg. 1Q01A/ 1Q00A
Domestic Brokerage	99.85%	98.19%	100.92%	-2.73%
Personal Lines	101.29%	103.47%	96.70%	6.77%
Mortgage Guaranty	36.99%	35.96%	35.45%	0.51%
Total Domestic	97.72%	96.93%	97.37%	-0.44%
Foreign General	92.07%	93.14%	92.52%	0.62%
Total	95.90%	95.89%	95.78%	0.11%

Source: Company data, Prudential Securities estimates.

Investors frequently focus on the level of General Insurance reserve changes.

-- FIRST CALL --

Figure 4 shows that not surprisingly, it is difficult to discern a trend. Also be aware that this is capturing incurred loss changes at Transatlantic.

Figure 4. General Insurance Net Loss Reserves

(In $ Mil)	3Q99	4Q99	1Q00	2Q00	3Q00	4Q00	1Q01
Tot. Reserves	$24,695	$24,600	$24,622	$24,669	$24,610	$24,952	$25,014
Add. to Reserves	12	(95)	22	47	(59)	106	63
HSB Acquisition	--	--	--	--	--	236	--
Tot. Change	12	(95)	22	47	(59)	342	63
Paid Claims							
AIG (E)	2,492	3,003	2,737	2,910	2,756	3,241	3,236
TRH	251	287	330	348	369	297	272
Total Paids	2,744	3,290	3,067	3,258	3,125	3,538	3,509
Reserves Chg.							
AIG (E)	(36)	(156)	63	100	(0)	101	24
TRH	48	61	(41)	(53)	(59)	5	39
Total Change	12	(95)	22	47	(59)	342	63
Total Incurred							
AIG (E)	2,457	2,847	2,800	3,010	2,756	3,342	3,260
TRH	299	348	289	295	310	303	311
Total Incurred	2,756	3,195	3,089	3,305	3,066	3,645	3,572

(E) Estimate.
Source: Company data, Prudential Securities estimates.

General Insurance pretax operating income by segment is shown in Figure 5. Domestic brokerage and Mortgage Guaranty exceeded our expectations. Personal lines operating income was almost $14 million below our estimate and Foreign General missed by less than $10 million, but still showed double digit growth.

Figure 5. General Insurance Pretax Operating Income By Segment
($ in millions)

	1Q01E	1Q01A	1Q00A	% Chg. 1Q01A/ 1Q00A
Domestic Brokerage	$482.2	$552.8	$458.9	20.5%
Personal Lines	26.2	12.5	41.5	-70.0%
Mortgage Guaranty	99.5	102.0	93.2	9.5%
Unalloc Investment Income	20.0	5.8	20.3	-71.3%
Foreign General	309.3	299.2	260.8	14.7%
Total	935.8	972.3	874.7	11.2%
Total Investment Income	711.9	715.9	663.2	7.9%

Source: Company data, Prudential Securities estimates.

Life insurance operating income was slightly ahead of our estimate, as shown in Figure 6, mainly due to better domestic results. Including SunAmerica, premiums and sales of annuities, pensions and investment products rose 31.8% to $8.77

-- FIRST CALL --

billion. On a stand alone basis, SunAmerica's operating income, which is in the asset management and life segments, rose 13.3%. Foreign life results continued to post double-digit growth. The company pointed to particularly strong results from American Life Insurance Company (ALICO), that operates in over 50 countries, and American International Assurance Company, Ltd. AIG also indicated that they had been chosen to rehabilitate The Chiyoda Mutual Life Insurance Company, which has been renamed AIG Star Life Insurance Co., Ltd. This should significantly expand AIG's presence in the traditional Japanese life market.

Financial Services results were slightly lower than our estimate as Figure 7 points out. This was primarily due to AIGFP, which has grown tremendously and is highly dependent on transactions for its earnings. AIG Trading's results also were lower, due to a lot of pressure in its markets. It has recently re-entered the energy business. We noted that there has been a recent change in management within this area. Other income, which showed a positive swing, includes the result of their consumer finance business, which is doing well.

Figure 6. Life Insurance Operating Income By Segment
($ in millions)

	1Q01E	1Q01A	1Q00A	% Chg. 1Q01A/ 1Q00A
Total Domestic Premium	$306.8	$374.0	$285.5	31.0%
Foreign Premium	3,441.0	3,132.5	2,992.2	4.7%
Total Premium	3,747.8	3,506.5	3,277.6	7.0%
Domestic Operating Income	330.8	363.9	29.2	NM
Foreign Operating Income	620.0	592.5	512.9	15.5%
Total Operating Income	950.8	956.4	812.1	17.8%
Total Pretax Margin	25.4%	27.3%	24.8%	

Source: Company data, Prudential Securities estimates.

Figure 7. Financial Services and Asset Management Operating
($ in millions)

FINANCIAL SERVICES	1Q01E	1Q01A	1Q00A	% Chg. 1Q01A/ 1Q00A
ILFC	$160.0	$160.5	$138.8	15.7%
AIG Financial Products	182.0	165.2	139.4	18.5%
AIG Trading	21.0	6.5	21.9	-70.2%
Other	(0.9)	18.7	(0.9)	N/A
Intercompany Reclassification	(15.0)	(22.4)	(18.3)	22.2%
Total Operating Income	347.1	328.6	280.8	17.0%
ASSET MANAGEMENT				
AUMs (in $Bil)	$36,000.0	$33,000.0	$35,000.0	-5.7%
Operating Income	111.7	111.2	103.8	7.1%
Pretax Margins	35.5%	35.6%	35.0%	

Source: Company data, Prudential Securities estimates.

Asset management earnings actually rose 7% following a slight, 5.7% reduction in AUMs. This also includes the results of their private equity ventures.

Book value ended March 31, 2001 at around $17.90 per share. Actual shares outstanding were 2,331,013 which reflects the repurchase of 2,545,000 shares during the quarter.

-- FIRST CALL --

-> End of Note <-

-- FIRST CALL --

09:56pm EDT 26-Apr-01 BofA Montgomery (Meredith, Brian R 212-847-5654) AIG AIG.
AIG: The Benefits of Rising Commercial Lines Pricing (Part 1 of 2)

BANC OF AMERICA SECURITIES ** BANC OF AMERICA SECURITIES** BANC OF AMERICA SECURITIES

AMERICAN INTERNATIONAL GROUP, INC. STRONG BUY

April 27, 2001 INSURANCE/NONLIFE NYSE: AIG

Brian R. Meredith (212) 847-5654; bmeredith@bofasecurities.com Analysis of Sales/Earnings

Seth Faler (212) 847-5629; sfaler@bofasecurities.com DJIA: 10692
S&P 500: 1235

PRICE:	$79.85	FYE 12/31	2000 A	2001 E	2002 E
12-MONTH TARGET PRICE:	$115	OPERATING EPS			
52-WEEK RANGE:	$104-72	Q1 (MAR)	$0.58	$0.67 A	
FULLY DILUTED SHARES O/S:	2,359.2 MM	Q2 (JUN)	0.61	0.71	
MARKET CAPITALIZATION:	$188.4 BB	Q3 (SEP)	0.60	0.74	
AVG. DAILY VOL. (3 MOS.):	5,167,192	Q4 (DEC)	0.65	0.74	
SECULAR EPS GROWTH:	15%	FISCAL YR	$2.44	$2.85	$3.30
FY 2000E REVENUES:	$46.0 BB	P/E	32.7	28.0	24.2
MARKET CAP./REVENUES:	410%	P/E/G	218%	187%	161%
3/01 TOTAL DEBT:	$4,256.9 MM				
3/01 TOTAL DEBT/TOTAL CAP.:	9.7%				
3/01 ROAE:	16.1%				
3/01 SHAREHOLDERS' EQ.:	$39.6 BB				
3/01 BOOK VALUE/SHARE:	$16.98				
DIVIDEND/YIELD:	$0.15/0.2%				
PRICE/BOOK VALUE:	470%				

The Benefits of Rising Commercial Lines Pricing

* American International Group, Inc. announced first quarter operating earnings of $0.67 per share, versus our estimate of $0.67 and the consensus estimate of $0.66 per share.

* The biggest surprise was the strong premium growth in AIG's domestic brokerage operations, up 27% year-over-year. Even if we adjust for the effect of the Hartford Steam Boiler transaction, we estimate the net written premium was up in excess of 20%.

* Asset Management and Financial Services came in below our expectations while the life insurance business was in line after adjusting for currency translation.

* This report also contains a summary of our recent valuation analysis of AIG. By our measure, AIG's shares are cheap relative to current fundamentals and the current interest rate environment.

* We continue to rate AIG a Strong Buy. Our 12-month price target of $115 per share is 35x our 2002 estimate of $3.30.

-- FIRST CALL --

Summary and Investment Conclusion

American International Group, Inc. announced first quarter operating earnings of $0.67 per share, versus our estimate of $0.67 and the consensus estimate of $0.66 per share. Earnings increased 14% over last year's fist quarter. The company's four-quarter-rolling ROE came in at 15.9%, versus 15.8% in last year's first quarter and 15.7% in the fourth quarter.

We are beginning to see the benefits of rising commercial lines pricing on AIG's results. The biggest surprise was the strong premium growth in AIG's domestic brokerage operations, up 27% year-over-year. Even if we adjust for the effect of the Hartford Steam Boiler transaction, net written premium increased in excess of 20%, by our estimate. Excluding foreign currency translation adjustments, the foreign property casualty operations recorded 8% year-over-year growth in net written premium. We expect this growth rate to begin to accelerate in future quarters as price increases begin to take hold in Continental Europe and the U.K. The personal lines segment also showed improvement over the fourth quarter, despite the winter storms in the Northeast as the price increases AIG has been implementing begin to be reflected in underwriting profitability. 21st Century reported a 7.1 percentage point sequential improvement in its combined ratio versus the fourth quarter of 2000, reflecting the pricing and re-underwriting action the company has been taking.

We continue to rate AIG a Strong Buy as the company benefits from the rising commercial lines marketplace worldwide and from accelerating growth in international life insurance operations, particularly in Japan. Our 12-month price target of $115 per share is 35x our 2002 estimate of $3.30. In this report we include a valuation analysis which leads us to believe that AIG's shares are inexpensive relative to its fundamental outlook and the current interest rate environment.

Earnings Estimates

We are maintaining our 2001 operating earnings per share estimate of $2.85 and our 2002 operating earnings per share estimate of $3.30.

Highlights of the Quarter

* The Domestic Brokerage Division delivered 27% year-over-year growth in net written premiums. Excluding the effects of the Hartford Steam Boiler transaction, we estimate AIG still delivered in excess of 20% year-over-year growth in net written premium. AIG is reaping the benefits of rising commercial lines pricing, and gaining market-share, we believe. Additionally, AIG is modestly benefiting by retaining more premium, by our estimate. We expect that AIG will continue to grow net written premiums at a double-digit rate through 2002 as commercial prices continue to rise while the industry tries to achieve an acceptable return on capital.

* The combined ratio in the domestic brokerage business came in at 98.2% (versus 100.9% in 1Q00), down from 101.4% in the fourth quarter. The lower combined ratio reflects the price increases and culling of under-priced business the company has been implementing over the last couple of years. The company continued to add to reserves, adding $63 million in net reserves in the quarter.

-- FIRST CALL --

* The Foreign General Insurance Division posted growth of 8% year-over-year in net written premiums excluding the effects of foreign currency (on a reported basis, written premium was up 1.6%). During the quarter, the Japanese yen weakened by 8.9 percent versus the U.S. dollar, which affects the conversion of premiums into dollars. Rates are rising worldwide, following the same pattern that has been evident in the domestic market. We believe that primary commercial insurance rates in Europe are approximately one year behind rates in the U.S. AIG is one of the few domestic carriers whose international platform is large enough to show benefits from rising European pricing.

* In personal lines, the statutory combined ratio improved to 103.5% from 105.4% in the fourth quarter. Results for the quarter were affected by the winter storms in the Northeast. Extremely encouraging, however, was the improvement in the combined ratio at 21st Century. The GAAP combined ratio was 102.4% versus 109.5% in the fourth quarter of 2000 as the company's re-underwriting and price increases were manifest in results. Net premium written at 21st Century climbed 4.2% year-over-year to $222 million. In AIG's Mass Marketing and Specialty division, premium growth decelerated in the quarter, up 6.4% year-over-year as the effects of implementing price increases affected growth in the quarter, in our view. The GAAP combined ratio in this division was 102.4%. We expect the combined ratio in both divisions will continue to improve as price increases work their way into earned premium.

PERSONAL LINES SUMMARY RESULTS
1999 through 1Q01
($-millions)

	Actual 1Q99	Actual 2Q99	Actual 3Q99	Actual 4Q99	Actual 1Q00	Actual 2Q00	Actual 3Q00	Actual 4Q00	Actual 1Q01
21st Century									
Net Premiums Written	194	189	195	191	213	213	207	199	222
Percent Change	1.4%	-2.1%	-0.9%	-1.0%	9.9%	13.0%	5.9%	4.2%	4.2%
Combined Ratio	89.7%	84.3%	90.5%	101.1%	103.8%	103.7%	105.8%	109.5%	102.4%
Mass Marketing and Specialty Auto									
Net Premiums Written	285	388	360	360	388	419	428	443	413
Percent Change	40.1%	37.2%	53.5%	15.6%	36.0%	7.8%	19.0%	23.1%	6.4%
Combined Ratio	100.1%	94.2%	100.1%	102.4%	94.3%	99.0%	99.8%	103.4%	102.7%

Source: Company Reports, Banc of America Securities Estimates

* The domestic life insurance posted premium income of $4.0 billion, versus $2.0 billion in 1Q00; this figure typically shows significant fluctuations from quarter to quarter and need not indicate a trend. AIG is a big player in the GIC and MTN market, which often fluctuate significantly from quarter to quarter. Operating income came in at $364 million, up 22% year over year. SunAmerica's sales grew by 48.1% year-over-year in the quarter and operating

income grew by 13.3%.

* The Foreign Life Insurance Division posted growth of 9.2% year-over-year in premiums excluding the effects of foreign currency (on a reported basis, written premium was up 2.6%). Premium growth was also heavily affected by the decline in the value of the Japanese yen versus the U.S. dollar. Operating income increased 16% to $592 million. AIG recently announced that it had received regulatory approval for its acquisition of Chiyoda Mutual Life of Japan, which should significantly boost AIG's presence in the world's largest life insurance market. We are forecasting a modest acceleration in the foreign life insurance premium growth rate over the next couple of quarters to reflect the acquisition.

* In the financial services segment, ILFC and AIG Financial Products delivered strong growth in revenues and operating profits. ILFC had 16% year-over-year growth in operating income, while AIG Financial Products posted operating income of $165 million, up 19%. Asset management came in below our expectations as the weak equity markets impacted results.

Details of the Quarter

Once again, AIG posted solid results for the quarter. The company reported a combined ratio of 95.9%, with general insurance net premiums written up 15% to $4.9 billion. Domestic commercial lines business saw continued rate strengthening, with CEO Hank Greenberg noting 'additional strengthening is required' to return rates to satisfactory levels

-> End of Note <-

-- FIRST CALL --

09:56pm EDT 26-Apr-01 BofA Montgomery (Meredith, Brian R 212-847-5654) AIG AIG.
AIG: The Benefits of Rising Commercial Lines Pricing (Part 2 of 2)

The Domestic Brokerage Division delivered 27% year-over-year growth in net written premiums. Excluding the effects of the Hartford Steam Boiler transaction, we estimate AIG still delivered in excess of 20% year-over-year growth in net written premium. AIG is reaping the benefits of rising commercial lines pricing, and gaining market-share, we believe. Additionally, AIG is modestly benefiting by retaining more premium, by our estimate. We expect that AIG will continue to grow net written premiums at a double-digit rate through 2002 as commercial prices continue to rise while the industry tries to achieve an acceptable return on capital.

The combined ratio in the domestic brokerage business came in at 98.2% (versus 100.9% in 1Q00), down from 101.4% in the fourth quarter. The lower combined ratio reflects the price increases and culling of under-priced business the company has been implementing over the last couple of years. The company continued to add to reserves, adding $63 million in net reserves in the quarter.

The Foreign General Insurance Division posted growth of 8% year-over-year in net written premiums excluding the effects of foreign currency (on a reported basis, written premium was up 1.6%). During the quarter, the Japanese yen weakened by 8.9 percent versus the U.S. dollar, which affects the conversion of premiums into dollars. Rates are rising worldwide, following the same pattern that has been evident in the domestic market. We believe that primary commercial insurance rates in Europe are approximately one year behind rates in the U.S. AIG is one of the few domestic carriers whose international platform is large enough to show benefits from rising European pricing.

In personal lines, the statutory combined ratio improved to 103.5% from 105.4% in the fourth quarter. Results for the quarter were affected by the winter storms in the Northeast. Extremely encouraging, however, was the improvement in the combined ratio at 21st Century. The GAAP combined ratio was 102.4% versus 109.5% in the fourth quarter of 2000 as the company's re-underwriting and price increases were manifest in results. Net premium written at 21st Century climbed 4.2% year-over-year to $222 million. In AIG's Mass Marketing and Specialty division, premium growth decelerated in the quarter, up 6.4% year-over-year as the effects of implementing price increases affected growth in the quarter, in our view. The GAAP combined ratio in this division was 102.4%. We expect the combined ratio in both divisions will continue to improve as price increases work their way into earned premium.

The domestic life insurance posted premium income of $4.0 billion, versus $2.0 billion in 1Q00; this figure typically shows significant fluctuations from quarter to quarter and need not indicate a trend. AIG is a big player in the GIC and MTN market, which often fluctuate significantly from quarter to quarter. Operating income came in at $364 million, up 22% year over year. SunAmerica's sales grew by 48.1% year-over-year in the quarter and operating income grew by 13.3%.

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-- FIRST CALL --

expectations as the weak equity markets impacted results.

Valuation

We believe the recent pull back in AIG's shares makes AIG's shares look inexpensive relative to the fundamental outlook for the company and the current interest rate environment. An analysis of valuation over the last ten years leads us to believe that AIG's multiples are typically commensurate with the company's ability to generate returns on capital after adjusting for shifts in the interest rate environment.

Valuations of most property casualty insurance company's are inversely correlated with interest rates. We compared the P/E multiple for our index of property casualty insurance companies over the last ten years, to the yield on the 10-year treasury. Our regression analysis had an R-squared of 54%. A similar analysis using price-to-book multiples produced an R-squared of 45%. However, when we applied this theory to AIG, the relationship weakened beginning in the mid-1990's, as the company's valuation expanded at a much faster rate (see Figure 6).

Next we examined AIG's valuation in comparison to the rest of the property casualty insurance industry: why has AIG's valuation expanded at a rate so much higher than that for the industry? For a financial services company, a key determinant of valuation is the company's ability to generate returns on capital (ROE). While a lower interest rate environment has historically been good for insurance company valuations, the same environment has also had an adverse effect on operating ROE's. This is because in recent years most property casualty insurers have generated 100% or more of operating earnings from investment income on fixed income portfolios. This is one area where AIG has differentiated itself. When we adjust AIG's ROE for changes in interest rates, we find that the company's adjusted ROE has expanded at the same rate as its P/E multiple and price-to-book value multiple after adjustement for interest rate movements (Figures 7 and 8).

The formula we use to adjust AIG's valuation for interest rates is:

(1 + treasury yield)/(1 + AIG earnings yield)

To adjust ROE for interest rates we use:

(1 + AIG expected ROE)/(1 + treasury yield)

When we compare results over the last ten years, we get an R-squared of 69% (using AIG's book yield produces an even higher R-squared of 89%). Next we apply the regression equation to arrive at a price target. By applying our expected ROE for AIG (roughly 15.7% in 2002), and assuming an interest rate environment of roughly 5.2%, we arrive at a multiple for the shares on one-year forward earnings of 36x. Our price-to-book value multiple is 6.6x. This yields a price target between $117 and $130.

Figure 6

Figure 9

American International Group, Inc. is a leading global insurance and

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financial services organization. Among insurers AIG is the largest publicly traded company in the United States. Domestic operations include a leading position in commercial property casualty insurance, personal auto insurance, life insurance, and retirement savings products. Internationally, AIG has an extensive network of operations, with offices in 130 countries and jurisdictions. AIG is a leading international life insurer with a particularly strong presence in Asia. AIG is a sophisticated and innovative financial services participant in a number of important markets, including equities, aircraft leasing and finance, foreign exchange, and trading.

-> End of Note <-

-- FIRST CALL --

06:07am EDT 27-Apr-01 Deutsche Banc Alex. Brown Inc. (A. Karaoglan/D. Arita/R)
AIG: 1Q EPS Above Expectations - A Good Quarter-Mkt. Perform-Part 1/2

Karaoglan, Alain 212-469-7510
Arita, Darin C 212-469-7321
Pai, Rohan A 212-469-7518
Deutsche Banc Alex. Brown Inc.

04/27/2001

AMERICAN INTERNATIONAL GROUP INC. (AIG) "MKT. PERFORM"
1Q EPS Above Expectations - A Good Quarter -Part 1/2

Date:	04/26/2001	EPS:	2000A	2001E	2002E
Price:	79.85	1Q	0.58	0.67A	NE
52-Wk Range:	104 - 67	2Q	0.61	0.67	NE
Ann Dividend:	0.15	3Q	0.61	0.70	NE
Ann Div Yld:	0.19%	4Q	0.65	0.76	NE
Mkt Cap (mm):	184,901	FY(Dec.)	2.45	2.80	3.15
3-Yr Growth:	14%	FY P/EPS	32.6X	28.5X	25.3X
		CY EPS	2.45	2.80	3.15
Est. Changed	No	CY P/EPS	32.6X	28.5X	25.3X

Industry: INSURANCE
Shares Outstanding(Mil.): 2315.6
Return On Equity (2000) : 16.0%

HIGHLIGHTS:
* 1Q operating EPS of $0.67, above the Street estimate of $0.66 and our estimate of $0.65.

* General Insurance net premiums earned grew 15.0% while GAAP underwriting profits increased 21.2% with the combined ratio remaining stable. The statutory to GAAP adjustments were higher.

* Domestic Brokerage combined ratio improved to 98.2%, compared with 100.9% in the first quarter of 2000.

* Foreign exchange adversely impacted Life Insurance results, which were weaker than expected.

* Financial Services operating margin expanded to 32.1% from 31.4%.

* Other Income/Deductions for the consolidated company and other income of the Financial Services segment added a penny to earnings compared to 2000.

* Share repurchases were approximately $195 million during the quarter at an average price of $76.52 per share.

Yesterday, American International Group, Inc. (AIG) reported a good quarter with 1Q operating EPS of $0.67, representing growth of 15.5% over a year ago. The results were a penny ahead of the Street estimate and $0.02 ahead of our estimate. Better than expected results in General Insurance, Financial Services, and Asset Management offset weaker than expected results in Life Insurance, which was adversely impacted by the effects of foreign exchange. The

-- FIRST CALL --

other income/deductions for the consolidated company and Other income from Financial Services added $30 million pretax or a penny per share to earnings in 2001 compared to 2000.

We believe that the proposal to acquire American General is still on track and should be accretive to EPS by approximately 10%. Even though AIG has organic growth opportunities internationally that are unequalled by any other financial services company, we believe the stock at 28.5 times our 2001 EPS estimate is fairly valued.

DETAILS:
GENERAL INSURANCE - Strong Growth in Underwriting Income

* Net premiums written of $4.9 billion grew 15.1% over a year ago. If we were to exclude the HSB acquisition which was not in the 2000 numbers, the growth by our estimates would have been approximately 12%. We believe that some of the growth is also due to the restructuring of AIG's reinsurance contracts. The company is ceding less business than in prior years leading to higher net premiums written growth. We do not have gross premiums written yet.

* The combined ratio increased by 0.1 point. GAAP underwriting profits increased by 21.2% to $256 million, while net premiums earned grew 15.0% to $4.7 billion. The growth in profits was helped by continued improvement in the Domestic Brokerage operations and strong Mortgage Guaranty underwriting results.

* The statutory to GAAP adjustments were approximately $90 million in 2001 compared to $60 million in 2000. We do not have the detailed information to determine which segment was behind the difference. One reason behind this difference could be the timing and recognition of profits of some risk finance transactions.

* Net investment income increased 7.9% to $716 million, ahead of our expectations.

Domestic Brokerage - Combined Ratio Below 100%

Net premiums written of $2.6 billion grew 27.5% over the first quarter of 2000. Some of the growth was attributable to the acquisition of HSB Group, Inc. We estimate organic growth excluding HSB would have been approximately 21%, driven by price increases and unit growth. Some of that growth was also due to the higher retention of the business due to a restructuring of AIG's reinsurance arrangements. The combined ratio improved 2.7 points to 98.2%, reflecting the effect of the price increases the company has been pushing through and the lower combined ratio of the HSB operations. AIG believes that price increases will need to continue to achieve adequate profitability.

Personal Lines - Showing Continued Margin Pressure

Net premiums written of $635 million increased 5.5% over a year ago. The combined ratio deteriorated by 6.8 points to 103.5%, possibly reflecting a combination of pressure from loss costs and adverse winter weather during the first quarter. We expect the company to continue seeking price increases to return its book of business to historical levels of profitability.

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Mortgage Guaranty - Impressive Underwriting Results

Net premiums written increased 8.9% over the first quarter of 2000 to $119 million. The combined ratio inched up 0.5 point to 36.0%, which is well below the segment's five-year average combined ratio of 57.1%. The strong results are attributable to the decline in interest rates during the quarter leading to an increase in mortgage refinancing.

Foreign General - Results Still Strong

The effects of foreign exchange dampened growth as net premiums written of $1.5 billion increased just 1.6% over a year ago. Excluding the effects of foreign exchange, net premiums written grew 8.2%. The combined ratio increased 0.6 point to 93.1%. Prices continued to increase in certain markets.

Table 1: General Insurance ($ in millions)

	NPW ($mm)	% of Total	Y/Y Growth	1Q'01 C.R.	1Q'00 C.R.
Domestic Brokerage	$2,650	54.5%	27.5%	98.2%	100.9%
Personal Lines	$635	13.0%	5.5%	103.5%	96.7%
Mortgage Guaranty	$119	2.4%	8.9%	36.0%	35.5%
Domestic General	$3,403	69.9%	22.1%	96.9%	97.4%
Foreign General	$1,462	30.1%	1.6%	93.1%	92.5%
Total	$4,865	100.0%	15.1%	95.9%	95.8%

Source: Company Reports

LIFE INSURANCE - Strong Domestic Revenue Growth and Margin Expansion

Operating income increased 17.8% over a year ago to $956 million as the operating margin expanded by 1.2 points to 17.6%. GAAP premiums and investment income grew by approximately 9.7% over the first quarter of 2000. Foreign results were weaker than expected, partially driven down by the impact of foreign currency. AIG's overseas life operations, however, should begin to experience an increase in organic growth, helped by the reorganization of Chiyoda Mutual Life Insurance Company in Japan and the acquisition of insurance licenses in India. The margins on the foreign life operations expanded by 1.1 points over 2000.

Table 2: Life Insurance

	Prem.& Inv.Income ($mm)	% of Total	1Q'01 Oper. Margin	1Q'00 Oper. Margin
Domestic Life	$1,433	26.4%	25.4%	24.7%
Foreign Life	$3,994	73.6%	14.8%	13.7%
Total	$5,427	100.0%	17.6%	16.4%

Source: Company Reports and Deutsche Banc Alex. Brown estimates

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FINANCIAL SERVICES - Margin Expansion and Double-digit Top-Line Growth

Operating income grew 17.0% over the first quarter of 2000 to $329 million. Higher margins from International Lease Finance Corporation (ILFC), AIG Financial Products Corp. (AIGFP), and Other offset weak AIG Trading results. The company's consumer finance operations in Asia may have contributed to strong year over year growth in Other revenues of $117 million. The Other line of business contributed $19 million in operating income compared to a loss of $1 million in 2000. The Other segment in Financial Services includes AIG's foreign consumer finance operation, premium finance, as well as other businesses.

Table 3: Financial Services

	Revenues ($mm)	% Total	Y/Y Growth	1Q'01 Oper. Margin	1Q'00 Oper. Margin
ILFC	$622	60.7%	13.1%	25.8%	25.2%
AIG Fin'l Prdts	$248	24.2%	16.6%	66.7%	65.6%
AIG Trading	$39	3.8%	-46.8%	16.8%	29.9%
Other	$117	11.4%	93.6%	16.1%	NM
Total	$1,025	100.0%	14.5%	32.1%	31.4%

Additional Information Available Upon Request

The following stock(s) is (are) optionable: American International Group Inc.. There is a (are) convertible issue(s) outstanding on American International Group Inc..

-> End of Note <-

-- FIRST CALL --

06:05am EDT 27-Apr-01 Deutsche Banc Alex. Brown Inc. (A. Karaoglan/D. Arita/R)
AIG: 1Q EPS Above Expectations - A Good Quarter-Mkt. Perform-Part 2/2

Karaoglan, Alain 212-469-7510
Arita, Darin C 212-469-7321
Pai, Rohan A 212-469-7518
Deutsche Banc Alex. Brown Inc.

04/27/2001

AMERICAN INTERNATIONAL GROUP INC. (AIG) "MKT. PERFORM"
1Q EPS Above Expectations - A Good Quarter -Part 2/2

Date:	04/26/2001	EPS:	2000A	2001E	2002E
Price:	79.85	1Q	0.58	0.67A	NE
52-Wk Range:	104 - 67	2Q	0.61	0.67	NE
Ann Dividend:	0.15	3Q	0.61	0.70	NE
Ann Div Yld:	0.19%	4Q	0.65	0.76	NE
Mkt Cap (mm):	184,901	FY(Dec.)	2.45	2.80	3.15
3-Yr Growth:	14%	FY P/EPS	32.6X	28.5X	25.3X
		CY EPS	2.45	2.80	3.15
Est. Changed	No	CY P/EPS	32.6X	28.5X	25.3X

Source: Company Reports and Deutsche Banc Alex. Brown estimates

ASSET MANAGEMENT - Showing Strength

In the first quarter, operating income grew 7.2% over the first quarter of 2000 to $111 million, which was slightly higher than we expected. The operating margin increased 0.6 point to 35.6%, and revenue grew 5.3%. During the quarter, assets under management declined by approximately 5.7% to $33 billion.

Additional Information Available Upon Request

The following stock(s) is (are) optionable: American International Group Inc..
There is a (are) convertible issue(s) outstanding on American International Group Inc..

-> End of Note <-

-- FIRST CALL --

08:27am EDT 27-Apr-01 Putnam Lovell Securities Inc. (Capra, Alfred 212 546 764
AIG: 1Q Earnings Review

Putnam Lovell
Insurance

April 27, 2001

AIG /NYSE
Rating: BUY

Alfred M. Capra
212 546 7640
ACapra@PutnamLovell.com

Price: $78.66 (04/25/01)

Mkt Cap: $185,574.7 (mm)
Sector: Financial
American International Group, Inc.
1Q Earnings Review

* AIG's first quarter operating EPS result of $0.67 was in line with our above consensus estimate, and represents a 15.5% increase over the $0.58 result earned a year ago.

* Underlying trends were in-line with expectations. Solid quarter reflected continuing strengthening of pricing in the commercial property-casualty market, as well as strong performance from AIG's overseas life insurance business. Domestic life results were better than most expected.

* Maintaining above-consensus full year 2001 and 2002 operating EPS estimates of $2.85 and $3.30, respectively. We are reiterating our BUY rating on the shares of AIG.

Earnings

	FYE	1Qtr	2Qtr	3Qtr	4Qtr	YEAR	P/E
Current	Dec/2000	$0.58A	$0.61A	$0.61A	$0.65A	$2.45A	32.1
Previous	Dec/2001	$0.67E	$0.71E	$0.71E	$0.77E	$2.85E	27.6
Current	Dec/2001	$0.67A	$0.71E	$0.71E	$0.77E	$2.85E	27.6
Previous	Dec/2002	$0.77E	$0.82E	$0.82E	$0.89E	$3.30E	23.8
Current	Dec/2002	$0.77E	$0.82E	$0.82E	$0.89E	$3.30E	23.8

Statistical Review
(Data as of 12/00; except per share data)

Shares Outstanding (Mil.):	2,359.2	LTM Operating EPS:	$2.54
Annualized Dividend:	$0.15	Price/LTM Operating EPS:	31.0x
Yield:	0.20%	LTM ROE:	
Book Value:		Expect.3Yr.EPS CAGR:	15.0%
Price/Book:		Debt/Cap:	
Market Cap (bils):	$185.6		

Source: Company reports and Putnam Lovell calculations.

Investment Summary

-- FIRST CALL --

We initiated coverage on AIG this past January because we felt it was appropriate for a Life Insurance and Asset Accumulation Analyst to follow the company given that its single largest earnings contribution, about 45%, was derived from the combined Life Insurance segment (approximately 40% of the total earnings mix) and Asset Management operations (about 5% of the earnings mix). If AIG is successful in its attempt to acquire American General (AGC, BUY), we estimate that General Insurance would account for approximately 31% of AIG's pro forma earnings in 2000, Life Insurance would contribute 50%, Financial Services would remain at nearly 15%, and Asset Management would chip in the final 4%. All said, we would expect this potentially favorable earnings mix shift to have a positive impact on AIG's valuation going forward.
Although we have no new information, we still put high odds on AIG successfully winning in its attempt to merge with American General (AGC, BUY). AGC would be ";at least"; 9% accretive to AIG's earnings. Our BUY rating on AIG is tied to our view that earnings could accelerate throughout 2002, and its ability to consistently meet and beat expectations. We can't say this about any other company in our universe of coverage. Hence, we are reiterating our BUY rating on the shares despite the stocks current valuation of 28.0 times and 24.2 times our current 2001 and 2002 estimates. Note that the shares are trading at 25.7 times and 22.2 times earnings when including the ";potential"; accretion from the AGC deal. In comparison, AIG's closest comparable, General Electric (GE, not rated), trades at 33.3 times and 28.5 times forward earnings.

Earnings Summary
American International Group's recently reported first quarter operating earnings per share were $0.67, up 15.5% from the $0.58 reported a year ago. By-segment earnings results: General Insurance was up 11.2%, to ~~$951.5~~ 972.5 million (we were looking for 14% growth with the difference being a combined ratio that was 50 basis points higher due to adverse weather-related losses); Life Insurance increased 17.8%, to $956 million (we were looking for 17% growth); Financial Services improved 17%, to $328.6 million (our estimate was for 16% growth), and Asset Management improved by 7.2%, to $111 million (below our 10% growth expectation).

Operating earnings were $1,571.7 million for the first quarter of 2001, a 15.2% increase from $1,364.1 million a year earlier. AIG's General Insurance Operations accounted for 41.1% of the company's $2,368.6 million in pre-tax operating earnings (which excludes other income) during the first quarter, Life Insurance comprised 40.4%, Financial Services accounted for 13.9%, and Asset Management contributed 4.7% of pre-tax total. Adjustments in the other income line (excluded from the earnings mix just noted), including foreign exchange and other expenses, chipped away 1.9%, or a negative $45.9, from the previously mentioned pre-tax earnings total.
By-segment Analysis

Life Insurance Segment (40.4% of total pretax earnings before accounting for adjustments). AIG's operating earnings in this segment were $956.4 million for the first quarter of 2001, up 17.8% as compared to $812.1 million in the same quarter of 2000 and relatively flat, (up $1.2 million), on a linked quarter basis. Taking a closer look at the Life Segment's first quarter earnings, Domestic Life earnings (38.1% of this segments earnings) improved by 21.7%, to $363.9 million. Foreign Life earnings (61.9% of this segment's earnings) improved by 15.5%, to $592.5 million.

-- FIRST CALL --

Total premium income rose 7.0% in first quarter comparisons, to $3.5 billion. Net Investment Income grew 14.9% over that same time period, to $1.9 billion. The pretax operating margin improved by 120 basis points and 60 basis points on a year-over-year and linked quarter basis, respectively. We attribute the margin expansion to AIG's ability to grow revenues faster than expenses in the quarter. We calculate that expenses totaled $4.5 billion, thus representing an 8.1% over the $4.1 billion level posted in the first quarter of 2000 but also a decline from the $4.7 billion level posted in the fourth quarter of 2000. As is the tend with many other life and annuity insurers, AIG appears to be benefitting from a steeper yield curve, and, in turn, wider net investment spreads. Looking out into the foreseeable future, we expect AIG's Domestic Life business to continue to beneift from potentially wider year-over-year net investment spreads (which should mitigate the potential pressures on AIG's seperate account asets and fee-based revenues). Additionally, we expect earnings growth at AIG's Foreign Life operations to accelerate due to the acquisition of Chiyoda Life, recently re-named AIG Star Life Insurance Co., Ltd. This acquisition should significantly expand AIG's presence in the traditional Japanese life market, and it is expected to be accretive to earnings this year.

Asset Management (4.7% of total pretax earnings before accounting for adjustments). The Asset Management segment posted pretax earnings of $111.2 million, up 7.1% from the $103.8 million earned in the same period last year. Assets under management totaled approximately $33 billion at March 31, 2001 as compared to approximately $34.5 billion at year-end 2000. On a linked quarter basis, however, the segment's pretax operating earnings rose $1.5 million from the $109.7 million earned in the fourth quarter of 2000. We maintain our view that the potential investment gains from AIG's $8 to $9 billion private equity portfolio could be meaningful. We would expect the company to begin harvesting these gains in 2003, which should, in turn, enhance AIG's earnings visibility beyond 2002.
General Insurance Segment (41.1% of total pretax earnings before accounting for adjustments). AIG's Worldwide General Insurance segment's operating earnings of $972.3 million were up 11.2% as compared to the $874.7 million result posted in the same quarter of 2000. Earnings were also up 13.7% on a linked quarter basis.

Premiums earned climbed 15.0% year over year, to $4.7 billion. AIG's loss ratio was 75.6%, representing a 43 basis points increase in year-over-year comparisons and a 48 basis point improvement on a linked quarter basis. This segment's expense ratio declined to 20.3% for the first quarter of 2001, an improvement of 32 bps and 240 bps on a year-over-year and linked-quarter basis, respectively. Finally, the combined ratio was 95.9% in the first quarter of 2001, up 11 basis points year-over-year and about 8 basis point on a linked-quarter basis. Investment income rose 8.0% in the first quarter, to $715.9 million from $663.0 million a year ago.
Domestic General operations' pretax operating earnings, 69.2% of the segments earnings, were up 9.7% and totaled $673.1 million for the first quarter of 2001. This comares with $613.9 million in the first quarter of 2000. In the quarter just ended, the Foreign General division contributed $299.2 million to the segments operating earrings, a 14.7% increase from a year ago.

Financial Services Segment (13.9% of total pretax earnings before accounting for adjustments). American International Group's operating earnings in this segment were up 17.0% for the first quarter of 2001, totaling $328.6 million as compared to $280.8 million in the same quarter of 2000. These presently reported results were $70.3 million lower on a linked quarter basis. IFLC, AIG's aircraft leasing company, posted operating earnings growth of 15.7% year over year, to $160.5 million. During the same period, the earnings of AIG Financial Products Corp. grew 18.5%, to 165.2 million. The operating profits of the trading unit, AIG Trading Group, came in at $6.5 million, down $15.3 million from last year.

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-> End of Note <-

-- FIRST CALL --

09:11am EDT 27-Apr-01 Dresdner Kleinwort Wasserstein (Kenneth S. Zuckerberg (
DrKW: AIG Perfect Timing For An Upside EPS Surprise 1 of 3

Perfect Timing For An Upside EPS Surprise

COMPANY: American International Group
RATING : Buy
ANALYST: (Kenneth S. Zuckerberg (212) 903-2189) PRICE: $78.66
EXCH: NYSE

E P S :	--- FULL YEAR ($US) ----			--------- PRICE -----		---SHARES (Thsnd's)---	
FY: Dec.	Curr.	Prior	P/E	12 Mo Tgt :	$100	Mkt Cap:	$183,491,204
00 FC	2.45a			52 Wk High:	$103.75	Shrs Out:	2,332,713
01 DrKW	2.82e	2.80e	27.89x	52 Wk Low :	$71.83	Dly Vol :	5,131
FC	2.82e			3Yr Growth:	15.00%	Div/Yld :	$0.15/0.19%
02 DrKW	3.25e		24.2x	YTD Perf :	-20.19%	LTD/CAP :	46.38%
FC	3.25e			Book Value:	$16.98		
03 DrKW				Px/Book :	4.63x		
FC							

as of: 04/27/2001 08:31 EDT

E P S :	--- 1st QTR ---		--- 2nd QTR ---		--- 3rd QTR ---		--- 4th QTR ---	
	Curr.	Prior	Curr.	Prior	Curr.	Prior	Curr.	Prior
2000	0.58a		0.61a		0.61a		0.65a	
2001	0.67a	0.65e	0.70e		0.70e		0.75e	
2002								
2003								

Footnote: Earnings have been adjusted for the July 31, 2000 3 for 2 stock split

Event: AIG reports first quarter EPS.

Recommend: Initiate or add to positions.

Analysis: We continue to recommend aggressive purchase of the shares of American International Group, the world's largest insurance stock by market capitalization, with a Buy rating and a $100 price target. AIG reported a positive earnings surprise yesterday by posting 1Q01 operating EPS of $0.67 (15.5% growth), two cents and one cent above our estimate and the consensus, respectively. Relative to our model, P&C results surprised positively, underscoring our view that AIG is the best positioned US-based insurance underwriter to capitalize on the upturn in commercial pricing. Beyond this, the company is well positioned to grow its life insurance, financial services and asset management franchises organically and through acquisitions. With regard to life insurer, we believe that AIG was able to offset lower earnings from equity linked products this quarter by leveraging its massive Triple-A balance sheet by opportunistically selling spread-based, general account products. We view this as a strong competitive advantage, underscoring our

-- FIRST CALL --

view that AIG's superb earnings diversification will continue to be highly valued by the marketplace.

Valuation: AIG is trading at 28x our revised EPS 2001 EPS estimate of $2.82 and 25x our 2002 EPS estimate of $3.25 (unchanged.) Our 12-month price target of $100 (unchanged since 8/00) assumes that in one year, the stock will trade at 31x 2002 EPS. While this multiple may be viewed as aggressive at first blush, we think the reality is that AIG has tremendous scarcity value among both non-life and life stocks, given its unmatched market capitalization, large Triple-A balance sheet, earnings diversity, both by product line and geography, and earnings consistency. Note that our target P/E is well below the stock's recent peak of 37x reached 12/00. This comparison appears relevant given that AIG's fundamentals are intact, as is the upturn in commercial pricing.

Upcoming Events: None.

Call Details

Analysis of 1Q01 Earnings

** Reported EPS our and Street expectations by two and one pennies, respectively

** Earnings from uncorrelated businesses are still the "key" to the AIG story

** NPW growth was an explosive 15% on a reported basis, 17% excluding FOREX
** Combined ratio was very favorable at 95.89%, 50 bps better than our projection

** Financial services earnings were modestly above target, modest shortfall in asset management

** Life earnings, while 3% below our estimate, nonetheless grew by a solid 18%

** Raised 2001 EPS by the quarter's variance, remain comfortable with our 2002 estimate

** No mention of the American General merger proposal; we expect more info by May 31st

AIG reported operating EPS of $0.67 for 1Q01, up 15.5% relative to 1Q00, two cents higher than our estimate and a cent above the consensus. The positive surprise relative to our model was driven by very sound results from the property & casualty operations, which posted pretax earnings growth of 11%. Net premiums earned of $4.7 billion grew by an explosive 15%, considerably exceeding our 9% target, and net investment income (NII) growth of 8% came in line. Underwriting results were quite favorable as evidenced by a combined ratio of 95.89%, about 50 bps better than our target and relatively steady with

1Q00's figure of 95.78%. After factoring in NII, AIG's operating ratio was 19.3% for the quarter vs. 20.3% a year ago, an amazing result for any P&C company let alone for one of AIG's size. AIG had a positive addition to loss reserves of $63 million, the paid-to-incurred loss ratio was 99% vs. 97%, respectively.

P&C Growth, Pricing & Underwriting

Consolidated net premiums written (NPW) grew by 15.1%, with 22.1% from Domestic General (27.5% from Domestic Brokerage, 5.5% from Personal Lines and 8.9% from Mortgage Guaranty) and 1.6% from Foreign General. The latter was severely impacted by foreign exchange rates (in particular, the Japanese yew weakened significantly against the U.S. dollar) that worked against reported numbers during the quarter. Adjusting premium growth into local currencies, Foreign General grew by 8.2%, bringing the aggregate figure up to 17.3%. Although the Domestic General growth rate of 22.1% was partially driven by last year's acquisition of Hartford Steam Boiler, AIG's overall growth was positively influenced by the upturn in commercial pricing, both domestically and abroad, especially in the United Kingdom and Continental Europe and, to a much lesser extent, Latin America.

As usual, AIG's press release did not actually quantify the level of rate increases that the company is seeing. That said, CEO Hank Greenberg pointed out that: "AIG is benefiting from continuing strengthening in pricing in the commercial property-casualty market." Mr. Greenberg went on to suggest that worldwide premium growth of 15.1% reflected: "broad increases in commercial pricing both in the United States and in key overseas market," and that while rates continued to firm, "additional strengthening is required in order to return pricing to satisfactory levels after years of eroding rates."

With regard to underwriting results, Personal Lines continue to run above " breakeven," with a quarterly combined ratio of 103.47% (vs. 96.70% in 1Q00), reflecting an unspecified amount of adverse winter storms. While majority owned subsidiary 21st Century Insurance (NYSE: TW) separately reported some improvement in its combined ratio, we also sense that AIG Direct's results are improving. Both divisions are raising rates, consistent with recent company comments, and we understand that TW's December rate increase of 6.5% in the state of California is began "flowing through" 1Q01 results. The other good news here is that Personal Lines' quarterly combined improved relative to the 4Q00 figure of 105.36%.

Beyond Personal Lines, all of AIG's other P&C divisions either showed improvement in underwriting, or remained very profitable, relative to both 1Q00 and on a linked-quarter basis (i.e., relative to 4Q00). Specifically, Domestic Brokerage posted a 98.19% vs. 100.92% and 101.35%; Mortgage Guaranty posted a 35.96% vs. 35.45% and 44.98%; and Foreign General posted a 93.14% vs. 92.52% and 95.07%, respectively.

Life, Financial Services and Asset Management

-- FIRST CALL --

Life insurance earnings grew by 18% on a pretax basis during the quarter, slightly below our 21% forecast, but were nonetheless very favorable. The 18% rate compares nicely with growth of 18% in 4Q00, 16% in 3Q00, 17% in 2Q00 and 21% in 1Q00. Life sales trends were very strong, as statutory premiums and deposits rose by 32% in 1Q01 to nearly $9.0 billion. Adjusting for foreign exchange impact, worldwide life insurance premiums grew by 36% in local

continued in part 2 . . .

-> End of Note <-

currency terms. On a GAAP basis, life premiums income and net investment income increased by 7% and 15%, respectively.

Financial services earnings were up 17% on a pretax basis (on target with our model), with ILFC and AIG Financial Products accounting for the lion's share of segment earnings. The "other" line within the F.S. surprised positively with earnings of $19 million (total segment earnings were $329), up from $4 million in the December quarter. Asset Management earnings grew by 7%, slightly below target, due to the difficult equity market environment, on ending third party assets of $33 billion.

AIG's Sponsorship of Chiyoda Mutual

** Chiyoda filed for bankruptcy in September 2000; AIG was rumored to be a potential sponsor

** On 2/23/01, AIG was named as the exclusive sponsor for Chiyoda Mutual
** On 4/20/01, AIG announced that the reorganization plan for Chiyoda was approved by creditors and the Japanese regulatory authorities

** Capital contribution will be $522 million, no help from Japanese financial guarantee fund expected

** AIG intends to make up the reported $5 billion shortfall in assets by using five levers

** Chiyoda is the latest in a series of rescues of Japanese life insurers by foreign enterprises

** Others included GE Capital & Toho Mutual, Manulife & Daihyaku, and Axa & Nippon, Aetna & Heiwa

Given that AIG just announced that it received approval to from the relevant Japanese courts and regulators to sponsor the restructuring of The Chiyoda Mutual Life Insurance Company, we have repeated our original First Call below, which provides clients with our "due diligence" on the transaction. On a related note, we understand that AIG is competing with General Electric (NYSE: GE) and another party to "rescue" another troubled Japanese life insurer, Tokyo Mutual Life that is seeking approval for a court-administered rehabilitation.

OUR DUE DILIGIENCE ON CHIYODA

Based on conversations with AIG's management team at CEO Maurice "Hank" Greenberg's annual "fireside chat," and in several follow up discussions, we have become satisfied that AIG has several levers available to reduce the reported $5 billion shortfall at Chiyoda and make its sponsorship of the troubled company accretive. In our opinion, the deal is "classic AIG," meaning that the company is uniquely positioned for success given its proven acquisition, capital / investment management and expense control expertise. Furthermore, based on our discussions with several members of the rating agency community, we do not believe that the transaction places any pressure on AIG's valuable Triple-A insurance financial strength and debt ratings. Interestingly, the Chiyoda sponsorship provides AIG with an opportunistic way to materially increase its premium base in Japan by apparently gaining access to more customers than AIG has been able to reach since it entered Japan in the 1970s. The five levers that AIG has available to make Chiyoda accretive involve: 1) reducing policy crediting rates; 2) repositioning the investment portfolio to maximize returns; 3) reducing policyholder benefits (i.e., reserves); 4) selling unwanted / unneeded assets; 5) terminating undesirable insureds;

1. REDUCING CREDITING RATES. AIG intends to reduce crediting rates on Chiyoda's policies by several hundred basis points--from 4% or higher to between 1% and 2%-- in order to improve the "spread" between contractual policy guarantees and expected investment returns. In recent years, the combination of lower interest rates and volatile equity returns in Japan have severely pressured Chiyoda's margins on spread-based life insurance products.

2. IMPROVING INVESETMENT RETURNS. Building on the previous point, AIG intends to dramatically reposition Chiyoda's investment portfolio in order to improve returns via active portfolio management. This will require superb execution on AIG's part given the difficult investment environment in Japan (again, lower interest returns and continued pressure on Nikkei stocks) and the fact that AIG can only invest 15% of the portfolio outside of Japan. That being said, we believe that AIG will be successful for two reasons. First, AIG is a very sophisticated total return investment organization with considerable expertise in taking risk in order to maximize investment performance. Second, notwithstanding the 15% limitation, the company will likely leverage its sophisticated global currency management expertise and invest in non-yen denominated securities in order to achieve higher returns. Reverse dual currency bonds are one investment option.

3. REDUCING POLICYHOLDER BENEFITS BY 10%. We believe that AIG will reduce policyholder benefits by 10% in order to narrow the shortfall between Chiyoda's assets and liabilities (i.e. loss reserves). The expected reserve reduction, which essentially forces policyholders to financially participate in the turnaround of Chiyoda, follows similar actions taken by other parties that have either purchased or sponsored other troubled Japanese life companies, as confirmed by several conversations with the agencies that rate the debt of Japanese insurance companies. Furthermore, policyholders that decide to surrender their policy once AIG takes control of Chiyoda will be penalized by a very high surrender charge of roughly 20%. The key takeaway point is that policyholders that immediately head for the doors will receive only 72% of their policy's cash value and thus leave 28% on the table. (The 72% = Policyholder Benefits x 90% x (1-20%.) Given that policy liabilities will by definition decline when policies are terminated, there is considerable positive leverage connected to the surrenders.

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4. SELLING UNNEEDED ASSETS. Based on our conversations with Ed Matthews (Vice Chairman - Investments) and Edmund Tse (Head of AIG's Foreign Life Operations) , we believe that AIG will divest any unwanted or unneeded assets at a premium to balance sheet carrying values. Given AIG's extensive financial resources, the company should be able to able to "take its time" in selling such assets to realize maximum values rather than be forced to auction them at "fire-sale" prices. Additionally, we think that AIG will be able to manage the Chiyoda business with less capital than has been required by regulators heretofore, given AIG's strong claims-paying and financial ratings and its ability to quickly raise and inject capital into Chiyoda if necessary at a future date.

5. TERMINATING UNWANTED BUSINESS. We believe that AIG is likely to cull undesirable and/or unprofitable business from Chiyoda's inforce book of business in order to improve profitability. While it is virtually impossible for us to project how much business is not achieving a reasonable return on capital, we sense that AIG will terminate and/or reprice a fair amount of value-destructive business that Chiyoda didn't have the ability to "clean-up" prior to filing for bankruptcy.

After the Chiyoda deal is approved, AIG will rename the company "AIG Star Life, " as a way to increase its appeal to consumers as an AIG-supported organization rather than an insolvent company. We understand that AIG is currently in the process of installing people into the company and will make the head of American Life Insurance Company (ALICO), AIG's Asian life insurance company, the chief executive office of AIG Star Life. While AIG intends to "double its salesforce" in Japan through this transaction, we think that Chiyoda's salesforce will be significantly restructured. Chiyoda operates with a considerable amount of unproductive, part-time salespeople. One can envision that the restructured salesforce will have access to additional products that are currently being marketed by ALICO's producers. We believe that the reality of the Chiyoda sponsorship is that AIG is acquiring more customers than it has been able to reach organically since it entered Japan in the 1970s.

DEGULATION OF THE JAPANESE INSURANCE MARKETPLACE. We believe that AIG is well positioned to benefit in the wake of the deregulation of Japan's insurance markets, something which began at the beginning of this year, given the company's strong brand-name, array of products and strong financial ratings, something that is especially important for sales of life insurance and annuities. Combined with the Chiyoda deal, AIG should have the ability to sell more products (both P&C and life) to more Japanese customers.

THREE RISK FACTORS:

Low Interest Rate Environment--the low level of interest rates in Japan, combined with an onerous outlook for equity investments there (the Nikkei average recently fell to a 15-year low) may present challenges to AIG in repositioning Chiyoda's investment portfolio. Though it had appeared that the interest rate environment was beginning to improve in Japan during the 4Q00 (the 20-year Japanese government bond yield had risen to the 2.5% level in early 4Q00 from the 2.0% level in 2Q00), it has subsequently declined again thus far

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in 2001.

Weakening of the Yen--on a reported U.S. dollar basis, earnings from AIG's Japanese operations (i.e., ALICO and soon, Chiyoda/AIG Star Life) strengthen (weaken) when the yen appreciates (depreciates) relative to the dollar.

continued in part 3 . . .

-> End of Note <-

09:03am EDT 27-Apr-01 Dresdner Kleinwort Wasserstein (Kenneth S. Zuckerberg (
DrKW: AIG Perfect Timing For An Upside EPS Surprise 3 of 3

The Japanese Economy--over the past decade, Japan's economy has experienced problems including a recession and a rash of corporate failures. One could envision that this could be a negative from the standpoint of sales growth. That being said, given our understanding that consumer savings is higher in Japan than in the United States, AIG should benefit from flight-to-quality among past, present and prospective customers of Chiyoda Mutual.

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09:04am EDT 27-Apr-01 Bear Stearns (A. Smith,M./M. Wright,B. 212 272-9) AIG
AIG: Japanese Economic Numbers Suggest Mor...

Michael A. Smith 212 272-9465 masmith@bear.com
Brian M. Wright 212 272-4329 bmwright@bear.com

04/27/01

Subject: Company Update
Industry: Insurance/Nonlife

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

American International Group (AIG $79.85) - Buy
Japanese Economic Numbers Suggest More Pressure on Life Insurers -- But AIG Benefits

Data		
Last ROE 16%	52-Wk Range $104-$52	Shares Out 2,359
Target Price $104-$107	Dividend/Yield $0.15/0.2%	Market Cap (MM) $188,366

Key Points
*** The numbers out of Japan suggest more pressure on the Japanese life insurance industry, that in turn could raise investor concerns about American International Group.
*** However, history has shown that AIG has benefitted from this environment, and likely will gain even greater strength in the coming year in the country.
*** We continue to recommend purchase of American International Group shares, taking the view that future up-side surprises remain in the cards and can sustain out-performance of the shares, even at elevated valuations.

	Earnings Estimates					P/E
	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	Year
2000	$0.56A	$0.61A	$0.61A	$0.65A	$2.45A	32.6
2001	$0.67A	$0.70E	$0.73E	$0.75E	$2.85E	28.0
2002	$0.77E	$0.80E	$0.85E	$0.88E	$3.30E	24.2
Previous						

The continuing weakness in the Japanese economy could negatively affect the psyche of investors with respect to American International Group, although the company has, and we believe will continue, to produce strong operating results in this market despite the intuitive logic. There is a very good reason for this, centered on the company's strong triple-A rated balance sheet, coupled with the severe financial squeeze in place in Japan, especially on its life insurance industry.

We would view any weakness in American International Group shares as an opportunity to add to positions. In our opinion, the company offers three good opportunities for continued up-side earnings surprises: domestic life

-- FIRST CALL --

insurance; foreign life insurance including in the Japanese market; and, as we noted Thursday in commenting on American International Group's first quarter earnings release, we have the wind in our sails in the property-casualty markets.

According to press reports this morning, Japanese industrial output fell 2.1% in March from the February level, and first quarter output was down 3.7%. These reports also indicate worse times ahead, and, while the unemployment rate is currently holding steady at 4.3%, the demand for labor is expected to fall.

Economic slowdowns are not good for a life insurance industry anywhere. Non-employed people do not buy life insurance and savings products, and the case can be made that they negative-buy. That is, they will cash in policies or borrow against cash values in order to meet their own short term cash needs. This has been evident in the Japanese life insurance industry, whose aggregate growth in recent years has had a "minus" sign in front of it.

The Japanese life insurance industry's problems have been compounded by the fall in interest rates coupled with stringent requirements for investing locally. One of the major problems is the absence in the Japanese economy of a long-duration investment vehicle that matches the long-duration nature of the liabilities. The result is that Japanese life insurance companies have been going "belly up" at a rather impressive rate.

Against this tide, American International Group has been showing double-digit growth.

How? The answer is quite simple. Japanese citizens, now fearful for the safety of their long term savings, are fleeing to the quality of American International Group's financial strength. We saw this in the domestic market in 1990-91, when first a collapse in the junk bond market and then in real estate brought a number of U.S. life insurers to their knees. Our guess is that the intense pressures on other Japanese life insurance companies will only intensify as the economic difficulties in the country continue.

American International Group has also been able to benefit from a role of rescuer of some of the failed properties. More recently, its agreement to bail out Chiyoda Life could double its presence in the country. American International Group is already the largest foreign insurer in Japan.

One might logically ask how American International Group is able to avoid the financial squeeze that the rest of the Japanese life insurance industry finds itself in, and the answer is clearly found in its global size and diversification.

American International Group has to abide by the same regulations in Japan as other Japanese life insurers do, and must deal with the difficult issue of mismatched assets and liabilities. However, in concert with other elements of the company's operations, including financial services, American International Group is capable of hedging against this mismatch to the extent that, across the entire organization, its assets are much more closely matched with its liabilities.

American International Group Profile: Pretax Operating Earnings, FY2000, $ millions

-- FIRST CALL --

	Revenue	% of Total	Income	% of Total
General Insurance:				
Domestic	$13,815	30.8%	$2,526	28.8%
Foreign	6,292	14.0%	959	10.9%
Life Insurance:				
Domestic	5,181	11.5%	1,311	15.0%
Foreign	15,552	34.6%	2,238	25.6%
Asset Management	NA	--	430	4.9%
Financial Services:				
ILFC	2,441	5.4%	654	7.5%
Financial Products	1,055	2.4%	648	7.4%
Trading	254	0.6%	62	0.7%
Other	301	0.7%	(72)	(0.8%)
Total	$44,891	100.0%	$8,756	100.0%

Source: Company statements

Companies Mentioned: American International Group (AIG)

-> End of Note <-

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09:29am EDT 27-Apr-01 Keefe, Bruyette & Woods, Inc. (Clifford Gallant) AIG AIG.
AIG: Strong first quarter driven by P-C

April 27,
2001

AMERICAN INTERNATIONAL GROUP (AIG -- Buy)
Cliff Gallant
AIG Reports Strong First Quarter Driven By P-C
212-432-4546

Market Price	79.85	2002E	3.25	2002 P/E	24.6	Book Value	16.98
Price Target	112.00	2001E	2.83	2001 P/E	28.2	Price/BV	470%
Upside to Target	40%	2002E - Cash	3.25	2002 Cash P/E	24.6	Dividend	0.15
Market Cap ($mm)	187106	2001E - Cash	2.83	2001 Cash P/E	28.2	Yield	0.19%

While American International Group made no hoped-for comments on progress in its talks regarding its bid for American General (NYSE/AGC BUY Rated), the company did report strong first quarter results of $0.67 per share, in line with our estimate but ahead of the Street's $0.66. The highlight of the quarter was strong results in the Domestic Brokerage Group. Brokerage reported top-line growth of 28% and nearly 3 points of combined ratio improvement, largely driven by the more favorable underwriting environment. Going forward, we expect that the company will benefit from further pricing increases, particularly as the trend becomes more widespread by product line and geography. In the life operations, underlying growth showed continued strength. SunAmerica's value has been demonstrated with continued underlying sales strength, despite market gyrations, and prospects continue to be favorable abroad such as in Japan, where AIG is further building its presence through the acquired Chiyoda operations. In financial services, earnings grew in the mid-teen range as strength in Financial Products, where demand has driven, in part by market volatility and an uncertain economic outlook, offset weakness in Trading. We are maintaining our earnings per share estimates of $2.83 for 2001 and $3.25 for 2002, pending further news on the details of an AGC transaction, which we expect will occur and be accretive by approximately $0.30 per share. We continue to view the shares as attractive for purchase with a Buy rating. Considering AIG's ability to benefit more than most from the improving property-casualty environment and management's track record of successfully integrating acquisitions and the potential of an AGC integration, we expect that AIG will continue to be able to deliver upon, and occasionally beat, shareholders' high level of expectations.

General Insurance was the highlight of the quarter with particular strength at Domestic Brokerage. Overall, reported premium growth was 15.1%, but 17.3% excluding foreign exchange, and the combined ratio was 95.9%, versus 95.8% a year ago. Operating earnings grew 7.3% to $951.5 million.

Growth at Brokerage was 28% in the quarter, driven mainly by continued pricing improvements, and supplemented by approximately 5-6% points of additions from the HSB acquisition. Rates are up across the board but management views that further increases are necessary as the industry recovers from a decade of price cutting. The Brokerage combined ratio was 98.2% in the quarter, compared to 100.9% in the prior year quarter, reflecting the impact of the improved marketplace conditions.

In personal lines, growth fell off to the 5% range as the company continued to emphasize rate increases to offset worsening loss trends in the industry. The company has already implemented rate increases in many states and continues to apply for further increases. In the second half of 2001, management expects to see underwriting ratio improvements. The combined ratio was a poor 103.5%, versus 96.7% a year ago, reflecting both poor weather and loss trends.

Foreign General insurance reported 1.6% net premium growth but 8.2% excluding the impact of foreign exchange, particularly dollar-yen translations. The combined ratio was a strong 93.1%, compared to 92.5% in the prior year quarter. While somewhat lagging the US, the UK and Continental Europe are also undergoing a period of rate increases. Transatlantic Holdings had a solid quarter highlighted by 13.5% growth.

General Insurance's paid-to-incurred ratio in the quarter was 98.2% and no disclosures regarding prior year development were made.

Life Insurance pretax operating income was $956 million, up 18% over the prior year quarter. Total revenue was up 31.8% companywide(36.4% excluding foreign exchange), driven by 48% growth in sales at SunAmerica. Recall that in the fourth quarter, SunAmerica's sales were down 12% and that the company cited quarter to quarter variability in the sales of GIC and GIB contracts as the reason for the slowdown. This quarter is the upside of the same phenomenon. Variable annuity sales continued to be positive with some slowdown in mutual funds. Foreign premium growth was 2.6% in the quarter, 9.2% excluding foreign exchange translations. Operating income at SunAmerica was up 13.3% to $368 million. In Japan, Chiyoda has begun operating as an AIG subsidiary.

Financial Services operating income was $328.6 million, up 17% over the prior year quarter reflecting strength at ILFC and Financial Products, offset by weakness at AIG Trading. ILFC earnings were up 15.7% reflecting steady market demand. All but one plane was leased in the quarter. AIG Financial Products earnings were up 18.5% to $165.2 million, with market volatility, credit concerns and potential for economic slowdowns all spurring demand for AIG's financial solution products. At AIG Trading, earnings were down 70% to $6.5 million as a result of market conditions, but the outlook is for improvement as a new AIG appointed management team is now heading the operations. Asset management operating income, including SunAmerica's asset management operations, was up 7.2% to $111.2 million, very strong considering the equity market gyrations in the quarter. AUM are now $33 billion, down from $35 billion at the end of 2000.
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-> End of Note <-

-- FIRST CALL --

09:54am EDT 27-Apr-01 Friedman, Billings, Ramsey (Bijan Moazami 703-469-1031)
FBR Inc.: AIG: Rapid Growth in Domestic Operations

Friedman, Billings, Ramsey & Co.
1001 19th Street North
Arlington, VA 22209

April 27, 2001

American International Group, Inc. (AIG - $79.85) Update
Market Perform

Bijan Moazami, CFA (703) 469-1031 bmoazami@fbr.com
Michael Baum (703) 469-1253 mbaum@fbr.com

Rapid Growth in Domestic Brokerage Operations

* Reported 1Q01 results. American International Group, Inc. (AIG) reported first quarter operating earnings of $0.67 per share, in line with our estimate, and 14% higher than 1Q00 results of $0.58 per share. First Call consensus was $0.66.

* Reiterate Market Perform rating. We are increasing our 2001E and 2002E EPS to $2.85 and $3.25 from $2.80, and $3.20 respectively. We reiterate our Market Perform rating on the shares of AIG.

Stock Data		Financials (mil.) - 12/31	
52-Week Range	$103-71	Total Assets	$306,577
Shares Out. (mil.)	2,359.0	Total Investments	214,890
Float (mil.)	1,769.3	Debt	26,636
Market Cap (mil.)	$188,366	Shareholders' Equity	39,619
Avg. Daily Vol. (LTM)	560,683.0	Debt/Equity	67.2%
Dividend	$0.15	LTM Results (mil.) - 3/31	
Book Value 12/31	$16.98	Pretax P/C	$3,583.4
Dividend Yield	0.2%	Pretax Life	3,692.8
Insider Holdings	25.0%	Other Pretax	1,340.4
Institutional Holdings	74.1%	Pretax Income	8,797.7
CAGR 5yr. Est. EPS	14%	After-Tax Income	5,944.6

Earnings Per Share

Year	1999A	2000	2001E	2002E
1Q Mar	$0.50	$0.58	$0.67A	$--
2Q Jun	$0.54	$0.61	$0.71	$--
3Q Sep	$0.53	$0.61	$0.71	$--
4Q Dec	$0.56	$0.65	$0.77	$--
Full Year	$2.13	$2.45	$2.85	$3.25
Dividend	$0.13	$0.14	$0.15	$0.15
Book Val.	$14.33	$17.48	$20.18	$23.28
P/B	5.57x	4.57x	3.96x	3.43x
P/E	37.6x	32.6x	28.0x	24.6x
ROE	15.5%	15.4%	15.1%	14.9%

AIG's first quarter operating results were as usual, better than expectations by

-- FIRST CALL --

just a penny. Forecasting AIG's earnings has long become an easy task, as the company's bottom line appears to be immune to bad news as well as good news. For instance, despite rapid improvement in the property/casualty pricing environment, and massive premium increases, the overall combined ratio for the property/casualty division has stayed roughly flat at 95.89%.

In the US, AIG's domestic brokerage division, which represents the lion share of AIG's domestic P/C business, showed premium volume growth of 27.5%, reflecting a better market environment and the acquisition of Hartford Steam boiler. The company did not disclose the impact of price increases, or the HSB acquisition as compared to policy counts. Adjusting for these items, AIG appears to have expanded market share. We believe AIG will continue to write higher levels of premium volume in the commercial lines segment as long as rates are increasing. As the commercial lines business grows, AIG's combined ratio should modestly increase, while reserves should go up as this business tends to have a longer tail of liabilities. With a paid to incurred loss ratio running at 98%, reserves are piling up and invested assets and, therefore investment income (despite a drop in the interest rates), should benefit.

The personal lines segment was clearly a disappointment. With a combined ratio of 103.47%, this segment has a long way to climb to turn decent profits. However, the segment appears to be on the right track as last quarter's combined ratio stood at 105.4%. Premium growth in this segment has clearly slowed to only 5.5%.

United Guaranty Corporation (UGC), the company's mortgage guaranty insurance subsidiary, benefited from an increase in home refinancings due to a lower interest rate environment.

The Foreign General Insurance Group produced a combined ratio of 93.14%. Net premiums written in original currency rose 8.2% in the quarter, but were adversely affected by foreign exchange. Transatlantic Holdings, whose results are reported through both AIG's domestic and foreign general insurance segments, achieved a 3.5% increase in net premiums written over last quarter and an improved combined ratio of 99.63%.

AIG's life division, including the results of SunAmerica's life business, premium income, in addition to the sales of annuities, pensions, and investment products, gained 31.8% in the quarter to $8.77 billion, while operating income before realized capital losses rose 17.8% to $956.4 million. In Japan, AIG was chosen by the Legal Trustee to rehabilitate The Chiyoda Mutual Life Insurance Company. The Chiyoda reorganization plan was approved by the court last week, and Chiyoda is now an AIG stock subsidiary.

The Financial Services Group produced a 17.0% increase in operating income. International Lease Finance Corporation (ILFC) and AIG Financial Products (AIGFP) each had strong gains in operating income. AIG's Consumer Finance Group continued to build its franchise in its markets in Southeast Asia, Central Europe, and Latin America.

The Asset Management Group, including the asset management business of SunAmerica, had operating income totaling $111.2 million. At March 31, 2001, AIG's third-party assets under management, including retail mutual funds and institutional accounts, totaled approximately $33 billion.

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Risks

* Fluctuation in operating results. Even though American International Group purchases substantial amounts of property catastrophe reinsurance, operating income continues to be susceptible to catastrophes and weather-related losses.

* Competition and pricing. The property/casualty insurance market is extremely competitive. Pricing has become overly aggressive in most segments of the market and has driven down profitability for the industry.

* Environmental exposures. American International Group is subject to environmental claims and exposures through its commercial umbrella, general liability, and discontinued assumed reinsurance lines of business. Within these lines, the company's environmental exposures include environmental site cleanup, asbestos removal, and mass tort liability.

* Interest rate risk. Like many other financial stocks, American International Group is susceptible to interest rate changes. The value of American International Group's fixed income portfolio can fluctuate significantly with a change in the discount rate. In addition, interest rates have a significant impact on income generated by new cash flow.

-> End of Note <-

-- FIRST CALL --

12:42pm EDT 27-Apr-01 Blair, William & Co. (Mark Lane) AIG AIG.N
AIG First Quarter: Impressive Results, Reiterate Long-term Buy Rating (1 of 2)

William Blair & Company, L.L.C. Mark Lane (312) 364-8686

AMERICAN INTERNATIONAL GROUP, INC. (AIG)

Price 4/27	Earnings Per Share			P/E Ratio		Div.	Yield	LTGR	Rating
$80.77	12/00	12/01E	12/02E	12/01E	12/02E	$0.15	0.2%	14%	"2"
($69-$103)	$2.45	$2.82	$3.25	28.6x	24.8x				

Part 1 of 2

--Highlights
* First-quarter results were impressive, again highlighting the power of AIG's earnings diversity and consistency. Operating EPS increased 15% to $0.67, in line with our estimate and $0.01 per share ahead of consensus. Results were strong in almost all major businesses, marked by an acceleration in premium growth and higher underwriting margins in the domestic commercial property-casualty insurance business.
* Life insurance operating earnings increased 18% to $956 million--22% growth domestically and 16% overseas. Growth is being driven in part by fixed products in the United States and a continued to flight to quality overseas.
* Property-casualty operating earnings increased 11% to $972 million--driven by strong revenue growth and better underwriting margins in commercial lines. Operating earnings increased 15% excluding personal lines. Net written premiums within the domestic commercial property-casualty business increased 28% with modest benefits from acquisitions. Rates are still not adequate in most classes and prices need to go up further, which we believe will drive continued strong revenue and earnings growth over the next few years.
* Financial services operating earnings increased 17% due to strong growth at both ILFC and AIG Financial Products. Asset management earnings increased only 7% because of weak equity markets.
* No new news regarding the offer for American General. American General is analyzing the offer, which we continue to believe likely will be accepted in some form. We continue to view this offer favorably and believe this deal could add 1% or 2% to EPS growth over the next 2-3 years.
* Given the strong operating momentum, we have increased our 2001 EPS estimate to $2.82 from $2.80 and our 2002 EPS estimate to $3.25 from $3.20, which represents 15% growth each year.
* We reiterate our Long-term Buy, or "2," rating. The shares trade at 28.6 times our 2001 EPS estimate and roughly a 30% premium to the S&P 500. We believe valuation is sustainable in this range given AIG's dominant competitive, above-average earnings growth, and unmatched earnings predictability.

--Summary
First-quarter results were impressive and offer further evidence as to why AIG is one of the premier financial services companies in the world. In a very difficult market environment, with economic sluggishness in many parts of the world, AIG posted 15% operating EPS growth and 12% revenue growth. Few, if any, global financial services companies can generate this type of growth in the current environment, in our opinion. AIG is benefiting from a flight to quality in Japan and Southeast Asia, which constitutes roughly 30% of earnings, and its largest business--commercial property-casualty--is improving broadly for the first time in more than a decade and is relatively less sensitive to the

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economy. Importantly, AIG does not have significant capital or equity markets exposure and has significant recurring revenue.

Almost all AIG's major businesses contributed to the strong results. Operating earnings within property-casualty insurance increased 11% to $972 million--15% excluding personal lines--marked by an acceleration in premium growth and higher underwriting margins. After culling unprofitable business over the past few years, AIG is in a perfect position to capitalize on the improvements in the commercial property-casualty insurance industry--particularly in the United States. Net written premium growth in AIG's domestic commercial property-casualty insurance business was 28% and we estimate greater than 20% on a pro forma basis adjusting for acquisitions. The statutory combined ratio decreased 2.7 points to 98.2%. Our position on the commercial property-casualty insurance industry is that we are in the midst of a gradual, multi-year cyclical upturn in which a select group of high-quality companies will benefit handsomely. The improvements are not enough to bail all companies out and therefore price increases will continue, in our view. In addition, the mediocre companies are going to continue to get squeezed, which is an important part of a more durable recovery and ultimately should be viewed positively for the better companies. We forecast 15%-20% net written premium growth in AIG's commercial property-casualty business for the balance of the year and 15% in 2002.

Life insurance operating earnings increased 18% to $956 million--22% growth domestically and 16% overseas. The long-term growth characteristics of the life insurance business are the primary reason we are so bullish on the long-term growth opportunities at AIG. AIG is benefiting from expanding distribution and product breadth in the United States and overseas, as well as a flight to quality in Japan and Southeast Asia. In the United States, we believe that fixed product sales and margins were strong. The Chiyoda Life acquisition should drive additional growth in Japan--AIG's single largest foreign market. The acquisition of American General (AGC $43.79) would further expand distribution and product breadth in the United States and provide AIG with huge scale advantages.

We continue to rate AIG a Long-term Buy, or "2." Given strong momentum, we have increased our 2001 EPS estimate to $2.82 from $2.80 and our 2002 EPS estimate to $3.25 from $3.20, which represents 15% growth for both years. The stock is roughly 23% off its 52-week high, which we believe is due to general sector weakness and noise related to the offer for American General. In addition, the stock made a major move in late-2000 as investors sought defensive names. The stock trades at 28.6 times our 2001 EPS estimate and roughly a 30% premium to the S&P 500. We estimate that the average over the past five years is a 0%-10% premium. When financials were extremely out of favor at the start of 2000, the shares traded at a market multiple. When the stock was heavily in favor at the end of 2000 it traded as high as a 65% premium. We believe valuation is sustainable in the 25%-30% premium range given AIG's dominant competitive, above-average earnings growth, and unmatched earnings predictability.

--American General Offer
American General management stated earlier this week that the Prudential plc (PUK $23.15) offer still stands, it is analyzing the current AIG offer, and it will make a decision in what it considers the best interest of shareholders. We continue to believe that AIG's offer for American General is likely to be accepted in some form. The offer was subject to due diligence and any

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adjustments to that would be based on the same economic merits as the original offer, in our opinion. American General reported very strong first-quarter results earlier this week. Operating EPS increased 11% to $0.69, which was the consensus estimate. American General dominates the fixed annuity business. We estimate gross fixed annuity deposits increased 32% to $1.8 billion and increased 119% to $982 million on a net basis. (Variable annuity net flows were down slightly to $548 million.) Sales were very strong this quarter given the weakness in equity markets. Importantly, spreads are expanding as short-term rates decrease and the yield curve gets steeper. Therefore, the company is very optimistic about the outlook for fixed annuity sales and continues to target 12%-14% annual long-term EPS growth. The 2001 consensus EPS estimate of $2.87 represents 11% growth compared to 14% compound annual growth over the past three years.

-- Details 9.9 / 7%
-- General Insurance (41% of earnings). General Insurance is the company's property-casualty insurance business and includes domestic commercial, domestic personal lines, mortgage guaranty, and foreign personal and commercial. Operating earnings increased 111% to $972.3 million. Net written premiums increased 17.3% in local currency and 15.1% on a reported basis. Net investment income increased 8.5% to $702 million, and pretax operating earnings increased 11% to $855 million. On a GAAP basis, the overall property-casualty combined ratio decreased to 94.6% compared to 94.9% a year ago, reflecting more adequate commercial lines pricing and catastrophe losses. Net loss reserves only increased $63 million, but we are not concerned about this level of growth and it is not inconsistent with industry trends at this point in the cycle.

972

Net written premiums in the domestic commercial property-casualty business increased 28% to $2.4 billion, which was well above expectations, even excluding the HSB acquisition. We estimate that growth still exceeded 20% when excluding HSB Group. This growth is a result of higher prices on existing business, new business, higher net retentions (buying less reinsurance) and higher client retention. The statutory combined ratio decreased to 98.2% compared to 100.9%. The statutory combined had been increasing year-over-year each of the past quarters, which was a concern. However, better margins coupled with strong this quarter offer further confirmation that the market is improving. AIG started culling unprofitable business earlier than many of its competitors and therefore we believe the company has set itself up for much better growth and underwriting profitability in 2001 and 2002.

Net written premiums in the international business increased 8.2% in local currency--a slight acceleration from the fourth quarter and 1.6% on a reported basis. The statutory combined ratio increased to 93.1% compared to 92.5% a year ago, but still very strong. The international business includes commercial as well personal lines, including some mature businesses like the travel accident business in Japan, which continues to be sluggish.

Net written premiums at Transatlantic (TRH $106.70), the reinsurer in which AIG holds a majority stake, increased 14% to $446 million, of which 47% is international. Operating earnings increased 4% to nearly $60 million, given weak net investment growth and only a slight improvement in underwriting margins. The GAAP combined ratio decreased to 99.6% compared to 100.0% and a year ago and 100.1% last quarter. Premium growth was driven by strength in the motor and specialty casualty lines. When Everest Re (RE $64.10), Renaissance Re (RNR $64.65), and St. Paul Companies (SPC $45.01) reported results earlier this

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week, the commentary was somewhat mixed by segment. Our position is that the overall reinsurance market definitely is improving, but the segments run in different cycles and the improvements have not been broad enough to bail out all companies. Transatlantic, which we believe may have been in response to comments earlier in the week, stated that rates are increasing, but "their pace and breadth by class and territory will differ. .underwriting discipline will remain key to our success".

Additional information is available upon request.

-> End of Note <-

-- FIRST CALL --

12:42pm EDT 27-Apr-01 Blair, William & Co. (Mark Lane) AIG AIG.N
AIG First Quarter: Impressive Results, Reiterate Long-term Buy Rating (2 of 2)

William Blair & Company, L.L.C.   Mark Lane (312) 364-8686

AMERICAN INTERNATIONAL GROUP, INC. (AIG)

Price 4/27	Earnings Per Share			P/E Ratio		Div.	Yield	LTGR	Rating
$80.77	12/00	12/01E	12/02E	12/01E	12/02E	$0.15	0.2%	14%	"2"
($69-$103)	$2.45	$2.82	$3.25	28.6x	24.8x				

Part 2 of 2

Domestic personal lines net written premiums, predominantly auto insurance, increased only 6% to $634.5 million--a marked deceleration from past quarters as AIG and 21st Century (TW $16.50) are increasing rates broadly in an effort to improve underwriting margins. The statutory combined ratio increased to 103.5% from 96.7% a year ago, although declined from 105.4% in the fourth quarter, and operating earnings decreased 70% to $12.5 million. The company stated that adverse weather had an adverse impact on results, but this was not quantified. This was the fourth consecutive quarter of underwriting losses in personal lines. Intense price competition, coupled with an aggressive growth plan and rising loss costs over the past few years, has compressed underwriting margins in personal auto insurance. However, we believe the fourth quarter of 2000 will mark the bottom for AIG's personal lines business and we expect margin and premium growth to improve gradually in 2001 and 2002. Loss cost inflation is still positive, but appears to have at least stabilized and AIG is increasing rates more aggressively.

At 21st Century, the direct personal auto insurer in California in which AIG holds a majority stake, net written premiums increased 4% to $222 million and constituted 35% of personal lines premiums. The company implemented a 6.4% rate increase in California (approximately 95% of its business) that was effective November 1, 2000. The GAAP combined ratio decreased to 102.4%, compared to 103.8% a year ago and 103.7% in the fourth quarter of 2000. Although growth has slowed a bit, mortgage guaranty continues to be very profitable with a combined ratio of less than 40%. Operating earnings increased 10% to $102 million and the company is benefiting from lower interest rates and an increase in refinancing.

Life Insurance (40% of earnings). Operating earnings increased 18% to $956 million with strong growth in the United States and overseas. Domestic operating earnings in the United States increased 22% to $364 million--we believe in part driven by the strength of fixed products. Last quarter, the company started to report premiums and deposits--in lieu of GAAP premium income--in order to allow further analysis of the underlying business. AIG only reported life results under U.S. GAAP accounting, which treats variable annuities as fee-based products and guaranteed investment contracts (GICs) as spread-based products. In the United States, annuity, pension, and investment product deposits increased 107% to $3.8 billion--which includes annuities as well as GICs. The GIC business is an opportunistic business in certain respects, which creates some volatility. Fixed annuity sales have improved for the industry at the expense of variable annuities--given the weak equity markets. Operating income at SunAmerica (split between life insurance and asset management) increased 13% to $368 million despite the weakness in the equity

-- FIRST CALL --

markets due to the strength in fixed products. SunAmerica's asset management business is reported within the asset management--including any subaccounts it manages within its variable annuities.

International life earnings increased 16% to $592 million as AIG continues to benefit from a flight to quality in Japan and Southeast Asia, and continues to expand product breadth and distribution. Premium growth in original currency was 9.2% and 2.6% on a reported basis. During the quarter AIG was named the exclusive sponsor to rehabilitate Chiyoda Mutual Life in Japan. As part of the rehabilitation, AIG announced it would make a capital contribution of more than $500 million. We view this transaction favorably, as it should improve AIG's competitive position in its largest foreign market and the world's largest life insurance market. Chiyoda has approximately 10,000 life insurance agents and is approximately the 12th largest life insurer in Japan, which makes the company larger than AIG's current life insurance subsidiary in Japan. The plan was approved last week and Chiyoda is now operating as a separate subsidiary--AIG Star Life Insurance Company.

-- Financial Services (14% of earnings). Operating income increased 17% to $329 million, driven by strong growth at AIG Financial Products and ILFC. The three principal businesses in financial services are ILFC, the aircraft leasing subsidiary; AIG Financial Products, and AIG Trading Group. ILFC earnings increased 17% to $160 million due to lower funding costs, and demand for new, fuel-efficient aircraft remains strong. AIG Financial Products continues to prove it is a growth business. Earnings increased 19% to $165 million and it constituted 52% of earnings this quarter. AIG Financial Products continues to build more recurring revenue as it expands its structured and client-specific interest rate, currency, and equity products. AIG Trading Group continues to struggle, although AIG has restructured this business and it is under the direction of new management. AIG Trading Group is engaged in client-focused hedged trading and market making in foreign exchange, interest rates, and metals. Earnings decreased 70% to $6.5 million. This business does not have high recurring revenue and is therefore volatile. We forecast $56 million of earnings for the year.

--Asset Management (5% of earnings). Operating income increased only 7% to $111 million, given weak equity markets, although it performed much better than the overall market given its product mix. In the first quarter, the NASDAQ declined 25.5% and the S&P 500 declined 12.1%. The largest component of this business is SunAmerica's asset management business. The segment also includes AIG's investment management businesses, as well as a majority interest in John McStay Investment Counsel. John McStay is a small-cap/mid-cap institutional money manager and also has a family of retail mutual funds under the Brazos name. As of March 31, 2001, AIG's third-party assets under management totaled approximately $33 billion compared to $35 billion at the end of 2000 and $35 billion a year ago as of March 31, 2001. Given AIG's long-term strategy of building its consumer franchise, particularly in Japan and emerging markets, we expect the retail mutual fund business to grow rapidly. The company created AIG Asset Management International in order to develop, distribute, and manage all retail mutual funds worldwide.

--Earnings Outlook
We have increased our 2001 operating EPS estimate to $2.82 from $2.80, which represents 15% growth. We forecast 11%-13% earnings growth in property-casualty insurance, 15%-17% in life insurance, 20%-22% in financial services, and

10%-12% in asset management. In the property-casualty insurance business, we forecast 17% net written premium growth, 8% net investment income growth, and a 95% combined ratio compared to 95.5% last year given more adequate pricing. A 100-basis-point swing in the combined ratio for the balance of the year is worth $0.04-$0.05 per share.

We have increased our 2002 operating EPS estimate to $3.25 from $3.20, which represents 15% growth. We forecast 13%-15% earnings growth in property-casualty insurance, 12%-15% in life insurance, 17%-20% in financial services, and 40% in asset management. In the property-casualty insurance business, we forecast 18% net written premium growth, 8%-9% net investment income growth, and a 94.4% combined ratio. A 100-basis-point swing in the combined ratio for the balance of the year is worth $0.06-$0.07 per share.

Additional information is available upon request.

-> End of Note <-

-- FIRST CALL --

Hamrah, Charlene

From: Greenberg, Larry [LGreenberg@langenmcalenney.com]
Sent: Thursday, April 26, 2001 9:37 AM
Subject: AIG Q1 earnings of $.67 ($.01 better than expected)

AIG's first quarter was $.01 better than we and the Street were looking for. We view the quarter as very solid and representative of improving property-casualty fundamentals.

Property-casualty results were strong with worldwide premiums up 17.3% in original currency terms (15.1% reported) due to commercial rate increases in both the U.S. and abroad.

The company stated "rates continued to firm ... but additional strengthening is required in order to return pricing to satisfactory levels after years of eroding rates".

Overall underwriting was in-line with our estimate and included improved commercial results and poorer personal lines results. Domestic brokerage produced a combined of 98.2% vs 100.9% and personal produced a 103.5% vs 96.7%. This is not a new trend for personal as last quarter's comparison was 105.4% vs 102.0%. Overall domestic underwriting was 96.9% vs 97.4% and foreign was 93.1% vs 92.5%.

The underlying quality of underwriting reflected paid loss growth of 14.4% to $3.52 bn and reserves increased $63 mn compared to $22.0 mn last year. These figures are generally in-line with trend.

In life insurance, domestic earnings grew 22% and foreign grew 16% to produce overall growth of 18% (solid). SunAmerica, part of which is reported in life and part in asset mgmt, grew earnings 13% and sales 48% (last quarter sales were down 12%; these jump around in part due to large GIC sales).

Our bottom line on AIG is that it's a great company but also highly valued. We continue to rate shares Accumulate (2) based on its market leadership position and our positive view on the group. We would add that a deal with American General, if agreed on, would be accretive to AIG by about 8% ($.22 per share).

Please call if you would like to discuss.

Larry Greenberg
(860) 724-1203

****

04:27pm EDT 26-Apr-01 Bear Stearns (A. Smith,M./M. Wright,B. 212 272-9) TRH
TRH: Good Earnings. Bad Estimate. Stock ...

Michael A. Smith 212 272-9465 masmith@bear.com
Brian M. Wright 212 272-4329 bmwright@bear.com 04/26/01

Subject: Analysis of Sales/Earnings
Industry: Insurance/Nonlife

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

Transatlantic Holdings (TRH $106.43) - Attractive
Good Earnings. Bad Estimate. Stock Still Attractive

Data		
Last ROE 10.9%	52-Wk Range $107-$80	Shares Out 35
Target Price $115	Dividend/Yield $0.54/0.5%	Market Cap (MM) $3,725

Key Points
*** Transatlantic Holdings' first quarter results showed continuing improvement in underwriting results.
*** Operating results were almost spot-on with our estimates, but a flawed tax assumption for the quarter caused our estimate to be unreasonably high.
*** Written premiums increased by 13.5% and the company reported slightly profitable, and improved, underwriting results.
*** Investment income was up only 2%, but we had been anticipating a decline. Cash flow from operations was extremely strong, amounting to $1.86 per share.
*** We continue to recommend purchase of Transatlantic Holdings' shares, rating the stock Attractive and targeting a price of $115, or 17-times our conservative 2002 estimate.

	Earnings Estimates					P/E
	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	Year
2000	$1.36A	$1.35A	$1.35A	$1.38A	$5.43A	19.6
2001	$1.38A	$1.45E	$1.55E	$1.62E	$6.00E	17.7
Previous	$1.45E	$1.50E	$1.45E	$1.60E	$6.00E	17.7
2002	$1.60E	$1.65E	$1.70E	$1.75E	$6.70E	15.9

We continue to recommend purchase of Transatlantic Holdings shares, rating the stock Attractive with a price target of $115. Our target price equates to 17-times earnings and about 2-times our estimate for book value per share at year-end, fair value given the company's 11% return on equity.

Transatlantic Holdings earned $1.38 per share (diluted, excluding investment gains) in the first quarter, barely up from $1.36 last year, but showing some underwriting improvement from the results that were posted throughout 2000.

-- FIRST CALL --

On an operating basis, results were only slightly below our estimate, $57.0 million pretax, compared to our published $58.8 million, but a clearly flawed income tax assumption on our part put our estimate out of reach. But based on trends the company is reporting, including markedly cash flow that is already showing up in stronger investment income growth, we are maintaining our full year estimates at $6.00 for this year and a conservative $6.70 in 2002.

Written premiums increased by 13.5%, driven largely by price increases in the specialty casualty reinsurance lines. Domestic business currently accounts for 47% of total premiums, and casualty lines still make up the vast majority, 79% of total.

Transatlantic's loss ratio (claims as a percent of premiums) was lower than we anticipated at 69.8%, but within this figure was a healthy increase in reserves, in the $35-$38 million range, putting the paid-to-incurred ratio at about 87%-90%, well below previous levels.

Cash flow from operations was extraordinarily strong at $65.3 million, or roughly 35% greater than operating earnings. This strength reflected a return to the historical and desired condition where substantial amounts of the company's reported claims are in the form of non-cash loss reserve adjustments, rather than actual cash payments. In addition, the reinsurance recoverable asset declined during the quarter, suggesting positive net cash collections.

Overall, the company's combined ratio fell to 99.6% in the quarter, a slight improvement from last year's break-even 100.0%. We believe this figure wioll drop further, to about 99.0% for all of 2001, and to about 98% in 2002.

With cash flow as strong as it was (compared to a deficit last year), the expansion of the investment portfolio is having a beneficial effect on investment income. Up only 1.7%, this was still better than we had anticipated, and continued improvement should allow results for the year to catch up with our estimates.

Transatlantic Holdings First Quarter Summary, $ in millions

	First Quarter		
	2001	2000	% change
Written Premiums	$445.7	$392.5	13.5%
Investment Income	59.6	58.6	1.7%
Underwriting Results	0.3	(0.3)	NM
Operating Cash Flow	65.3	(42.3)	NM
Combined Ratio	99.6%	100.0%	

Source: Company statements

Companies Mentioned: Transatlantic Holdings (TRH)

-- FIRST CALL --

-> End of Note <-

-- FIRST CALL --

05:39pm EDT 26-Apr-01 Prudential Securities (A.CORNISH 617-956-1017) TRH AIG
TRH: 1Q EPS WERE SLIGHTLY BELOW OUR EXPECTATIONS, BUT THE OUTLOOK FOR ...

TRH: 1Q EPS WERE SLIGHTLY BELOW OUR EXPECTATIONS, BUT THE OUTLOOK FOR HIGHER REINSURANCE RATES IS EXCELLENT.

PRUDENTIAL SECURITIES

April 26, 2001

SUBJECT: Transatlantic Holdings (TRH-$105.78) --NYSE

----- ANALYST(S) --------------------
Alice Cornish, CPCU 617.956.1017
Jay H. Gelb, CFA 617.956.1091

-------- OPINION --------
Current:Hold
Prior:--
Risk: Low
Target:$105.00

	FY	REV	EPS	P/E	1Q	2Q	3Q	4Q
Act	12/00		$5.43A	19.5X	$1.36A	$1.35A	$1.35A	$1.38A
Cur	12/01		$5.91E	17.9X	$1.38A	$1.48E	$1.51E	$1.54E
Prev			$5.95E	17.8X	$1.42E	$1.48E	$1.51E	$1.54E
Cur	12/02		$6.75E	15.7X				

----- FUNDAMENTAL ---
Avg. Volume:0 IAD/Yield:0.54/0.51% EPS Growth:9.00%
Mkt Cap:$3,679 m 52w Range:107.10-80.40 P/E / Growth:2x
Shares:34.78 m

----- BUSINESS --
Transatlantic Holdings (TRH), headquartered in New York, NY, is an international reinsurance organization. The Company's subsidiaries offer reinsurance capacity on both a treaty and facultative basis. Transatlantic structures traditional and non-traditional programs for a full range of property and casualty products, with an emphasis on specialty risks.

----- HIGHLIGHTS--

1) TRH reported first quarter 2001 EPS of $1.38 compared to $1.36 last year and our estimate of $1.42.
2) Management was optimistic that rate increases should continue for the foreseeable future.
3) Rate increases were highest in the specialty casualty and property catastrophe reinsurance lines.

----- DISCUSSION--
Management was optimistic that rate increases should continue for the foreseeable future. The flow of submissions to TRH has increased, but the company is being selective with accepting new risks. Specialty casualty and auto rate increases are particularly strong. Within specialty casualty, medical malpractice rates are up between 20%-100% depending on location, and policy terms are tightening. Directors and officers rates are increasing too, with somewhat less improvement in the accident and health and environmental lines. General property rates were down, but property catastrophe rates are up significantly (100%+ in some cases). Property catastrophe coverage currently accounts for 5%-10% of total net premiums. General casualty still requires additional rate increases, with many accounts requiring another 1 or 2 rounds of double digit rate hikes.

--- FIRST CALL --

First quarter recap. TRH reported first quarter 2001 EPS of $1.38 compared to $1.36 last year and our estimate of $1.42. Net premiums written increased 13.5% to $445.7 million, which was slightly ahead of our 13.0% estimate, due mostly to higher rates. Domestic premiums increased 16.5% to $236.6 million due in part to an improved environment for specialty casualty coverage. Foreign premiums grew somewhat slower at 10.4% to $209.0 million (Figure 1). The combined ratio improved to 99.6% from 100.0% last year even with a $39.0 million increase in reserves in 1Q01 versus a $40.9 million reduction in reserves last year. Cash flow from operations jumped to $65.3 million from ($42.3) million last year and investment income increased 1.7% to $59.6 million. Last year's negative cash flow reflects large loss payments related to the devastating European winter storms at the end of 1999. We are adjusting our 2001 EPS estimate to $5.91 from $5.95 to reflect the first quarter 2001 results. We are maintaining our "Hold" rating and our $105 price target.

American International Group (AIG-79.85, Strong Buy) owns 60% of TRH's outstanding shares. TRH's book value per share was $55.25 compared to $47.30 at year end 1999.

Figure 1. Breakdown of Net Premiums Written
(In $Mil)

	1Q01	1Q00	% Change
Domestic	236.6	203.2	16.5%
Foreign			
London	101.7	80.9	25.6%
Paris	29.1	25.2	15.4%
Zurich	28.3	28.3	0.0%
Toronto	6.6	5.4	21.9%
Miami (Latin Amer)	5.1	32.1	-21.9%
Hong Kong	12.3	10.9	12.8%
Tokyo	6.1	6.7	-8.1%
Total Foreign	209.0	189.4	10.4%
Total	445.7	392.6	13.5%

Source: Company data.

-> End of Note <-

-- FIRST CALL --