PLAINTIFF'S EXHIBIT 653

MEMORANDUM

October 31, 2000

To: M. R. Greenberg

From: C. M. Hamrah

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

Enclosed are the First Call notes commenting on AIG's third quarter earnings report. These notes are positive and a number of them address the issues raised on Thursday when we reported earnings and the stock declined; that is, loss reserves and acquisition appetite. Although growth both in life insurance and at SunAmerica were concerns in verbal discussions, the results were on target for many analysts.

Also included are First Call notes for Transatlantic; there were no notes for 21st Century.

Enclosures

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

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AIG/GEN - RE - TRANS 0001049

Δπ EXHIBIT 14
Deponent Schroeder
Date 7/9/08 Rptr. am
WWW.DEPOBOOK.COM

10:26am EDT 26-Oct-00 Advest, Inc. (Jeffrey V. Thompson 860-509-5084) AIG AIG.N
AIG: FIRST LOOK, 3Q00: POSITIVE PRICING COMMENTS, BETTER GROWTH EMERGING

AIG: First Look, 3Q00: Positive Pricing Comments, Better Growth Emerging

Advest, Inc.-RESEARCH NOTES

			OPINION
Subject:	American International Group, Inc. (AIG-$97.00)-NYSE	Current	BUY
Analyst:	Jeffrey V. Thompson, (860) 509-5084 jeffrey.thompson@advest.com	Prior	
Date:	October 26, 2000	Target Price	$104

	Earnings per Share 12/99A	12/00E	12/01E	Cal P/E 2000E	LT Growth Rate	Yield	Shares O/S (Bil.)	52 Week Range
New:	$2.13	$2.43	$2.78	39.9 x	15%	0.2%	2.3	$97-$52
Old:								

	Q1/Mar	Q2/Jun	Q3/Sep	Q4/Dec	Total
1998A	0.41	0.45	0.46	0.49	1.81
1999A	0.50	0.54	0.53	0.56	2.13
2000E	0.58A	0.61A	0.61	0.63	2.43
2001E	0.65	0.69	0.70	0.74	2.78

> AIG reported third quarter earnings of $0.61, in-line with Street consensus of $0.61 per share and our estimate.

> General Insurance earnings growth was better than expected, offsetting slightly lower than expect growth in other major segments.

> Comments on commercial insurance pricing were positive, Mr. Greenberg emphasized his view that rate increases will continue into next year.

> A negative change in p-c reserves in the quarter is not significant, earned premium growth is in line with paid loss growth, shares should not be weaker.

> We will have a follow up note later today with detailed and outlook by division, no mention of developments in Japan or China in the release.

Company Description
AIG is the leading U.S.-based international insurance organization. Its member companies write property, casualty, marine, life and financial line insurance in approximately 130 countries and jurisdictions, and are engaged in a range of financial services and investment management businesses.

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Advest's rating system consists of the following: Strong Buy (SB), Buy, Market Perform (MP) and Market Underperform (MU).
The information herein has been obtained from sources deemed reliable, but is not guaranteed, and it, together with all estimates and forecasts, is subject to change without notice. This report does not purport to be a complete analysis of the security, issuer or industry, and is not an offer or a solicitation of offers to buy or sell any securities. Advest, Inc. employees may have recommended these securities to certain investors prior to this publication. Advest, Inc. may make a market in and Advest, Inc., or its employees may maintain positions in, or buy or sell these securities or related options. Additional information on recommended securities is available on request. c. 2000 Advest, Inc.

-> End of Note <-

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02:06pm EDT 26-Oct-00 Merrill Lynch (J.Cohen/A.Jacobowitz) AIG AIG.N
AMER INTL GROUP:All Segments Contribute to Growth

ML++ML++ML Merrill Lynch Global Securities Research ML++ML++ML
AMERICAN INTERNATIONAL GROUP (AIG/NYSE)
All Segments Contribute to Growth

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

ACCUMULATE Long Term: BUY

Reason for Report: Third-Quarter Earnings Analysis

Investment Highlights:

o AIG reported operating earnings of $0.61 per share, in-line with our estimate and consensus.

o While further multiple expansion might be difficult to achieve, continued earnings growth should drive further price appreciation.

Fundamental Highlights:

o Property/Casualty premiums were up 8.1%, above our estimate. Comments on market conditions reflect continued improvement.

o Life Insurance earnings grew by 16.3%, a solid number but slower than the first half growth rate and just below our forecast.

o Financial Services earnings rose by 23.3%, a bit better than expected. ILFC's earnings expanded by 14% while AIG Financial Product's earnings advanced by 28%, continuing its trend of strong earnings gains. The smaller trading unit posted lower earnings in the quarter.

o Asset Management, AIG's smallest business segment, produced earnings growth of 27% in the quarter, a bit below our forecast. Assets under management were $36 billion.

o We are maintaining our estimates.

Price:	$93.75		
12 Month Price Objective:	$105		
Estimates (Dec)	1999A	2000E	2001E
EPS:	$2.10	$2.45	$2.85
P/E:	44.6x	38.3x	32.9x
EPS Change (YoY):		16.7%	16.3%
Consensus EPS: (First Call: 18-Oct-2000)		$2.46	$2.81
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	$0.12	$0.15	$0.16
Dividend Yield:	0.1%	0.2%	0.2%

Opinion & Financial Data

Investment Opinion:	A-2-1-7
Mkt. Value / Shares Outstanding (mn):	$217,781 / 2,323
Book Value/Share (Jun-2000):	$15.04
Price/Book Ratio:	6.2x

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ROE 2000E Average: 15.0%
LT Liability % of Capital: 7.0%
Est. 5 Year EPS Growth: 14.0%

Stock Data

52-Week Range: $97.50-$52.38
Symbol / Exchange: AIG / NYSE
Options: Chicago
Institutional Ownership-Spectrum: 49.0%
Brokers Covering (First Call): 22

For full investment opinion definitions, see footnotes.

A Safe Haven

AIG's third-quarter earnings again showed remarkable consistency, growing by about 15% from the year ago quarter. In a market that has seen higher-than-average volatility this year and quick and severe sector rotations, AIG has remained a safe haven for investors. As a high quality, liquid stock in an industry which is seeing fundamental improvement in a number of lines, AIG has attracted investor interest, pushing its relative multiple above its historic range. We note that the fundamentals in AIG's biggest business (non-life insurance) are improving for the first time in nearly 15 years and the fundamental outlook in the company's next biggest unit (life insurance) is very good given the rebounding economies in Asia. At a 60% premium to the market multiple, we do not see much room for expansion and future stock performance could be more in line with earnings growth of 13-16% annually.

AIG's current multiple presents another growth opportunity as well: acquisitions. AIG's P/E multiple is clearly the highest among any financial services company in the U.S., suggesting that AIG should be able to use its stock as an acquisition currency in an accretive fashion. Given the lack of large deals the company has done over the past decade, it is clear that AIG is a "picky" buyer, but the large deals the company has completed (ILFC, SunAmerica) have worked quite well. In its release, management noted that it is well positioned as a global consolidator to take advantage of the current disruptions in insurance markets around the world. We note the financial troubles of the Japanese life insurers could present other opportunities for AIG.

In the third-quarter, all of AIG's units performed well. General insurance earning were higher than expected, while life earnings missed our forecast modestly. Financial Services earnings were better than expected. We are maintaining our 2000 and 2001 estimates.

Details of the Quarter

General Insurance. Worldwide general insurance premiums written were up by [illegible].1%, an acceleration from last quarter's 7.5% growth and the highest growth rate since 99:Q2. We had been expecting 6.5% growth. Domestic premiums grew [illegible].7% in the quarter accelerating further from last quarter's 5.2% rate. The personal lines business was up 14.4% (9.5% last quarter). In its release management noted that it is "aggressively" pursuing increased pricing in "all" of its auto operations and management is "confident that a firmer market will develop". The domestic brokerage group saw premium rise by 6.7%, an acceleration from the recent run rate. Adjusting for non-renewed premiums, the domestic brokerage group grew by 10% this quarter. Foreign general insurance premium growth was good at 6.9%, although slowing from last quarter' 12% rate, although currency changes could have effected the comparison.

CEO Greenberg commented in the release that the company continues to see rate increases for many classes of business in the US with "increased momentum on the domestic commercial insurance pricing front" and he expects these increases to continue. He again cautioned, however, "that while rates are clearly strengthening, rates had declined for nearly a decade, and hence the industry needs considerable improvement in pricing to get back to reasonable levels".

The combined ratio was 96.3% vs. 96.6% a year ago. The foreign combined ratio was 95.8%, an improvement from 96.2%. The domestic combined ratio improved to 98.6% from 99.9%. The personal lines combined ratio worsened to 101.3% from 96.9%, not surprising given the emerging pressure in auto insurance. Overall net loss reserves declined by $59 million, not a big issue in our view, but the market has reacted negatively to such trends in the past. At Transaltlantic Re, paid claims resulting from prior period catastrophe losses were high in the quarter.

Life Insurance earnings grew by 16.3%, a solid number but somewhat slower than the first half growth rate and just below our forecast. SunAmerica's earnings grew by 18% in the quarter (included in both life and asset mgt.) Life premiums grew 27.4% in the US and foreign premiums 17.6% with total premiums rising18.5%. We note that revenue from some newer investment-related products is flowing through the investment income line which was up 17.3% in total. AIG noted that results in Asia, the US, Europe and the UK were "very good"

Financial Services earnings rose by 23.3%, a bit better than expected. Within this segment, ILFC's (aircraft leasing) earnings expanded by 14% (19% last quarter) while AIG Financial Products saw its earnings advance by 28% (46% last quarter), continuing its trend of strong earnings gains. Asset Management, which includes SunAmerica's asset management business as well as John McStay and AIG's own operation, This segment produced earnings growth of 27% in the quarter, a bit below our forecast. Assets under management were $36 billion.

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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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02:15pm EDT 26-Oct-00 Keefe, Bruyette & Woods, Inc. (Clifford Gallant) AIG AIG.
AIG: Third quarter earnings

American International Group (AIG - Buy)
Third quarter earnings
Cliff Gallant 212-432-4546

American International Group reported solid third quarter operating earnings of $0.61 per share versus our expectation of $0.61 and a consensus estimate of $0.61. Highlights in the quarter include a continuation of an improving marketplace for property and casualty insurance and continued strong growth in the life and financial services businesses. Below, we discuss the segments in more detail. Overall, we continue to rate the shares with a BUY rating based upon the long-term prospects of the company's many businesses, the quality and stability of earnings and an improving near-term environment in several of its core businesses. We highlight that the company has truly distanced itself from its competitors over the past several quarters with strong results during a time when much of the industry has been recovering and rebuilding after the long soft market. As the marketplace improves through the 2001 and 2002 timeframe, we would expect AIG to further distinguish itself as it leverages its worldwide market positions to fully take advantage of the improvements.

General Insurance had a strong quarter and prospects for the immediate future include continued improvements in the pricing environment. Premiums written through the Brokerage Division were up 6.7% to $2.1 billion in the quarter, but up 10% excluding the impact of non-renewed business. Although rates are on an upswing, management was careful to note that after a decade of rate cuts, rates in general are still below "reasonable" levels. Management believes, however, that momentum will continue into 2001 for rate improvements. The Brokerage Division combined ratio was 98.55% in the quarter, improved from 99.9% in the prior year quarter, benefiting from the rate and underwriting actions. In personal lines, growth remained strong in the mid-teen range but increased pricing is necessary. At 21st Century, the combined ratio was 105.8% in the quarter as the company feels the impact of past aggressive rate cuts which were taken as loss trends began to stabilize. Overall AIG personal lines reported a 101.3%, up from 96.85% a year ago. Foreign General insurance reported 6.9% net premium growth to reach $1.4 billion in the quarter with a combined ratio of 95.77%. At Transatlantic Holdings, growth was a strong 12.3% as the reinsurance marketplace begins to turn and the combined ratio was a strong 99.7%. We note that the quarter's paid losses were higher than run-rate levels for AIG as Transatlantic paid large claims for prior reserved events, resulting in a negative change in reserves.

Life Insurance operating income was $887 million, up 16% over the prior year quarter. Premium income was up a robust 17.6% to $2.97 billion in the foreign operations and up 27.4% to $310.8 million domestically. Management highlighted strong results in Asia, the US and UK, and Continental and Central Europe. Operating income at SunAmerica was up 18% to $347.4 million.

Financial Services operating income was $308.4 million, up 23% over the prior year quarter. ILFC earnings were up 14% reflecting growing market demand and AIG Financial products was up 28% to $154 million. Asset management operating income, including SunAmerica's asset management operations, was up 27.0% to $110.2 million.
First Call Corporation, a Thomson Financial company.

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04:21pm EDT 26-Oct-00 Goldman Sachs (Thomas V. Cholnoky) AIG AIG.N
AIG 3Q EPS: $0.61 vs. $0.61. Maintaining Estimates and Recommended List Rating

Goldman, Sachs & Co. Investment Research

AIG 3Q EPS: $0.61 vs. $0.61. Maintaining Estimates and Recommended List Rating

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* We continue to recommend purchase of AIG. We continue to believe that the company's diversified business segments will generate strong, quality double-digit earnings growth. As a result, we believe that AIG should continue to trade at a significant premium to other non-life insurance stocks and the market. The fundamentals of AIG's primary businesses are strong or getting stronger. AIG reported third quarter diluted operating EPS of $0.61 versus $0.53 a year ago and our $0.61 estimate. We are maintaining our 2000 and 2001 EPS estimates of $2.47 and $2.84, respectively. *

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Thomas V. Cholnoky (New York) 1 212-902-3408 - Investment Research
Joan H. Zief (New York) 1 212-902-6778 - Investment Research
Elizabeth A. Werner (New York) 1 212-902-3646 - Investment Research

=================== NOTE 3:59 PM October 26, 2000 ===================

	Stk Rtg	Latest Close	52 Week Range	Mkt Cap (mm)	YTD Pr Change	Cur Yield
American International Group	RL	99.38	100-54	229937.	38%	0.1%

AIG (US$)	Earnings Per Share: Mar	Jun	Sep	Dec	FY	CY
2001 FY					2.84	
2000 FY	0.58A	0.61A	0.61A	0.65	2.47	
1999 FY(A)	0.50	0.54	0.53	0.56	2.13	

		-Abs P/E on- Cur	Nxt	-Rel P/E on-- Cur	Nxt	EV/NxtFY EBITDA	LT EPS Growth
AIG	FY	40.3X	35.0X	1.7X	1.5X	NA	15%

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General Insurance Operating Remain Strong. Trend is Positive.

Some Clarity on Reserves.

Life Business Remains Strong.

Asset Management Continues to See Strong Growth.

Financial Services Continues to See Growth as Well.

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ìeneral Insurance income rose 14.0%. Domestic premium volume rose 8.7%, ahead of our expectations, with strong growth in personal lines (up 14.4%) and mortgage guaranty (up 16.4%). Brokerage was up 6.7%. With respect to the latter the company noted that it is still non-renewing business but at lower rate than in previous quarters. Pricing continues to improve and management believes the pricing improvements should continue. Personal lines saw some deterioration in loss costs and its companies have filed for rate increases. Most of the deterioration was in Twentieth Century. Mass marketing business continues to lead traditionally placed business. International premium volume rose 6.9%. The company has not had currency problems and is seeing improvements in most markets. Growth in Europe continued to be quite strong helped by price improvements in the London market. The General Insurance reported combined ratio declined 0.3 pps to 96.3%. 21st Century had another difficult quarter, contributing the personal combined ratio rising to 101.3%. Investment income rose 6.9%, in line with our expectations.

Reported reserves decreased by $58 million in the quarter. However, the company attributed $42.5 million of this decline to TRH (resulting from catastrophe loss payments on previously established reserves). Backing this out, AIG reserves still appeared to be flat at a time when the top line is showing growth. We believe there are two factors responsible for the lack of reserve growth. First, over the last 12-18 months, AIG has non renewed a significant amount of long-tail casualty business due to inadequate pricing. However, the reserves associated with this business still remain on the company's balance sheet. As AIG pays out these losses, the company draws down these reserves. Second, much of the company's incremental growth has come from short-tail personal lines. The reserves associated with this business simply do not stay on the balance sheet as long. Therefore, the combination of these two factors makes it appear as though reserves are not growing. In fact, AIG continues to set adequate reserves for current year business.

fe insurance earnings rose 16.3% with domestic earnings up 18.2% and reign up 15.2%. SunAmerica's domestic business remained very strong in ɩne quarter. Domestic life operations saw improvements in structured settlements while new products remain strong. Spreads remain strong. Currency translations were neutral to International this quarter. The company's China business continue to do well. AIG is still benefiting from a flight to quality in Japan. The company expects its operation in India to be licensed in early 2001.

Asset management earnings rose 27.0% to $110.2 million. The company noted that assets under management stood at $36 billion, up slightly from the second quarter despite the difficult equity markets during the quarter. This segment should continue to deliver strong results going forward.

Financial services reported another strong quarter with earnings up 23.3%. ILFC had its second consecutive strong quarter; earnings were up 12.7%. The overall operating environment is good with solid demand. The company's 00 and 01 deliveries are fully leased and 82% of 02 deliveries are leased. Lease rates remain stable as does the operations leverage. The company sold three planes during the quarter. Earnings in Financial Products rose 17.6%, reflecting the impact of volatile equity markets. Transaction volume was strong with good demand for structured transactions. Trading income increased 117.1% despite the markets.

Important Disclosures (code definitions attached or available upon request)
AIG : CF

-> End of Note <-

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04:35pm EDT 26-Oct-00 Friedman, Billings, Ramsey &Co (Bijan Moazami 703-469-10
FBR Inc.: AIG: Growth and Consistency

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

American International Group, Inc. (AIG - $92 1/2) Update
Accumulate

Bijan Moazami, CFA (703) 469-1031
bmoazami@fbr.com
October 26, 2000

Growth and Consistency

* Reported 3Q 2000 results. American International Group, Inc. (AIG) reported third quarter operating earnings of $0.61 per share, in line with our estimate, and 15% higher than 3Q99 results of $0.53 per share. First Call consensus was also $0.61.

* Reiterate BUY rating. We maintaing our 2000 EPS and 2001 EPS estimates of $2.45 and $2.80, respectively. We reiterate our Accumulate rating on the shares of AIG with a 12-month price target of $103, or 37.0 times projected year-end 2001 EPS of $4.80.

Stock Data	
52-Week Range	$100-52
Shares Out. (mil.)	2,339.9
Float (mil.)	1,754.9
Market Cap (mil.)	$216,440
Avg. Daily Vol. (LTM)	560,683.0
Dividend	$0.13
Book Value 6/30	$15.04
Dividend Yield	0.1%
Insider Holdings	25.0%
Institutional Holdings	74.1%
:AGR 5yr. Est. EPS	14%

?inancials (mil.) - 6/30	
Total Assets	$281,214
Total Investments	193,537
)ebt	3,712
;hareholders' Equity	34,805
)ebt/Equity	10.7%
.TM Results (mil.) - 9/30	
?retax P/C	$3,400.1
'retax Life	2,588.6
)ther Pretax	2,190.6
'retax Income	8,179.3
ıfter-Tax Income	5,524.3

Earnings Per Share

'ear	1998A	1999A	2000E	2001E
Q Mar	$0.42	$0.51	$0.87A	$--

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2Q Jun	$0.45	$0.54	$0.61A	$--
3Q Sep	$0.46	$0.53	$0.61A	$--
4Q Dec	$0.48	$0.56	$0.65	$--
Full Year	$1.81	$2.13	$2.45	$2.80
Dividend	$0.11	$0.13	$0.14	$0.15
Book Val.	$13.09	$14.33	$16.24	$18.89
P/B	7.06x	6.45x	5.70x	4.90x
P/E	51.0x	43.5x	37.8x	33.1x
ROE	14.3%	15.5%	16.0%	15.9%

THIRD QUARTER RESULTS

American International Group, unsurprisingly reported operating EPS of $0.61 as compared to $0.53 last year. Our forecast and First Call consensus was also $0.61. All segments contributed to the results, as core earnings for P/C, life insurance, financial services and asset management improved for the quarter.

Property/casualty. The domestic P/C business is clearly improving as the commercial lines segment is receiving significant price improvement and the personal lines business is turning around. These general improvements in market conditions are allowing the company to expand premium volume 8.1% year over year during the quarter, significantly faster than production growth in the past four quarters. The company's P/C operation produced a 96.3% combined ratio as compared to 98.5% last year. Considering the lack of catastrophe losses during the quarter, this should not have come as a surprise. The only drawback for the sector was a decrease in loss reserves. The paid-to-incurred loss ratio for the quarter was 101.9% as compared to 99.6% last year. In general, market conditions are improving and AIG's results remain stellar in the property/casualty segment.

Property/Casualty	3Q99	3Q00A	3Q00E
GAAP Ratios			
Loss Ratio (%)	76.0%	74.6%	75.2%
Expense Ratio (%)	22.5%	21.7%	20.7%
Combined Ratio (%)	98.5%	96.3%	95.9%
P/C Core Earnings	761	868	813
Year-To-Year Changes			
Written Premiums (%)	5.6%	8.1%	8.0%
Premiums Earned (%)	-2.0%	13.4%	17.4%
Investment Income (%)	8.2%	6.9%	7.0%
Pretax Income (%)	7.4%	14.0%	6.7%

Life business. The life results were excellent. Premium volume grew 27.4% for the domestic operation and 17.6% for the foreign operation. Operating income for the segment was up 16.3%. AIG's life business is driven by its foreign operations where growth can be phenomenal over time. AIG received a license to write business in Vietnam during the quarter. In addition, we believe there are plenty of companies in Southeast Asia, and particularly in Japan that face insolvency. This should create great opportunities for AIG to sponsor some of these companies and then eventually acquire them as they emerge from bankruptcy. AIG for instance, recently sponsored Chiyoda Mutual Life for rehabilitation.

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Life Insurance	3Q99	3Q00A	3Q00E
Domestic Premium Income	$244	$311	$334
Foreign Premium Income	2,522	2,966	2,838
Net Investment Income	1,512	1,773	1,716
Operating Expenses	(3,516)	(4,164)	(3,973)
Life Core Earnings	762	887	915
Year-To-Year Changes			
Domestic Premiums (%)	25.2%	27.4%	37.0%
Foreign Premiums (%)	13.3%	17.6%	12.5%
Investment Inc. (%)	18.4%	17.3%	13.5%
Pretax Income (%)	14.5%	18.4%	13.0%

Financial services. This business is driven by ILFC (the aircraft leasing arm of AIG) and AIGFP (the financial product group). The first business will continue to grow as world travel expands, while the second business is surely benefiting from market volatility as hedging and the use of swaps and other financial products increases. Operating income for the segment was up 23.3% for the quarter.

Financial Services	3Q99	3Q00A	3Q00E
International Lease Finance Corp.	$146	$166	$166
AIG Financial Products Corp.	120	154	175
AIG Trading Group, Inc.	10	5	5
Other	(3)	3	(3)
Intercompany Reclassifications	(23)	(20)	(18)
Total Financial Services	250	308	325
Year-To-Year Changes			
ILFC (%)	18.2%	14.2%	14.0%
AIG Financial Products Corp. (%)	45.7%	28.1%	45.0%
AIG Trading Group, Inc. (%)	-74.6%	-47.9%	-50.0%

Asset management. This is the focus area for AIG. Growth was good, with operating income increasing 27%. However, with only $110 million in earnings, this segment is still too small. Expect an acquisition in this area in the near future.

Other	3Q99	3Q00A	3Q00E
Asset Management	87	110	109
Other Income (Deductions)	(45)	(73)	(60)
Foreign Exchange	(3)	(1)	(3)
Total Other Income	39	36	46
Pretax Inc. Before Min. Interest	$1,813	$2,099	$2,098
Operating Income	234	1,409	1,422
Operating EPS	$0.52	$0.61	$0.61
Realized Gains	0.01	(0.01)	0.00
Net Income	$0.54	$0.60	$0.61
Weighted avg. shares	2,351	2,340	2,339

Risks

-- FIRST CALL --

* 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 --

05:19pm EDT 26-Oct-00 Salomon Smith Barney (Ronald W. Frank 212-816-1681) AIG
AIG: EPS IN LINE; STRONG MOMENTUM IN DOMESTIC PROPERTY/CASUALTY (REVISED)

SALOMON SMITH BARNEY

American International Group (AIG)
AIG: EPS IN LINE; STRONG MOMENTUM IN DOMESTIC PROPERTY/CASUALTY (REVISED)

1L (Buy, Low Risk)
Mkt Cap: $214,202.4 mil.

October 26, 2000

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

SUMMARY
* EPS in line; domestic commercial premium growth accelerates consistent with improving market and our expectations.
* Stock weakness probably reflects "sell on the news" phenomenon among other factors; we view as opportunity to add to positions.

FUNDAMENTALS

P/E (12/00E)	37.6x
P/E (12/01E)	32.7x
TEV/EBITDA (12/00E)	NA
TEV/EBITDA (12/01E)	NA
Book Value/Share (12/00E)	$15.04
Price/Book Value	6.2x
Dividend/Yield (12/00E)	$0.15/0.2%
Revenue (12/00E)	$41,050.0 mil.
Proj. Long-Term EPS Growth	15%
ROE (12/00E)	16.8%
Long-Term Debt to Capital(a)	6.3%

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

SHARE DATA

Price (10/26/00)	$92.56
52-Week Range	$99.94-$52.38
Shares Outstanding(a)	2,314.2 mil.
Convertible	No

RECOMMENDATION

Current Rating	1L
Prior Rating	1L
Current Target Price	$103.00
Previous Target Price	$103.00

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
12/99A	Actual	$0.50A	$0.54A	$0.53A	$0.56A	$2.13A
12/00E	Current	$0.58A	$0.61A	$0.61A	$0.66E	$2.46E
	Previous	$0.58A	$0.61A	$0.61E	$0.66E	$2.46E
12/01E	Current	NA	NA	NA	NA	$2.83E
	Previous	NA	NA	NA	NA	$2.83E
12/02E	Current	NA	NA	NA	NA	NA
	Previous	NA	NA	NA	NA	NA

First Call Consensus EPS: 12/00E $2.46; 12/01E $2.81; 12/02E NA

OPINION

AIG reported 3Q00 operating EPS of $0.61, in line with our estimate. From our perspective, better than projected General (property/casualty) insurance earnings and a slightly lower than projected (but in line with previous periods) tax rate offset lower than projected life and financial services

- FIRST CALL --

earnings. These offsetting factors again demonstrate the earnings diversity that is a core strength of AIG. AIG stock is weak today, probably reflecting one or more of the following in order of likelihood: 1) the "sell on the news" phenomenon, as AIG hit a record yesterday and financials are soft today; 2) concern, which we would consider misplaced, about a small reduction in loss reserves; 3) a sequential-quarter decline in life earnings growth to a still-healthy 16%; and 4) some concern, which we would likewise consider misplaced, about a big acquisition in view of CEO Hank Greenberg's earnings release comments. We are making no changes to our earnings estimates, and would view the pullback in AIG as an opportunity to add to positions in the stock.

THE DOMESTIC COMMERCIAL PROPERTY/CASUALTY STORY KEEPS GETTING BETTER. Premium growth in AIG's core Domestic Brokerage Group was 6.7% in the third quarter, vs. 3.6% in 2Q and a decline in 1Q. A hardening market and, related to this, reduced non-renewal activity clearly account for the positive trend. Overall General Insurance premium growth of 8.2% was in line with our projection. Mr. Greenberg stated: "In the domestic commercial property/casualty marketplace, we are seeing a continuation of rate increases for many classes of business. We have every reason to believe that this momentum will continue into future quarters...The worldwide reinsurance market is tightening..." The Domestic Brokerage Group combined ratio of 98.6% compared favorably to both 2Q00 and 3Q99. The personal lines combined ratio deteriorated further to 101.3% in the quarter, reflecting continuing loss cost pressures, particularly at 21st Century, and premium growth accelerated from 9.5% in 2Q to 14.4% in 3Q, perhaps partly reflecting early price increases. Foreign General premium growth of 6.9% was below the first-half level, and the combined ratio of 95.8%, while a good result, was about two points worse than 2Q which was affected by catastrophe losses. We are unsure as to potential currency or catastrophe impacts on the foreign comparisons. Loss reserves declined by $59 million in the quarter, which we suspect may have been a "hot button" for investors. We continue to believe that small quarterly changes in AIG's $25 billion loss reserve defy meaningful interpretation, and it does appear that most of the reduction ($43 million) occurred at AIG's reinsurance affiliate, Transatlantic Holdings, due to payment of reserved catastrophe claims and foreign exchange.

LIFE PROFIT GROWTH SLOWS SLIGHTLY, BUT REMAINS STRONG. Segment operating earnings grew 16% in 3Q, vs. 17% in 2Q and 21% in 1Q (our estimate was 19%). Both foreign and domestic profit growth showed some slowing relative to the first half of 2000. Premium and investment income growth were quite strong at 18.5% and 17.3%, respectively, both figures higher than those for the first six months of the year. The company had no specific comment on the trends, except to say that the operating environment remains good with new initiatives proceeding well. SunAmerica in particular had sales growth of 17.4%, reflecting good core product results and opportunistic guaranteed investment agreement (GIC) sales. Assets under management in the Asset Management segment were $36 billion, a slight increase over 2Q despite difficult securities markets. Overall, we see nothing in the underlying numbers or the external environment to suggest that it is appropriate to extrapolate the consecutive-quarter comparisons. This being said, some slowing from the explosive 23% segment profit growth of 1999 was to be expected and is already built into our model.

FINANCIAL SERVICES RESULTS SOLID OVERALL. AIG Financial Products profit growth of 28%, while down from first-half growth above 40%, was still quite strong reflecting good transaction activity and a growing recurring income stream. International Lease Finance earnings growth of 14.2% was well above the first-half growth rate, as plane demand remains strong. The smaller AIG Trading continued to show a profit decline.

DEAL COMING? Mr. Greenberg commented that consolidation must continue in the global life and non-life sectors, and that AIG is well-positioned for such opportunities. This is consistent with several of his previous comments going back as far as March of this year. We have no way of knowing whether or not a major deal is imminent, but are confident that any acquisition would make strategic and financial sense for the company.

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.

COMPANY DESCRIPTION

As the leading U.S.-based international insurance organization, American International Group does business in more than 130 countries. Domestic general (property/casualty) insurance accounted for 31% of AIG's 1999 pretax income, while foreign general made up 11% and life, 40%. Fourteen percent came from AIG's financial services operations, which include International Lease Finance, AIG Financial Products (derivative products), and AIG Trading (commodities, currencies), with the 4% balance from asset management.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

Ronald W. Frank 212-816-1681

-> End of Note <-

- FIRST CALL --

07:48pm EDT 26-Oct-00 Prudential Securities (A.CORNISH 617-956-1017) AIG TW TRH
AIG REPORTS GOOD 3Q RESULTS ON A BAD DAY (PART 1 OF 2)

AIG REPORTS GOOD 3Q RESULTS ON A BAD DAY (PART 1 OF 2)

PRUDENTIAL SECURITIES October 26, 2000

SUBJECT: American International Group (AIG-$99.38) --NYSE

----- ANALYST(S) --------------------

Alice Cornish, CPCU 617.956.1017
Jay Gelb, CFA 617.956.1091

-------- OPINION --------
Current:Strong Buy/SBI/Select
Risk:Low
Target:$110.00

	FY	REV	EPS	P/E	1Q	2Q	3Q	4Q
Act	12/99		$2.13	46.7X	$0.50	$0.54	$0.53	$0.56
Cur	12/00		$2.44E	40.7X	$0.58A	$0.61A	$0.61A	$0.64E
Cur	12/01		$2.80E	35.5X				

----- FUNDAMENTAL --

Avg. Volume:3,400,000 IAD/Yield:0.10 / 0.10% EPS Growth:13.00%
Mkt Cap:$229,948 mil 52-Week Range:100 - 52 P/E / Growth:3.1x
Shares:2,313.83 mil

----- 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) Results were on target at $0.61 vs. $0.53.
2) Some were concerned about the .2% drop in reserves -- they must be kidding!
3) Life insurance growth remained in the double-digits.
4) Financial Services profits were excellent.

----- DISCUSSION--

American International Group's third quarter per share results met our expectations along with the Street's. For those expecting this company to post a large upside surprise in profits - forget it. This is not the way AIG is managed, nor the reason it continues to have the loftiest valuation among the financial services group. Management has been diligent in its focus on consistent mid double-digit profit growth through good times and bad and there is little reason to expect that to change - in spite of the fact that the Domestic Brokerage Group (recall that they are the largest underwriter of commercial risks in the U.S.) is potentially entering one of the best operating environments in fifteen years.

Speaking of consistent results, apparently, some took exception to the $59 million (.2%) decline in general insurance reserves. We actually had been

- FIRST CALL --

expecting a somewhat smaller $2 million drop, but with all of the moving parts, e.g. a slimmed down domestic brokerage book, expanding short tail lines like auto insurance and Foreign General, along with excellent loss trends in Mortgage Guaranty, who can predict this number?. To test this theory, we subtracted the Transatlantic results from the total reported for AIG since the 1999 first quarter and can detect no trend (Fig. 3). Therefore, we believe that it is impossible to make a reasonable judgment about reserve adequacy in this quarter's results and suggest that the 10-K, which displays a detailed story about a strong balance sheet, be reviewed.

And don't forget the acceleration in domestic brokerage premium growth along with the Chairman's assertion that they have every reason to believe that the rate increase momentum will continue into future quarters. Furthermore, as the press release also states, AIG is in a superb financial position and can benefit from the economic need for industry consolidation. We are satisfied that this was a good quarter for AIG and believe that today's weakness provides an excellent buying opportunity. Our six month price target is $110.

THIRD QUARTER RECAP

AIG's consolidated and segment results are shown in Figure 1. Earnings per share of $0.61 compared to $0.53 rose 15.1% and were on target with expectations. General Insurance profits were better than expected, Life Insurance and Asset Management earnings were slightly lower, and Financial Services results were on target.

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

	3Q00E	3Q00A	3Q99A	% Chg. 3Q00A/ 3Q99A
General Insurance	820.3	868.3	761.4	14.0%
Life Insurance	916.0	886.6	762.5	16.3%
Financial Services	309.5	308.4	250.2	23.3%
Asset Management	118.8	110.2	86.8	27.0%
Corporate & Other	-61.9	-74.3	-47.9	54.9%
Total	2,102.6	2,099.2	1,812.9	15.8%
Taxes	618.2	621.6	529.9	17.3%
Minority Interest A/T	-49.5	-64.0	-49.5	29.3%
Income	1,435.0	1,413.6	1,233.5	14.6%
Realized Capital Gains	0.0	-28.0	33.9	-182.7%
Net Income	1,435.0	1,385.6	1,267.4	9.3%
EPS-Net Income	$0.61	$0.60	$0.54	11.1%
EPS-Operating	$0.61	$0.61	$0.53	15.1%

Source: Company data, Prudential Securities estimates.

GENERAL INSURANCE - Momentum Should Continue

Figure 2 shows that Domestic Brokerage premiums rose 6.7% to $2.1 billion compared to our expectation for 3.8% growth. Importantly, AIG's contribution grew at 6.1% or more than twice our estimate of 3.0% following the second quarter change of 2.6%. The company also noted that excluding non renewed premiums, the growth would have been 10% compared to 8% in 2Q00. During the past 8 quarters, AIG has been eliminating business as follows: 4Q98, $180 mil.; 1Q99, $175 mil.; 2Q99, $100 mil.; 3Q99, $95 mil.; 4Q99, $80 mil.; 1Q00, $110 mil.; 2Q00, $114 mil.; 3Q00 $66 mil. (our estimate).

-- FIRST CALL --

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

	3Q00E	3Q00A	3Q99A	% Chg. 3Q00A/ 3Q99A
Domestic Brokerage				
AIG	$1,782.0	$1,879.5	$1,771.4	6.1%
TRH	237.2	240.5	215.6	11.5%
Reported	2,019.2	2,120.0	1,987.0	6.7%
Personal Lines				
AIG	$396.1	$428.3	$360.1	19.0%
TW	219.4	206.5	195.0	5.9%
Reported	615.5	634.9	555.0	14.4%
Mortgage Guaranty	107.0	117.0	100.5	16.4%
Total Domestic	2,741.7	2,871.9	2,642.5	8.7%
Foreign General				
AIG	$1,304.3	$1,211.4	$1,144.0	5.9%
TRH	205.2	210.4	185.9	13.2%
Reported	1,509.5	1,421.8	1,329.9	6.9%
Total General Insurance	$4,251.2	$4,293.7	$3,972.4	8.1%

Note: 3Q99 restated for Worldsource division.
Source: Company data, Prudential Securities estimates.

It is important to keep the methodical reduction in their book as well as the mix change to shorter tail lines in mind when looking at reserve trends, down $$59 million in the quarter. Management noted that most of this was due to a high level of paid losses at Transatlantic which is fully consolidated with its majority owner's results. Here is how this quarter's reserve trend compares with the previous 6 showing the change for AIG alone, Transatlantic alone, and the total: We do not see a trend and it is difficult to see how someone else could come to a reasonable and informed negative conclusion about this quarter from these numbers.

Figure 3. General Insurance Net Loss Reserves
($ in millions except reserves in $billions)

	1Q99	2Q99	3Q99	4Q99	1Q00	2Q00	3Q00
Total AIG							
Net Reserves	$24.7	$24.6	$24.7	$24.6	$24.6	$24.7	$24.6
Net Reserves Chg.	$95.6	($31.5)	$12.1	($95.4)	$22.0	$47.2	($58.9)
Paid Claims							
AIG(E)	2,514	2,704	2,492	3,003	2,737	2,910	2,756
TRH	233	271	251	287	330	348	369
Total	2,747	2,976	2,744	3,290	3,067	3,258	3,125
Chg. In Reserves							
AIG(E)	84.1	(17.6)	(35.5)	(156.3)	62.9	100.2	(0.3)
TRH	11.4	(13.9)	47.6	60.9	(40.9)	(53.0)	(58.7)
Total	95.6	(31.5)	12.1	(95.4)	22.0	47.2	(58.9)
Incurred							
AIG(E)	2,598	2,687	2,457	2,847	2,798	3,010	2,756
TRH	244	258	299	348	289	295	310

- FIRST CALL ---

Total	2,843	$2,944	$2,756	$3,195	$3,089	$3,305	$3,066

Notes: (E) represents estimate.
Source: Company data, Prudential Securities estimates.

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 --

)7:26am EDT 27-Oct-00 UBS Warburg (US) (Michael A. Lewis) AIG AIG.N
\IG: Q3`00 OPERATING EPS IN-LINE WITH EXPECTATIONS

****

JBS Warburg   October 27, 2000
4ichael A. Lewis 212 821 2310
?eter C. Streit 212 821 2415

\merican International Group (AIG - NYSE) - Buy
JS Insurance, Full Line

?rice:	93.31	Div:	0.13	Mkt Cap:	219.5b	Est Debt/TC:	8%
?rice Tgt:	105.00	Yld:	0.1%	Shrs O/S:	2.4b	ROE:	15%
52 Week:	99.38 - 54.29	5 yr EGR:	16%	Avg Vol(000):	2485	Ent Val:	N/A
				Est BV/Shr:	15.04	Cvt Secs:	Yes

'ISCAL YEAR QUARTERLY ESTIMATES - EPS

	1stQ	2ndQ	3rdQ	4thQ
.2/99	0.50A	0.54A	0.52A	0.56A
.2/00	0.58A	0.61A	0.61A	0.66E
.2/01				

FISCAL YEAR ESTIMATES - EPS

	Prior	EPS	P/E	Rev(M)
F99A		2.13	43.8	40602
F00E		2.46	37.9	45101
F01E		2.83	33.0	50273

\IG: Q300 OPERATING EPS IN-LINE WITH EXPECTATIONS

3UMMARY:
Je reduced our AIG rating to Buy from Strong Buy yesterday, solely on the basis of valuation. We continue to view AIG as the premier U.S. based global .nsurance and financial services company, whose outstanding record was built on .ts broad based, low cost global distribution capabilities, product development skills, and broad product scope. AIG is positioned to extend this record given the expansion of its revenue and earning streams, its top shelf financial ratings, and leadership position in a number of markets. AIG also stands to be a major beneficiary of the firming in worldwide property casualty rates. AIG's market valuation reflects these aforementioned factors. Our target price is being lowered to $105 from $110, which still constitutes a valuation of over $37 times 2001 projected earnings and almost 7 times book value.

IIGHLIGHTS:
· Per share fully diluted September quarter operating earnings per share rose .5% to $0.61 from $0.53 a year earlier.
· AIG achieved pretax operating earnings growth across all business segments .ncluding a 14.0% increase in general insurance to $868.3 million, a 16.3% rise .n life insurance results to $886.6 million, a 23.3% increase in financial services to $308.4 million, and a 27.0% advance in asset management to $110.2 million.
AIG's worldwide general insurance operations growth and profitability mproved in the quarter, and the momentum should continue, as rates continue to arden in an operating environment that now emphasizes rate adequacy over market hare.
We are retaining our full year 2000 and 2001 fully diluted per share perating earnings projections at $2.46 and $2.83 respectively with all four ectors contributing to the growth. Our 12 month target price has been fine-uned down to $105 from $110 as our rating is being lowered to Buy from Strong uy to reflect the favorable revaluation that has taken place this year in this ssue.

- FIRST CALL --

ANALYSIS:
September quarter 2000 per share operating earnings rose 15.1% to $0.63 from $0.53 a year ago, in line with the First Call consensus estimate, but slightly shy of our $0.62 projection. Results benefited from operating income growth in all business segments. Turning to specifics:

General Property Casualty Insurance Pretax Earnings Rose 14.0% to $868.3 Million
Net premiums written rose 8.1% to $4.3 billion, as the company took advantage of improving market conditions especially in the domestic commercial insurance front, while maintaining a disciplined underwriting approach to the business. Domestic production, representing 2/3rds of overall production, rose over 10% despite shedding and non renewing business where rates and/or conditions are inadequate. The combined ratio improved only slightly to 96.3% from 96.6% a year earlier despite the absence of catastrophe related claims in the period versus $73 million a year earlier, and the fact that reserves were reduced by $59 million as compared to a year earlier $12 million increase as paid claims jumped almost 14% to $3.1 billion. Domestic brokerage and foreign general had solid quarters with respective combined ratios of 98.6% and 95.8%, however, personal lines with a 101.3% combined ratio (105.0% for 21st Century Insurance Group alone) remains in the fix up stage, with management filing rate increases and initiating other actions that should improve future underwriting results. Net investment income rose 6.9% to $676 million. United Guaranty Corp., AIG's mortgage insurance subsidiary reported outstanding results, as operating income rose 19.5% to $94 million. Lastly, Transatlantic Holdings Inc. had improved results in the quarter as worldwide reinsurance markets continued to tighten.

Life Insurance Pretax Operating Earnings Up 16.3% To $886.6 Million
Results were helped by an ongoing strong showing throughout Asia, the U.S., Continental and Central Europe, and the U.K. Premium income increased 18.5% in the quarter to $3.3 billion, while net investment income rose 17.3% to $1.8 billion in the period. Domestic life insurance operations reported operating income of $323 million up 18.2% on a year over year basis. Foreign operations rose 15.2% to $564 million. Progress was made in developing and implementing AIG's strategy of introducing SunAmerica's retirement savings products in overseas markets, as well as the integration of SunAmerica's mutual fund business in the United States. Overall results fell somewhat shy of our expectations, but could pick up as the SunAmerica initiatives are brought to fruition.

Financial Services Pretax Earnings Rose 23.3% To $308.4 Million
Financial Service results were slightly below our high expectations, with the best results coming from AIG Financial Products Corp where pretax operating income exceeded expectations at $154.2 million up 28.1%. AIG Trading results were below expectations at $5.4 million versus $10.3 million a year earlier as overall results continue to be affected by a decline in activity in its principal markets in the period. International Lease Finance Corp. (ILFC) had a strong quarter, but in line with expectations, as pretax earnings rose 14.3% to $166.5 million.

Asset Management Pretax Earnings Rose 27% To $110.2 Million
AIG's newest stand alone operation, which combines portions of the acquired SunAmerica business, and some of AIG's operations formerly reported in the financial services sector. The segments sound performance is due to substantial

increases in the company's investments offering, as assets under management (including retail mutual funds and institutional accounts) totaled approximately $36 billion at the end of the third quarter 2000.

Per Share Earning Estimates Unchanged
We are maintaining our 2000 and 2001 per share fully diluted earnings estimates at $2.46 and $2.83 respectively, up from $2.13 in 1999. We continue to assume further easing in the competitive market conditions confronting the general insurance operations. Life insurance operations should show solid growth in both its foreign and domestic operations. Moreover, AIG is well positioned to augment its internal growth with timely acquisitions in the insurance and financial services sector.

-> End of Note <-

- FIRST CALL --

07:30am EDT 27-Oct-00 Wasserstein Perella (Kenneth S. Zuckerberg 212.903.218)
Wasserstein: AIG Another On-Target Qtr; Pricing Trends Remain Positive

Another On-Target Qtr; Pricing Trends Remain Positive

COMPANY: American International Group
RATING : Buy
ANALYST: (Kenneth S. Zuckerberg 212.903.2189) PRICE: $93.31 EXCH: NYSE

E P S : --- FULL YEAR ($US) ----				---------- PRICE -----		---SHARES (Thsnd's)---	
FY: Dec.	Curr.	Prior	P/E	12 Mo Tgt :	$100	Mkt Cap:	$215,909,635
1999 FC	2.13a			52 Wk High:	$99.94	Shrs Out:	2,313,834
2000 WP	2.45e		38.09x	52 Wk Low :	$52.38	Dly Vol :	3,261
FC	2.45e			3Yr Growth:	15.00%	Div/Yld :	$0.15/0.24%
2001 WP	2.80e		33.33x	YTD Perf :	29.45%	LTD/CAP :	46.77%
FC	2.80e			Book Value:	$15.04		
2002 WP				Px/Book :	6.20x		
FC	3.10e						

as of: 10/27/2000 06:48 EDT

E P S :	--- 1st QTR ---		--- 2nd QTR ---		--- 3rd QTR ---		--- 4th QTR ---	
	Curr.	Prior	Curr.	Prior	Curr.	Prior	Curr.	Prior
1999	0.50a		0.54a		0.53a		0.56a	
2000	0.58a		0.61a		0.61a		0.64e	
2001								
2002								

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

Event: AIG reported on-target 3Q00 EPS of $0.61, up 15% from 3Q99.

Recommend: Maintain positions, consider accumulating on weakness.

Analysis: Executive Summary on 3Q00 EPS:

AIG reported on target operating EPS of $0.61 in 3Q00 vs. $0.53 in 3Q99 or 15% growth. Relative to our model, pretax earnings were higher in the P&C and Life segments, partially offset by lower-than-expected growth in the Financial Services and Asset Management segments, though growth in both FS and AM were double digit.

In its press release, CEO Hank Greenberg was very positive on P&C pricing, citing continued improvement in domestic commercial and reinsurance. VERY IMPORTANTLY, HE CONFIRMED THAT AIG IS SEEING RATE INCREASES ARE OCCURING IN MANY CLASSES AND REGIONS OF THE WORLD."

In the P&C segment, net premiums earned (NPE) growth of 13% were above target and underwriting results were more favorable than we had expected. The combined ratio came in at 96.25% vs. our 96.40% projection, and improved relative to 3Q99 by 16 basis points.

- FIRST CALL --

CONFIDENTIAL

The only wrinkle in P&C was that there was a negative $59 million change in loss reserves which equates to 1.4% of NPE. While a decrease in reserves often raises a red flag, the change resulted from higher paid claims from past periods (which lowers the absolute level of outstanding loss reserves) rather than a "take-down" of loss reserves.

We believe that the downward pressure on the stock is the result of: 1) a "buy on the rumor, sell on the news" mentality vis-à-vis the improvement in domestic pricing; 2) concerns about the negative change in P&C loss reserves; and 3) perhaps the lower-than-expected results in the FS and AM segments.

Our full year EPS estimates of $2.45 and $2.80 are unchanged.

Valuation: AIG shares continue to trade at a premium valuation of 36x projected 2001 EPS of $2.80. Given the limited upside relative to our price target, we would accumulate shares principally on weakness.

Upcoming Events: None.

-> End of Note <-

-- FIRST CALL --

08:08am EDT 27-Oct-00 J.P. Morgan (HICKS, WESTON (1-212) 648-3635) AIG AIG.N
AMERICAN INTERNATIONAL GROUP: THIRD QUARTER EARNINGS IN LINE

October 27, 2000

J.P. MORGAN SECURITIES INC. - EQUITY RESEARCH

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American International Group (BUY)

THIRD QUARTER EARNINGS IN LINE WITH EXPECTATIONS ON 15.6% REVENUE GROWTH

AIG				Earnings Per Share			P/E			
10/26	52-Wk Rge	12/99	12/00	12/01	3Q/00	3Q/99	12/00E	12/01E	Yld	MkCap ($MM)
$93.31	$99-52	$2.13A	$2.45E	$2.80E	$0.61A	$0.53A	38.1	33.3	0.2%	229,762
Previous					$0.61E					

Highlights

- American International Group's third quarter was in line with our expectations, with revenues up almost 16%
- The decrease in net claims reserves in the quarter is consistent with the timing of catastrophe payments and a continuing shift in business mix in property casualty insurance
- Consolidated revenue growth of 15.6% continues to be extremely impressive and supports our forecast of 14-15% EPS growth in 2001
- We are maintaining our estimates at $2.45 and $2.80 for 2000 and 2001, respectively
- We rate AIG a Buy; our price target is $98, or 35x 2001 EPS of $2.80

Details
American International Group's third quarter, reported yesterday morning, was in line with expectations, with operating income per share up 15% on 15.6% revenue growth. As expected, AIG's General Insurance segment continues to outperform the industry, posting 13% earned premium growth and a GAAP combined ratio of 95.3%. Net claims reserves, which total $24.6 billion in the aggregate, decreased slightly from the level reported in the second quarter. We continue to believe that this reflects a shift in business mix, as well as the payout of above-average levels of catastrophe losses that occurred in 1999. AIG's net loss reserves decreased by $59 million in the third quarter, of which $43 million, or 73%, was attributable to the change in net loss reserves at Transatlantic Holdings (TRH/$94/Market Performer). Following the quarter, we are maintaining our estimates at $2.45 (+15%) and $2.80 (+14%) for 2000 and 2001, respectively. We believe that with improving property-casualty market conditions, there could be as much as $0.05 of upside to our 2001 estimate, implying 16% upside EPS growth in 2001. Our price target on AIG

-- FIRST CALL --

is $98, or 35x 2001 EPS of $2.80.

General Insurance premium growth continues to improve. In the current quarter, AIG had the first clean comparison (not affected by changes in consolidation of previously minority-owned affiliates) in net written premium, and the increase of 8.1% continues to exceed industry growth rates. Moreover, AIG's actions to shed unprofitable business has probably suppressed the growth rate of this business. The Brokerage Division reported a 7% increase, which would have been approximately 10% excluding non-renewed premiums. AIG's Personal Lines business had a 14% increase, a significant deceleration from growth rates earlier this year. Foreign General's 7% increase was modestly below our expectations, but explainable by the inherent fluctuations that can result from large transactions.

Underwriting results remain excellent in the General Insurance division, with the exception of Personal Lines, which posted a 101.3 combined ratio. We believe that AIG's announced actions to raise rates in personal auto will restore this business to a 98 combined ratio in 2001, as industry pricing conditions firm. General Insurance operating earnings, which were up 14% in the quarter, would have increased 19% excluding personal lines.

Life Insurance growth remains excellent. AIG's Life Insurance businesses produced revenue growth of 18%, which was in line with expectations, despite a continuing shift toward deposit products where substantial flows are not counted as income statement premiums. SunAmerica produced an 18% increase in operating income, somewhat slower growth than in the first half of the year (25% growth through the first nine months). Moreover, AIG's recent expansion in a number of markets -- Vietnam, India, and Indonesia in particular -- argue for a very long duration growth outlook in this segment.

Financial Services earnings were once again ahead of expectations. Segment revenues grew an impressive 28%, with particularly strong earnings at ILFC (+14%) and AIG Financial Products (+28%). ILFC solid three aircraft in the quarter, which probably helped the earnings in the quarter but not the comparison versus a year ago.

We continue to view AIG as a core holding in any large cap growth portfolio. Clearly, with the stock having appreciated almost 30% this year, following a 45% increase in 1999, AIG has been one of the best performing insurance stocks since year-end 1998. At its current multiple, we continue to view significant performance beyond earnings growth as unlikely, although not impossible. Our price target assumes a price-earnings ratio of 35x 2001 EPS of $2.80; applying the current price-earnings ratio to the upside earnings potential of $2.85 yields a future price of $108. Given the strength of momentum in industry pricing conditions, the company's unparalleled opportunity to expand its life insurance business in Japan, and the opportunity for expansion in asset management and financial services, we continue with a Buy recommendation on AIG. We believe that AIG will continue to produce double-digit revenue growth and mid-teens EPS growth for the foreseeable future.

Table 1: American International Group Third Quarter EPS
($ in millions)

- FIRST CALL --

CONFIDENTIAL

AIG/GEN - RE - TRANS 0001077

General Insurance	3Q/99A	3Q/00E	3Q/00A	B (W)	% chg
Life Insurance	761	896	868	(28)	14%
Financial Services	762	893	887	(6)	16%
Asset Management	250	293	308	15	23%
Other, net	87	109	110	1	27%
Pretax Operating	(48)	(60)	(74)	(14)	54%
Income	1,813	2,132	2,099	(33)	16%
Income Taxes					
Operating Income	530	639	619	20	17%
Minority interest	1,283	1,492	1,481	(11)	15%
Operating Income,	(50)	(64)	(64)	-	29%
common	1,234	1,428	1,414	(14)	15%
Average shares outstanding (mils.)	2,351	2,340	2,340	(0)	0%
EPS	$0.53	$0.61	$0.61	$-	15%
General Insurance					
Net written premiums	3,972	4,350	4,294	(56)	8%
Net investment income	632	661	676	14	7%
Revenues	4,605	5,011	4,969	(42)	8%
Pretax operating margin	16.5%	17.9%	17.5%	-0.4%	
Life Insurance					
Revenues	4,278	5,103	5,050	(53)	18%
Pretax operating margin	17.8%	17.5%	17.6%	0.1%	
Financial Services					
Revenues	800	1,003	1,024	21	28%
Pretax operating margin	31.3%	29.2%	30.1%	0.9%	
Asset Management					
Revenues	249	303	277	(26)	11%
Pretax operating margin	34.9%	36.0%	39.7%	3.7%	

Source: Company reports and JPMS estimates.

(A director of J.P. Morgan is a director of this company. The analyst or research associate holds a position in this stock.)

-> End of Note <-

- FIRST CALL --

08:11am EDT 27-Oct-00 Wasserstein Perella (Kenneth S. Zuckerberg 212.903.218)
Wasserstein: AIG Follow-up Comments on AIG's 3Q00 EPS Report

Follow-up Comments on AIG's 3Q00 EPS Report

COMPANY: American International Group
RATING : Buy
ANALYST: (Kenneth S. Zuckerberg 212.903.2189) PRICE: $93.31 EXCH: NYSE

E P S : --- FULL YEAR ($US) ----				--------- PRICE -----		---SHARES (Thsnd's)---	
FY: Dec.	Curr.	Prior	P/E	12 Mo Tgt :	$100	Mkt Cap:	$215,909,635
1999 FC	2.13a			52 Wk High:	$99.94	Shrs Out:	2,313,834
2000 WP	2.45e		38.09x	52 Wk Low :	$52.38	Dly Vol :	3,261
FC	2.45e			3Yr Growth:	15.00%	Div/Yld :	$0.15/0.24%
2001 WP	2.80e		33.33x	YTD Perf :	29.45%	LTD/CAP :	46.77%
FC	2.80e			Book Value:	$15.04		
2002 WP				Px/Book :	6.20x		
FC	3.10e						

as of: 10/27/2000 07:18 EDT

E P S :	--- 1st QTR ---		--- 2nd QTR ---		--- 3rd QTR ---		--- 4th QTR ---	
	Curr.	Prior	Curr.	Prior	Curr.	Prior	Curr.	Prior
1999	0.50a		0.54a		0.53a		0.56a	
2000	0.58a		0.61a		0.61a		0.64e	
2001								
2002								

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

Event: Follow up comments on AIG's 3Q00 earnings report.

Recommend: Maintain Buy rating; accumulate AIG shares on weakness.

Analysis: Despite meeting our (and Street) expectations, AIG shares were under pressure yesterday (10/26/00) due to one or more of the following reasons: 1) Profit taking after the stock's strong run up over the past six months, likely driven by a "buy on the rumor, sell on the news" mentality in playing rising commercial rates. Also, there was a downgrade by a competitor; 2) investor concerns about a reduction in loss reserves, something that can raise an "earnings quality flag," though we believe the reduction was a function of higher paid catastrophe and other claims in 3Q that were previously budgeted for, rather than an explicit reserve "takedown." Nonetheless it equates to 1.5 cents of EPS; 3) lack of written quantification about the level of domestic rate increases that AIG is seeing; 4) disappointment that AIG didn't surprise positively, given that AIG has been raising prices continually over the past 12 months; 5) a slowdown in Asset Management growth (although growth was still a very favorable 23%); 6) deterioration in AIG's personal lines business (which represents about 13% of premiums), although overall P&C underwriting results improved as evidenced by a combined ratio of 96.25% in 3Q00 vs. 96.56% in 3Q99. (Even if one adjusts for the decrease in reserves, the combined ratio came in at 97.68%, still under 100.0%); and 7) some intra-day pressure on financial stocks in general.

- FIRST CALL --

Valuation: While we think that this sell-off provides a good buying opportunity, we would do so primarily on price weakness. We remain firmly convinced that our $100 price target (based on 36x 2001 projected EPS) should be an absolute peak for the stock, near-term. Our full-year EPS estimates of $2.45 and $2.80 are unchanged.

Upcoming Events: None.

Call Details:

Executive Summary of 3Q00 Results

** AIG grew EPS by 15% in 3Q00, exactly meeting our target and Consensus of $0.61.
** Relative to our model, earnings were higher than projected in the P&C and Life Segments.
** Modest short falls in Financial Services and Asset Management segments, although growth of 23% and 27%, respectively, was very respectable.
** P&C premium growth accelerated to 8% on a reported basis, up from 7% in 2Q00, lending support to the view that rate increases are beginning to flow through to the top-line of the income statement.
** AIG continued to non-renew business this quarter, but the actual dollar amount was not quantified. Excluding non-renewals, net premium written growth was 10% in 3Q00, up from 8% in 2Q00.
** On the flipside, there were a few wrinkles in the P&C segment: 1) a $59 million negative change in loss reserves, which equates to 1.4% of NPE or 1.5 pennies of EPS; and 2) deterioration in personal lines experience.

Property & Casualty Segment

In the P&C segment, net premiums earned (NPE) growth of 13% was above target and underwriting results were more favorable than we had expected. The combined ratio came in at 96.25% vs. our 96.40% projection, and improved relative to 3Q99 by 16 basis points. As stated above, there were a few wrinkles. First, AIG recorded a $59 million decrease in loss and loss adjustment reserves, which equated to 1.4% of NPE or about 1.5 cents. While a decrease in reserves often raises a "red flag" about earnings quality, the decrease (according to the company) resulted from higher paid claims from past periods, which naturally lowers the absolute level of outstanding loss reserves rather than a "take-down" of loss reserves. Second, margins in AIG's personal lines operation deteriorated, as evidenced by a combined ratio of 101.30% in that segment, up from 96.85% in 3Q99. Most of the deterioration occurred in 21st Century, which recorded a very distressing 3Q00 combined ratio of 105.8% vs. 90.5% a year earlier. Evidently, the turnaround in that company under Bruce Marlow is still underway. That said, 21st Century and AIG plan to implement single digit rate increases in the private passenger auto line over the next six to twelve months.

With respect to P&C pricing, CEO Hank Greenberg was very positive on the subject in the company's earnings press release, citing that there is a continuation of rate increases for many classes of business" in the domestic commercial lines, as well as in reinsurance. VERY IMPORTANTLY, HE CONFIRMED THAT THE COMPANY IS SEEING RATE INCREASES IN NON-US business ("rates are increasing in many classes and many regions of the world"), something we view

- FIRST CALL --

very positively for AIG, as well as the global mega-brokers, Marsh & McLennan (MMC) and Aon Corporation (AOC).

Life Insurance, Asset Management & Financial Services

The Life Insurance segment produced revenue growth of 19%, net investment income growth of 17% and pretax operating income growth of 16%, all of which exceeded our targets and resulted in about $24 million of higher-than-expected earnings. Pretax earnings in the Asset Management and Financial Services segments were collectively about $20 million below our projections, but growth in each was nonetheless favorable at 23% and 27%, respectively. Assets under management grew by about $1.0 billion in the quarter to $36 billion. SunAmerica (SAI), which is reflected in the Life and Asset Management segments, produced results which appeared strong on a consolidated basis (limited disclosure here however.) SAI saw total sales growth of 47% and operating income growth of 18%. Digging into the Financial Services segment, operating income grew by 14% for ILFC (aircraft leasing) and 28% for AIG Financial Products, partially offset by a continued decline for AIG Trading Group.

Other- AIG's Sponsorship of Chiyoda

** On 10/20/00, AIG was appointed sponsor for Chiyoda Mutual Life, the first of two Japanese life insurers to file for bankruptcy protection since September.
** AIG's sponsorship could help the troubled Chiyoda to move more quickly though the bankruptcy process and retain existing policyholders; we expect AIG to lend management expertise to the troubled company.
** Post bankruptcy, AIG will have the option, but not the obligation, to acquire the insurer at a future point; alternatively, AIG may simply decide to co-market its products with Chiyoda's existing salesforce.
** Winning the sponsorship role is an example of AIG's strong business acumen and its ability to be opportunistic when smaller, weaker competitors run into trouble.

-> End of Note <-

- FIRST CALL --

09:05am EST 31-Oct-00 Blair, William & Co. (Mark Lane) AIG AIG.N
AIG Third Quarter: Solid, No Surprises, Reiterate Rating (Part 1 of 2)

William Blair & Company, L.L.C.

Mark Lane (312) 364-8686

AMERICAN INTERNATIONAL GROUP, INC. (AIG)
(Part 1 of 2)

Price 10/27	Earnings Per Share			P/E Ratio		Div.	Yield	LTGR	Rating
$94.56	12/99	12/00E	12/01E	12/00E	12/01E				
($52-$100)	$2.13	$2.46	$2.80	38.4x	33.8x	$0.19	0.2%	14%	"2"

--Highlights

* Third-quarter operating EPS increased 15% to $0.61 per share, in line with our estimate and consensus.

* Solid results highlight the power of AIG's earnings diversity and consistency.

* Life insurance continues to be the primary driver of long-term earnings growth. Life insurance earnings increased 16%, with strong growth internationally and in the United States.

* Domestic commercial property-casualty premium growth was 7%--well ahead of growth in prior quarters and a reflection of continued price increases. Management stated that they expect price increases in commercial property-casualty to continue, which we agree with.

* Overall property-casualty earnings increased 14%. Revenue growth was strong and underwriting margins improved internationally and in the United States. However, the combined ratio actually increased to 96.25% compared to 94.55% last year, excluding catastrophe losses.

* Financial services earnings increased 23% and asset management increased 27%. We expected a slowdown in asset management given the weak equity markets.

* We reiterate our Long-term Buy recommendation. The shares are expensive--trading at 33.3 times our 2001 EPS estimate and at roughly a 60% premium to the S&P 500-however, the company's major businesses are stable or improving, and earnings visibility remains high. Therefore, as long as financial services stocks remain in favor, we believe current valuation levels are sustainable in the near term.

* Our EPS estimates remain $2.46 for 2000 and $2.80 for 2001.

Summary

Third-quarter operating EPS increased 15% to $0.61 per share, which was in line with our estimate and the consensus. There were no significant surprises this quarter, although underwriting profitability did not improve as much as it appears when excluding catastrophes losses. Catastrophe losses were minimal this quarter and $73 million last year, adversely affecting EPS by $0.03 per share last year. However, given the dynamic nature of AIG's operations, we do not believe it is necessarily safe to assume EPS would have fallen short of expectations with more-modest levels of catastrophe losses this quarter. There

-- FIRST CALL --

is enough evidence in the market to support the increasing commercial property-casualty insurance prices. Therefore, we expected AIG to confirm this fact. Commercial property-casualty industry results are horrendous, in our view, and the only way that companies can achieve acceptable levels of return is by increasing prices. The property-casualty industry has moved from a deflationary period for claims cost in the early 1990s to a period of loss cost inflation. Therefore, companies need to raise rates to match loss cost inflation.

One of the highlights of the quarter was the improved growth of the domestic commercial property-casualty insurance business. AIG's domestic commercial property-casualty business generated premium growth of 7%, the highest in many quarters and a reflection of better pricing and retention. Important, in our view, the company achieved this growth with an improvement in underwriting profitability. Overall property-casualty earnings increased 14% to $868 million, although underwriting margins in the commercial business increased catastrophe losses were minimal this quarter. AIG has been more disciplined and has started to cull business earlier and more aggressively than many competitors, which increases the potential recovery pace in its commercial property-casualty results. The company continues to non-renew and cancel unprofitable business, but the level of non-renewed or cancelled business declined significantly this quarter. One concern over the past several quarters has been reserve growth, which has been minimal or even has declined in certain quarters. There has been concern that AIG is releasing reserves to make its numbers; however, a decline in reserves is not necessarily the result of reserve releases and making inferences from quarterly results is difficult. We believe the changes more reflect the changing business mix and paid loss patterns, at the margin. Reserves declined $59 million this quarter. Management states the reason for the decline was due primarily to the payment of catastrophe losses from prior periods at Transatlantic-AIG's reinsurance business.

Life insurance earnings increased 16% to $887 million and were slightly better than our estimate, offsetting lower-than-expected growth in financial services and asset management relative to our expectations. AIG's long-term growth driver is life insurance, which give us confidence that AIG can grow 13%-14% over the long term. Domestically, the company is benefiting from expanded product breadth and distribution. Internationally, the company continues to benefit from stabilizing economic conditions and a flight to quality in Southeast Asia. SunAmerica, which is included in the life insurance segment and the asset management segment, continues to perform well, but the weak stock market has taken away some of its momentum. Operating income increased 18% to $347 million at SunAmerica, which constituted more than 15% of operating income.
Continued weakness at AIG Trading Group hurt financial services results, but there was strong growth at ILFC and AIG Financial Products, which produced earnings growth in excess of 20%. Results in asset management were favorable, but given the poor equity markets in the third quarter, asset management growth decelerated to 27%. The largest component of asset management is the fees from SunAmerica's variable annuity business. Total third-party assets under management, including retail mutual funds and institutional accounts, were approximately $36 billion.

We continue to rate AIG a Long-term Buy, and we believe that the company should be a core holding for all large-cap growth investors. Although AIG is a huge company, it is small relative to the global opportunities in financial services, in our view. We believe that the company can increase operating EPS 13%-15%

-- FIRST CALL --

over the long term, driven by the strong growth characteristics of the global life insurance and asset management businesses and the company's dominant consumer franchise in emerging markets, particularly Southeast Asia. The SunAmerica acquisition has improved the long-term growth characteristics of AIG and has been an unequivocal home run. Important, in our view, AIG maintains favorable leverage to an improvement in commercial property-casualty pricing.

Our EPS estimates remain at $2.46 this year and $2.80 next year. The pending acquisition of HSB Group (HSB $39.56) is at least $0.01-$0.02 accretive to 2001 EPS estimates, in our opinion. The shares have performed strongly and now trade at 33.3 times our 2001 EPS estimate of $2.80 and at a 60% premium to the S&P 500, compared to a 35% premium after the earnings report last quarter and establishing a historical high relative valuation. The company's major businesses, with the exception of personal auto insurance, are stable or improving and earnings visibility remains high. Therefore, as long as financial services stocks remain in favor, we believe current valuation levels are sustainable in the near term.

Additional information is available upon request.

-> End of Note <-

-- FIRST CALL --

12:40pm EDT 27-Oct-00 Bear Stearns (Smith,Michael 212/272-9465) AIG TRH TW AIG.
AIG: Raise Estimates and Reiterate Buy

Michael A. Smith 212 272-9465 masmith@bear.com
Brian M. Wright 212 272-4329 bmwright@bear.com 10/26/00

Subject: Company Update
Industry: Insurance/Nonlife

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

American International Group (AIG 93 5/16) - Buy
Raise Estimates and Reiterate Buy -- Market Over-Reacting to Reserve Reduction

Data

Last ROE 16.0%	52-Wk Range $100-$52	Shares Out 2,340
Target Price $100-$105	Dividend/Yield $0.15/0.2%	Market Cap (MM) $218,351

Key Points

*** American International Group's third quarter earnings were in line with "Street" expectations;
*** However, the stock market reacted negatively to a disclosure that property-casualty loss reserves declined during the quarter;
*** Segment results were generally better than we anticipated;
*** We are moving our estimates for 2001 and 2002 earnings higher, and we are reiterating our Buy rating of the shares.

Earnings Estimates

	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	P/E Year
1999	$0.50A	$0.54A	$0.53A	$0.56A	$2.13A	43.8
2000	$0.56A	$0.61A	$0.61A	$0.63E	$2.43E	38.4
Previous	$0.56A	$0.61A	$0.61E	$0.63E	$2.43E	38.4
2001	$0.65E	$0.70E	$0.70E	$0.73E	$2.78E	33.6
Previous	$0.64E	$0.69E	$0.69E	$0.71E	$2.73E	34.2
2002	$0.74E	$0.80E	$0.80E	$0.81E	$3.15E	29.6
Previous	$0.74E	$0.77E	$0.79E	$0.81E	$3.10E	30.1

We continue to recommend purchase of American International Group shares, rating the stock Buy, and targeting a price of $100-$105. In our view, the stock market has over-reacted in the negative direction to one item that we do not view to be a major issue in the company's third quarter earnings release. Further, some investors may be responding negatively to a comment from the CEO in the company's press release that we believe has a much greater upside potential.

We are raising our 2001 and 2001 earnings estimates. For 2001, we now project EPS of $2.78, up from $2.73. For 2002, we estimate earnings off $3.15, up from $3.10. Third quarter earnings were in line with expectations, although the

- FIRST CALL --

life insurance segment was considerably stronger than we anticipated and we believe general insurance (property-casualty) could surprise on the upside as well.

American International Group earned $0.61 per share in the third quarter, up from $0.53 reported last year and spot-on with the consensus expectation. However, investors were clearly un-nerved by the net reduction in property-casualty loss reserves during the quarter, amounting to $58.9 million that the stock market assumed was a reserve release that allowed the company to achieve its earnings target.

Put simply, the reduction is reserves caused some investors to challenge the quality of the company's earnings. Incorrectly, in our view.

Essentially, all of the reserve take-down represented catastrophe reinsurance reserves on the books of Transatlantic Holdings (TRH, rated Attractive) that were paid down during the third quarter. These reserves were attributed to catastrophe losses incurred previous to the third quarter. In addition, 21st Century Insurance (TW, not rated) also had a net reduction in reserves.

Another factor that clouds the reserve issue is that most of American International Group's strongest growth came in lines where the reserving tail is rather short (personal auto and mortgage guaranty). This, coupled with the continued payments on reserves built relatively recently results in the net reduction in reserves.

Investors also appeared to react negatively to one comment in the press release attributed to the CEO, that, in view of the poor underwriting environment, AIG stands ready to be a consolidator in the industry. Our interpretation of this remark is that the company agrees with our view that the industry's health is far weaker than is widely believed, and that this will create opportunities for strong companies such as AIG to buy companies or blocks of business on an opportunistic basis. Expanding on this, the company notes that the industry problems are not limited to the domestic property-casualty market, but also involve overseas markets including the London non-Life sector and the Asian life insurance markets.

Recently, the Japanese life insurance industry lost its second major player in two weeks to the bankruptcy courts. What was interesting about the second event was that an official indicated his company's downfall was hastened by the publicized difficulties of other companies that in turn is causing weaker companies to lose new sales and to experience a rising rate of cancellations and surrenders. Thus, we might conclude that the Japanese life insurance industry is experiencing a run on the bank that is allowing the strong companies such as triple-A rated American International Group to experience the benefits of a flight to quality.

With respect to each of American International Group's segments, our reactions are as follows:

** General Insurance (Property-casualty). Impressed by sequential increase in growth rate of domestic brokerage premiums. Company indicates it is getting price increases that are being offset somewhat by a continued paring back of unattractive accounts. Combined ratio was nearly unchanged from year-ago levels, although the personal lines was elevated above 100%,.

-- FIRST CALL --

** Life Insurance. Earnings were better than we expected, by $35 million, or $0.01 per share. The company indicates strong sales growth of new product offerings in certain Asian markets, and has effectively implemented a cross-selling program between American International Group's own life insurance operations and those of SunAmerica acquired last year.

** Financial Services. Also better than expected, driven by revenues, as pretax margins were below our estimate for AIG Financial Products and AIG Trading. International Lease Financing reported an increase in revenues of 12.7%, almost 5% better than we anticipated.

** Asset Management was in line with our projections, up 26% from year-ago levels.

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

-> End of Note <-

-- FIRST CALL --

02:44pm EDT 27-Oct-00 Advest, Inc. (Jeffrey V. Thompson 860-509-5084) AIG AIG.N
AIG: REITERATE BUY; GROWTH SHIFTING, ACQUISITION OPPORTUNITIES INCREASING

AIG: Reiterate Buy; Growth Shifting, Acquisition Opportunities Increasing

Advest, Inc.--RESEARCH NOTES

Subject: American International Group, Inc.
(AIG-$93.31)-NYSE

Analyst: Jeffrey V. Thompson, (860) 509-5084
jeffrey.thompson@advest.com

	OPINION
Current	BUY
Prior	

Date: October 27, 2000

Target Price $110

	Earnings per Share			Cal P/E 2001E	LT Growth Rate	Yield	Shares O/S (Bil.)	52 Week Range
	12/99A	12/00E	12/01E					
New:	$2.13	$2.43	$2.82	33.1x	15%	0.1%	2.3	$100-$52
Old:			$2.78					

	Q1/Mar	Q2/Jun	Q3/Sep	Q4/Dec	Total
1998A	0.41	0.45	0.46	0.49	1.81
1999A	0.50	0.54	0.53	0.56	2.13
2000E	0.58A	0.61A	0.61A	0.63	2.43
2001E	0.66	0.70	0.71	0.75	2.82

- AIG reported Q300 earnings of $0.61, in-line with our estimate and Street consensus of $0.61 per share; increasing our 2001 estimate $0.04 to $2.82.
- Reported modest slowdown in SunAmerica earnings; whether or not a trend, it faces greater offsetting growth in domestic brokerage in 2001.
- Domestic Brokerage will benefit from a better pricing environment and from the HSB acquisition, which adds 3%-4% top line growth with a low 90% combined.
- Acquisition opportunities domestically and internationally will likely pickup for AIG, driven by weakness in specific market segments.
- Reiterate our Buy rating, raising price target; continue to believe earnings growth outlook is increasing, AIG remains well positioned.

Investment Opinion
We maintain our Buy rating on AIG and continue to believe the company will benefit from its uniquely diversified earnings stream, high quality growth initiatives and lead positions in international life insurance, commercial insurance and financial products. Our 15% long-term growth outlook is

-- FIRST CALL --

conservative, in our view, and reflects our expectation that 1) domestic brokerage growth is accelerating, helped by a stronger domestic property casualty market and by the addition of HSB in 2001 and 2) AIG will benefit from consolidation opportunities domestically and internationally.
We are raising our price target to $110 from $104. Our target price assumes a 39x earnings multiple on 2001 earnings, justified given AIG's superior long-term growth prospects relative to the S&P 500.

Operating Earnings
Third quarter 2000 operating earnings were $0.61, up 15.1% from the prior year quarter and on target with our estimate and street estimates. Through 9-months, operating earnings are up 14.6%.
General Insurance (property casualty) - Better than expected
Reported pretax income of $868 million vs. our $787 million estimate
Operating earnings are up 14% for the quarter, which was better than expected growth of 5%. NWP growth was better than expected domestically for the second quarter in a row, up 9.0% compared to our 5% estimate. Lower non-renewals and better rates accounted for the increase. We estimate that non-renewal of under-priced business fell to about $50 million in the quarter, down from over $100 million in recent quarters. This is an expected natural progression and signals that a better environment is emerging.
International growth was in-line, up 9%. The comment on international pricing is that Great Britain and Europe are experiencing bottoming in some specialty classes, including utilities and energy.
The combined ratio was 96.25% overall, slightly better than our 97.0% estimate. Paid losses were up 13.9% in the quarter and 11.6% year-to-date, in line with earned premium growth of 13.4% in the quarter and 10.9% year-to-date. The negative change in reserves of $59 million is not significant, in our view, and is partly attributable to 1) catastrophe loss payments in Transatlantic Holdings and 2) growth in shorter tail auto business and the non-renewal of workers' compensation and other longer tail commercial lines.
The expense ratio was higher this quarter, at 21.7% compared to 20%-21% in recent quarters. Management had no single explanation, other than changes in business mix.
Results in the quarter confirm our view that AIG will lead others in reporting better underwriting results, as adequate reserves and leading pricing actions position insurance operations favorably.
Comments on rate increases were bullish and follow on from prior quarter comments. AIG has taken the view that "...the industry needs considerable improvement in pricing to get back to reasonable levels." AIG is maintaining disciplined underwriting standards, a practice we believe will eventually widen AIG's superior performance relative to the property casualty group. Mr. Greenberg also commented that opportunities may present themselves internationally for consolidation in the non-life sector.
Outlook for Property Casualty, Raising Estimates
AIG is turning the corner on domestic property casualty insurance sooner than we had expected, given the two quarters of positive premium growth surprises. We are increasing our premium growth assumptions in 2001 to 11% domestically from 8% and to 11% overall, helped by firmer domestic markets and the addition of HSB Group, which adds 3%-4% in NEP without any organic growth (under purchase accounting). We have reduced our combined ratio estimates in 2001 from 96.9% to 95.2%, reflecting better trends reported this quarter and the benefit of higher margin business from HSB. Personal lines results should benefit from planned rate increases at 21st Century.
Life Insurance Operations

-- FIRST CALL --

Reported $887 million pretax vs. our $919 million estimate
This is a 16% operating earnings increase for the quarter, slightly below our estimate but roughly in-line with the 18% growth reported year-to-date. Overall reported premium growth was 18.5% in the quarter, better than full year results.
Commenting on international markets, AIG has not entered into any definitive relationships with Japanese life insurers, but points out that it continues to benefit from the situation. As Japanese Life insurers suffer through a low interest rate environment and declining growth rates, AIG continues to take business and grow in the double digits.
We are reducing our life outlook modestly, from 20% growth to 18% in the fourth quarter and to 17% from 18% in 2001 to account for what looks like a slowdown in domestic operating growth rates as the base for that business becomes increasingly larger. Longer term, we expect the new seeds planted internationally to fuel sustainable 15%-20% international operating earning growth.
SunAmerica Operations
Reported $347 million, up 18% in Q300 but down from 25% year-to-date 2000
The drop off in operating earnings growth trend is unclear, but may be due to lower margins on mutual funds, as sales were up 47% in the quarter, above the 25% trend in 2000 to date. Spreads on fixed assets remain strong, according to management. We do not forecast estimates for Sun separately; they are included in life and asset management operations.
Financial Services
Reported $308 million vs. our $333 million estimate
This is a 23% increase from the prior year quarter and slightly below our estimate, primarily due to a decline in activity in AIG Trading's principal markets.
ILFC reported income of $166 million, up 14% in the quarter and better than the 11% growth through 9-months 2000. Comparisons are down from 1999 growth of 19%, driven by lower aircraft sales (to 5 this year from 50 in 1999). The company reports that the aircraft leasing business continues to be strong. All planes are placed (leased) through 2000 and 2001, with 82% placed for 2002. The fleet total grew to 410 planes in the quarter from 402 in the second quarter.
AIG Financial Products income was $154 million, up 28% in the quarter, driven by good product demand and volatile equity markets. AIG Trading Group was down again, to $5 million due to a lack of activity in principal markets.
Asset Management
Reported $110 million vs. our $117 million estimate
This is a 27% increase in Q2-'00 operating earnings, but slightly lower than our estimate. Management commented that SunAmerica mutual fund sales were strong. Funds under management grew by another $1 billion in the quarter.
John McStay Investment funds are now included in prior year quarters.
Management commented that no private equity fund closings occurred in the quarter and that carried interest from several funds is not yet reflected in earnings.
Asset Management operations include AIG, SunAmerica, and John McStay Investment Counsel, as well as AIG's direct investment funds. Third party assets under management totaled about $36 billion at the end of the third quarter.
Update on acquisition activity
AIG is still considering building its asset management business through acquisition, but high prices for such businesses have limited the number of potential candidates. Volatile equity markets may will help. The company continues to look at brand name fund families to build assets, distribution and co-branding. The acquisition of HSB Group remains on track to close by yearend

- FIRST CALL --

or early 2001; a shareholder vote is scheduled for November 6th. AIG always considers smaller, high quality deals. We also expect AIG to seize opportunities to act as a white knight as they present themselves both domestically and oversees (particularly Japan, as life insurers continue to struggle through a low interest rate environment).

Company Description

AIG is the leading U.S.-based international insurance organization. Its member companies write property, casualty, marine, life and financial line insurance in approximately 130 countries and jurisdictions, and are engaged in a range of financial services and investment management businesses.

===

-> End of Note <-

- FIRST CALL --

ʖ3:14pm EDT 27-Oct-00 Morgan Stanley\DW (Schroeder, Alice 1-212-761 4626) AIG
AMERICAN INT'L GRP: CORRECTION: RAISING 2001E; MARKET CONCERNS OVERBLOWN P1

North America: United States of America
Insurance - Property-Casualty

October 27, 2000
Change in Earnings Forecast
American Int'l Grp
(NYSE: AIG, Bloomberg: AIG US)
Correction: Raising 2001E; Market Concerns Overblown

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-THIS LOOKS LIKE AN OPPORTUNITY TO BUY ON WEAKNESS
The company reported a fundamentally strong third quarter, and we think yesterday's pressure on the stock gives investors an opportunity to step in to this blue-chip name at a more attractive price.

-WE ARE RAISING OUR 2001 ESTIMATE TO $2.85
Our revised number still implies a slightly slower earnings pace than the company has been setting. AIG's cyclical benefit is appearing earlier than we thought; our longer-term assumptions are unchanged.

-CONCERNS OVER RESERVES APPEAR OVERBLOWN
The amounts are immaterial, and the explanation for the decline is logical. We are projecting reserves up for the full year and more significant additions in 2001.

OUTPERFORM

Price (October 26, 2000):	$93.31
Price Target:	$110
52-Week Range:	$99.94 - 52.38

WHAT'S CHANGED

Earnings (2001):	To $2.85 from $2.82

Price: Abs. and Rel. To Market & Industry

The PDF versions of the complete document including these graphics or tables are available to Morgan Stanley Dean Witter clients through Research Link at www.msdw.com, contact your sales representative for access information.

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AIG/GEN - RE - TRANS 0001092

Company Description

American International Group is the leading U.S.-based international multiline insurance and financial services organization and the largest commercial underwriter in the U.S. AIG has an extensive global presence, particularly in Japan and Asia, in both life and non-life operations. It also has major asset-management and financial-services divisions, in-cluding the world's largest aircraft-leasing company.

FY ending Dec 31:	1998A	1999A	2000E	2001E
EPS ($)	1.81	2.13	2.47	2.85
Prior EPS Ests. ($)	--	--	--	2.82
Consensus EPS Ests. ($)	--	--	--	--
CEPS ($)	1.82	2.14	2.47	2.85
P/E	51.4	43.9	37.8	32.7
P/E Rel. to (local index)	--	--	--	--
P/CE	51.2	43.7	37.7	32.7
Price/Book	7.1	6.5	5.7	4.9
EV/EBITDA	--	--	--	--
Yield (%)	0.1	0.1	0.2	0.2

Market Cap ($ m)	215,838
Enterprise Value ($ m)	--
Debt/Cap (06/00) (%)	--
Return on Equity (06/00) (%)	--
L-T EPS Grth ('yy - 'yy) (%)	
P/E to Growth	--
Shares Outstanding (m)	2,313.1

Q'trly EPS	1999A actual	2000E curr	prior	2001E curr	prior
Q1	0.50	0.58A	--	0.66	--
Q2	0.54	0.61A	--	0.70	--
Q3	0.52	0.61A	--	0.71	0.70
Q4	0.56	0.67E	--	0.77	0.76

E = Morgan Stanley Dean Witter Research Estimate

Correction: Raising 2001E; Market Concerns Overblown

In light of yesterday's weakness in AIG we believe a buying opportunity has opened up. We are raising our 2001 estimate $0.03 to $2.85. AIG's fundamentals appear intact to us and we therefore believe the major risks to the stock are either short-term (potential arbitrage pressure were to announce an acquisition) or systemic (market multiple compression). Our target remains $110 or 38.6x our 2001 estimate of operating earnings.

The quarter looked good to us. AIG met earnings expectations with a $0.61 quarter, but most important produced evidence that the growth momentum is beginning. Net written premiums rose 8.1%, an increase of 0.6% since last quarter. Domestic premium growth was even stronger at 8.7% (and 10% adjusted for nonrenewed business). Transatlantic Reinsurance continues to be the pacesetter, with premiums up 12.3% this quarter. AIG's own domestic premiums (excluding Transatlantic and 21st Century) grew 7.7%, up from 6.7% last quarter. International premium growth was slightly lower at 6.9%, in line with last year.

AIG's life insurance business showed an acceleration in premium growth. On a GAAP (reported) basis, international premiums rose 17.6%, above our long-term 15% growth assumption. Domestic premiums rose 27.4%. Including products treated as deposits, domestic premiums would have grown 26.3% and international premiums would have grown 17.7%. In general, foreign life insurance growth is accelerating while domestic premiums are, as expected, slowing down as the base of business continues to build. Our 2001 assumption for domestic premium growth is 20%.

Life insurance earnings, which rose 16.3%, were at a lower run rate than the recent 17%+ primarily because international life insurance earnings growth slowed down to 15.2%. This is in line with our estimates for 2001. SunAmerica's sales rose a very impressive 47.4%. However, its operating earnings rose 18.1% as compared to 21% last quarter. SunAmerica's earnings tend to be lumpy due to the timing of gains recognized in its alternative investment portfolio. SunAmerica's earnings are included both in the life segment and under Asset Management; Asset Management earnings increased 27.0% to $110.2 million and appear on track to range from $420-450 million for the year (we estimate to reach 5.2% of AIG's total earnings, up from 4.2% a year ago).

Underwriting was generally good. AIG reported a 95.3% combined ratio, excellent as usual and in line with its recent trends. Personal lines were a drag on results this quarter, coming in at 101.3% mostly as a result of 21st Century's 105.8% combined ratio. Because 21st Century is around one-third of AIG's personal lines business, by interpolation appears that AIG Direct is writing personal lines at a very acceptable 99% combined ratio. Personal lines are just under 15% of AIG's nonlife business mix. Overcoming the personal lines drag this quarter, the foreign general combined ratio came in at 95.77% and domestic brokerage wrote at a 98.56% combined ratio, consistent with the quarter's very light levels of catastrophe losses.

Reserves -- we're not concerned. The market was disturbed by AIG's net reserve decrease of $59 million, $43 million of which related to its Transatlantic Holdings reinsurance subsidiary. Pass the popcorn, we've seen this movie before . . . to us this looks like a classic buying opportunity. AIG has reduced reserves twice recently -- in the second and fourth quarters of 1999 -- and the market reacted badly then as well. AIG bounced back in both cases because 1) like today, the explanation for the reserve decline was reasonable and 2) more important, no "other shoe" ever dropped. We don't believe another shoe will drop this time either.

We do care a lot about reserves, and if we saw a steady trend of unexplained releases during a period of premium growth, we'd definitely be concerned. But that's not the case here.

- First, the number we are talking about is small -- 0.2% of AIG's reserves - and represents only a single quarter's data point, not a trend.

- In general, we think it's dangerous to draw sweeping conclusions from one quarter's reserve data, given the many complex factors that drive this number.

- The reason given for Transatlantic's portion of the release was logical to us and has no negative implications for earnings quality -- i.e., catastrophe loss payments and currency translation.

- The remaining amount of $17 million is also very small and management indicated that the continued shift to shorter-tailed business, especially personal lines, as well as runoff on old claims on long-tailed business such as workers' compensation were responsible.

It's important to note that AIG's paid losses for the past two years have been far higher than historical norms, mostly reflecting the consolidation of 21st Century and Transatlantic Holdings, which shortened the tail of AIG's business and increased its exposure to catastrophe losses. Specifically, paid losses have been averaging 75% of earned premium, higher even than in 1992 (Hurricane Andrew) and 1984 (the trough of the last soft market).

We are projecting that paid losses begin to return to a more normal level of 60-70% of earned premium beginning next year (which is still high by historic standards). For example, if AIG pays out the same amount of claims as in 2000, that would result in a payout of 69% of earned premium, still at the very highest end of the trough cycle range. Even under that scenario, we estimate that the company would add $1.25 billion to reserves in 2001 with a 95% combined ratio. Fundamentally, we attribute the high recent levels of paid losses to the typical pattern that occurs at the normal end of a poor fundamental cycle and by the same token, we expect the pattern to begin reversing next year as the commercial lines cycle improves.

(PLEASE SEE PART 2)

--> End of Note <--

- FIRST CALL --

General P-C industry risks. Like all insurers, AIG is susceptible to inflation and interest-rate risk. Also, loss reserves are based on estimates, which are subject to re-estimation and could result in earnings volatility and lower book value.
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-> End of Note <-

-- FIRST CALL --

Hamrah, Charlene

From: Greenberg, Larry [LGreenberg@langenmcalenney.com]
Sent: Thursday, October 26, 2000 3:41 PM
Subject: AIG Q3 Report: Loss Reserves -- NOT A BIG DEAL

Enclosed is our third quarter report on AIG. We are maintaining our (2) Accumulate rating.

In the note, we mention that AIG's loss reserves declined by $59 mn this quarter. This does not mean the company released reserves to make the quarter. The decline is a function of Transatlantic's payments for prior period catastrophe losses that had been reserved, as well as the normal course of paid loss trends for AIG which are in part a function of having written more business over the last few years that has a shorter tail.

While from a quality of earnings standpoint it is desirable to see reserves increase and paid losses stay low, the reality is that these figures jump around. AIG had a similar situation last year in the second and fourth quarters, when loss reserves declined by $32 mn and $95 mn, respectively. We don't think this is a big deal.

Please call if you want to discuss further.

Larry Greenberg
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****

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Members NYSE Inc.
Other Principal Exchanges

Third Quarter Report
October 26, 2000

American International Group
Accumulate (2)

AIG - NYSE - $92 7/8
(S&P 500 - 1,350.15)

	EPS	P/E	GAAP BV	P/BV	Dividend	
1999	$2.13	43.6 x	$14.33	6.5 x	Rate:	$0.15
2000E	2.45	37.9	16.40	5.7	Yield:	0.2%
2001E	2.80	33.2	19.00	4.9		

Book Value (9/30/00):	$15.80
Mkt Value (mns):	$208,031
Shares Outs (mns):	2,239.9
5-Year AVG ROE:	14.2%
52 Week: Hi	$99 15/16
Low	52 3/8

New Rating: Accumulate (2)
Old Rating: Accumulate (2)

With pricing trends in commercial lines property-casualty improving, AIG should continue to attract investor attention in a sector that we believe is well-positioned to outperform. Coupled with an outstanding global life insurance operation, AIG's P&C operation helps create an unparalleled global insurance franchise capable of generating attractive and predictable growth. With the stock at about 38 times current year earnings, however, it sells at a significant premium to most other insurance equities. While a premium multiple is warranted and we are maintaining our (2) Accumulate rating, we believe the commercial lines pricing improvement affords greater upside leverage to a number of other companies, some of which we prefer for current investment.

2000 Est: $2.45
Old 2000 Est: 2.47

2001 Est: $2.80
Old 2001 Est: 2.80

We have made only modest adjustments to both our 2000 and 2001 estimates. The slight revision to our 2000 estimate incorporates the $.01 shortfall (from our estimate) in Q3 and some fine-tuning for Q4. Our premium growth assumption for 2001 is for 12%, and we would expect to see an accelerating trend over the balance of the year. Related to the mention of leverage in the above paragraph, each point change in AIG's combined ratio translates into $.05 per share of earnings given current premium assumptions.

3Q00 EPS: $0.61
LM Est: 0.62
First Call: 0.61

The modest shortfall from our expectations was in P&C underwriting, where the expense ratio was slightly higher than expected. All other segments were very close to our estimates. The decline in loss reserves in P&C of $59 mn was due to high paid losses at Transatlantic (from previously reserved catastrophe losses) and other factors which we do not consider to be unusual. As a percentage of premiums earned, paid losses were 74.4% compared to 69.1% a year ago.

Comments:

- In property-casualty operations, brokerage produced a combined ratio of 98.6% compared to 99.9%, personal lines produced a 101.3% compared to 96.9%, and Mortgage Guaranty produced a 40.8% compared to 40.3%. Domestic operations produced a 96.7% combined ratio versus 96.7% a year ago and foreign produced a 95.8% compared to 96.2%.
- Domestic life insurance earnings increased 18% to $322.7 mn and foreign life increased 15% to %563.7 mn. Domestic life premiums were up 27% and foreign life was up 18%.
- SunAmerica's earnings were up 18% and total sales were up 47% to $3.55 bn.
- Within financial services, ILFC's earnings were up 14% to $166.5 mn, Financial Product's earnings were up 28% to $154.2 mn, and Trading's earnings declined 48% to $5.4 mn. Trading suffered from lower transactions in the metals and foreign currency markets.

Analyst: Larry Greenberg, CFA

American International Group

	Year Projections					Latest Interim: Third Quarter			Latest Interim: Nine Months		
	1999	2000E	CHG	2001E	CHG	2000	1999	CHG	2000	1999	CHG
Premiums Written (P-C)	$16,223.9	$17,390.9	7%	$19,477.8	12%	$4,293.7	$3,792.4	13%	$13,023.4	$11,378.2	14%
Premiums Earned	15,543.8	16,900.9	9%	18,695.2	11%	4,112.5	3,625.1	13%	12,621.3	11,378.2	11%
Loss Ratio	75.5%	74.5%	1.0 PB	74.5%	0.0	74.6%	76.0%	1.5 PB	75.0%	75.1%	0.1 PB
Expense Ratio	20.8%	21.3%	0.5 PW	21.0%	0.3 PB	21.7%	20.5%	1.2 PW	21.0%	20.4%	0.7 PW
Combined Ratio	96.4%	95.8%	0.6 PB	95.5%	0.3 PB	96.3%	96.6%	0.3 PB	96.0%	95.5%	0.5 PW
Pretax Earnings:											
P-C Invest. Inc.	$2,516.7	$2,688.5	7%	$2,903.6	8%	$675.6	$632.2	7%	$1,998.5	$1,869.4	7%
P-C Underwriting	669.2	867.5	30%	972.2	12%	192.7	129.1	49%	632.1	547.0	16%
P-C Pretax	3,185.9	3,556.0	12%	3,875.8	9%	868.3	761.4	14%	2,630.6	2,416.4	9%
Life	3,005.5	3,546.0	18%	4,219.8	19%	886.6	762.5	16%	2,593.3	2,198.1	18%
Financial Services	1,081.3	1,205.8	12%	1,329.6	10%	308.4	250.2	23%	893.8	755.8	18%
Asset Mgmt.	314.1	438.5	40%	504.3	15%	110.2	86.8	27%	320.5	217.9	47%
Foreign Exg / Other	(196.7)	(260.9)	33%	(235.0)	-10%	(74.4)	(47.9)	55%	(196.0)	(135.2)	45%
Realized Gains	122.0	(91.6)	--	0.0	--	(36.3)	54.1	--	(91.6)	131.1	--
Total	7,512.2	8,393.8	12%	9,694.5	15%	2,062.8	1,867.0	10%	6,150.6	5,584.2	10%
Income Taxes:	2,218.4	2,492.2	12%	2,899.3	16%	610.2	548.8	11%	1,823.5	1,640.2	11%
Income Before Minority	$5,293.8	$5,901.6	11%	$6,795.2	15%	$1,452.5	$1,318.2	10%	$4,327.1	$3,944.0	10%
Minority Interest:											
Operating Income	($215.6)	($243.2)	13%	($265.0)	9%	($64.0)	($49.5)	29%	($178.2)	($178.5)	0%
Realized Gains	(22.8)	(10.1)	-56%	0.0	--	(2.9)	(1.3)	HIGH	(10.1)	(22.4)	-55%
Net Income	$5,055.4	$5,648.3	12%	$6,530.2	16%	$1,385.6	$1,267.4	9%	$4,138.8	$3,743.2	11%
Per Share:											
Net Income	$2.15	$2.42	13%	$2.80	16%	$0.60	$0.54	11%	$1.77	$1.59	11%
Realized Gains	0.02	(0.03)	--	0.00	--	(0.01)	0.01	--	(0.03)	0.03	--
Operating Income	$2.13	$2.45	15%	$2.80	14%	$0.61	$0.53	15%	$1.80	$1.57	15%
Average Shares	2,350.2	2,341.0		2,335.5		2,341.5	2,350.7		2,339.9	2,351.3	

All figures, except per share, are expressed in millions.

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07:38am EDT 27-Oct-00 Goldman Sachs (New York Investment Research) TRH ACTION
Transatlantic Holdings: 3Q EPS Slightly Below Expectations. Reduce 00E. MO

Goldman, Sachs & Co. Investment Research

Transatlantic Holdings: 3Q EPS Slightly Below Expectations. Reduce 00E. MO

* * FULL ACTION in the A.M. - U.S. * *

New York Investment Research (New York) - - Investment Research
Thomas V. Cholnoky (New York) 1 212-902-3408 - Investment Research
Joan H. Zief (New York) 1 212-902-6778 - Investment Research
Elizabeth A. Werner (New York) 1 212-902-3646 - Investment Research

==================== NOTE 7:07 AM October 27, 2000 ====================

28 Transatlantic Holdings Inc. {TRH} $94.19
Transatlantic Holdings: 3Q EPS Slightly Below Expectations. Reduce 00E. MO

Thomas V. Cholnoky (New York) 1 212 902-3408
Joan H. Zief (New York) 1 212 902-6778
Elizabeth A. Werner (New York) 1 212 902-3646

EPS (FY Dec): 2000E US$5.50, 2001E US$6.00 - Market Outperformer

* We expect Transatlantic Holdings (TRH) to outperform the market. As the market environment in the reinsurance industry continues to improve, we believe that TRH remains well positioned to benefit from rising rates. TRH has been able to maintain a strong presence in the marketplace by focussing on specialty lines and avoiding the more commodity risks that have plagued other carriers. TRH reported third quarter diluted EPS of $1.35 compared with our $1.40 estimate. Slightly slower than expected investment income growth was responsible for the slight shortfall. Accordingly, we have adjusted down our 2000 EPS estimate by $0.05 to $5.50. We are maintaining our 2001 EPS estimate of $6.00.
* Premium volume up 12% (in line) with double digit growth in both the company's domestic and international operations. The company noted that specialty lines rates continued to be very strong especially in accident and health and property catastrophe. TRH also indicated that rates in the general casualty segments were beginning to move higher. Overall, it appears that the January renewal season should show some solid strength across many lines. TRH should enjoy strong double digit top line growth in 2001.
* Reserves declined by $59 million on a net basis. Three factors were responsible. First, the company paid out about $20 million on previously reserved catastrophe losses. Second, the company paid out $60 million on experience rated and loss sensitive contracts. Finally, a weak Euro impacted reserves by about $10 million. Absent these items, reserves would have been up for the quarter.

Important Disclosures (code definitions attached or available upon request)
TRH : CD, EC

- FIRST CALL --

07:50am EDT 27-Oct-00 UBS Warburg (US) (Peter C. Streit) TRH
TRH: 3Q00 RESULTS IN-LINE WITH EXPECTATIONS; BUY

****

UBS Warburg
Peter C. Streit 212 821 2415
Michael A. Lewis 212 821 2310

October 27, 2000

Transatlantic Holdings Inc. (TRH - NYSE) - Buy
US Insurance, Property & Casualty

Price:	94.19	Div:	0.54	Mkt Cap:	3.3b	Est Debt/TC:	0%
Price Tgt:	108.00	Yld:	0.6%	Shrs O/S:	35m	ROE:	12%
52 Week:	95.38 - 68.94	5 yr EGR:	11%	Avg Vol(000):	10	Ent Val:	N/A
				Est BV/Shr:	51.64	Cvt Secs:	No

FISCAL YEAR QUARTERLY ESTIMATES - EPS

	1stQ	2ndQ	3rdQ	4thQ
12/99	1.35A	1.36A	0.88A	0.23A
12/00	1.36A	1.35A	1.35A	1.34E
12/01				

FISCAL YEAR ESTIMATES - EPS

	Prior	EPS	P/E	Rev(M)
F99A		3.83	24.6	1715
F00E		5.40	17.4	1883
F01E	5.90	6.00	15.7	2133

TRH: 3Q00 RESULTS IN-LINE WITH EXPECTATIONS; BUY

SUMMARY:
Transatlantic is a New York based global multi-line specialty reinsurance entity with offices worldwide. TRH is 60% owned by American International Group (AIG/$93.31/Buy), who provides TRH with a strong global partner capable of introducing the company to new territories and business. TRH has established itself as one of the top players in the global reinsurance marketplace, based on its expanded market presence, efficient capital management, prudent underwriting standards, conservative reserving practices, and strong balance sheet. Following the release of TRH's 3Q00 results, we are raising our 2001 operating EPS estimate to $6.00 from $5.90, reflecting a steadily improving reinsurance pricing environment which should continue into 2001. Our price target remains at $108 and we maintain our Buy rating.

HIGHLIGHTS:
* Transatlantic management has witnessed a steadily improving reinsurance pricing environment which is expected to continue into 2001, that should positively impact 2001 bottom line results.

* Transatlantic reported September quarter 2000 operating earnings per share of $1.35 versus $0.88 in the third quarter of 1999. These results were slightly better than our estimate of $1.34, and in-line with First Call consensus estimate.

* In the third quarter of 2000, Transatlantic produced better than anticipated net written premium growth of 12.3%, to $450.9 million from $401.5 million in the third quarter 1999. The better than expected premium volume was due to growth in both the domestic and international operations as well as from the company's specialty reinsurance lines.

* We are maintaining our 2000 operating earnings per share estimate at $5.40. However, based on the aforementioned improving reinsurance pricing conditions,

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we are increasing our 2001 operating earnings per share estimate to $6.00 from $5.90.

* We are maintaining our 12-18 month price target at $108, or 18 times our 2001 operating earnings per share estimate of $6.00, and retaining our Buy rating.

ANALYSIS:

Transatlantic reported third quarter 2000 operating earnings per share of $1.35 up from $0.88 ($1.34 excluding catastrophic losses) in the third quarter 1999. These results were slightly better than our estimate of $1.34 and in-line with the First Call consensus estimate. Net premiums written grew by 12.3% in the third quarter 2000, to $450.9 million from $401.5 in the third quarter 1999, driven by strong growth in both domestic and international operations, and in the company's specialty reinsurance products. The combined ratio improved to 99.7% in the third quarter of 2000 from 105.8% in the third quarter 1999, due to a lack of catastrophic losses in the third quarter of 2000 versus $16.3 million in the third quarter 1999, as well as to a reduction in the expense ratio. Net loss and loss adjustment expense reserves decreased by $42.5 million in the third quarter mainly due to a heightened pace of claims payments related to prior periods' catastrophic losses and to the effect of declining foreign exchange rates. Net investment income was flat at $58.4 million in the third quarter 2000, with investments and cash at $4.2 billion.

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09:20am EDT 27-Oct-00 J.P. Morgan (LAI, CHRISTINE (1-212) 648-4169) TRH
TRANSATLANTIC HOLDINGS: THIRD QUARTER EARNINGS REPORT IN LINE

October 27, 2000

J.P. MORGAN SECURITIES INC. - EQUITY RESEARCH

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Transatlantic Holdings (MARKET PERFORMER)

THIRD QUARTER EARNINGS REPORT IN LINE, MAINTAINING ESTIMATES

TRH			Earnings Per Share				P/E			
10/26	52-Wk Rge	12/99	12/00	12/01	3Q/00	3Q/99	12/00E	12/01E	Yld	MkCap ($MM)
$94.19	$96-69	$3.83A	$5.40E	$5.65E	$1.35A	$0.88A	17.4	16.7	0.6%	3,261
Previous					$1.34E					

Highlights

- ú Transatlantic Holdings announced third quarter operating earnings yesterday of $1.35, $0.01 ahead of our estimate
- ú We are maintaining our 2000 and 2001 estimates at 5.40 and $5.65
- ú Both written and earned premium experienced solid growth in the third quarter (+12%)
- ú The combined ratio improved by nearly 6 points to break-even over last year's catastrophe-plagued third quarter
- ú Transatlantic Holdings is rated Market Performer.

Details

Transatlantic Holdings announced third quarter operating earnings of $1.35, slightly ahead of our estimate. Earnings were up sharply (+54%) over last year's catastrophe-plagued third quarter. The third quarter of 1999 saw catastrophe losses from multiple global events, such as earthquakes in Turkey, Taiwan, and Mexico, hurricanes, and typhoons in Japan and Hong Kong. The third quarter of 2000, in contrast, saw relatively little in the way of catastrophic event activity. As a result, the combined ratio during 3Q/00 was vastly improved over the year-ago period at 100% (breakeven) versus 105.8% in 3Q/99. This is essentially unchanged from the first quarter (100.1%) and second quarter (99.8%) of this year. The principal variance relative to our estimate can be attributed to a lower -than-expected effective tax rate (19% for the quarter). The other interesting note from the quarterly earnings report was the $42.5 million decline in loss reserves, which the company attributed to ". high level of payments of previously reserved claims in the current period and the effect of declining foreign exchange rates."

Written premium growth continued to be relatively strong for a reinsurer (+12%), reflecting the company's unique growth opportunities as AIG's ($93.31/Buy) reinsurance affiliate. Net earned premium increased by 12%

- FIRST CALL --

in the quarter and was slightly (+2%) ahead of our estimate. Net investment income was flat with the year-ago. Table 1 summarizes the third quarter versus our estimate and the year-ago quarter.

Maintaining estimates and continuing with Market Performer rating. We are maintaining our 2000 and 2001 estimates at $5.40 and 5.65. Our fourth quarter estimate is currently $1.34 and reflects a combined ratio of 100.1% and 11.5% growth in earned premium, as well as very modest (+0.6%) growth in net investment income. We have also adjusted our assumptions to incorporate a slightly lower tax rate. Given our forecast for modest near-term earnings growth (+4-5%), we continue to rate Transatlantic Holdings Market Performer.

Table 1: Third Quarter Earnings Summary
($ in millions)

	3Q/99E	3Q/00E	3Q/00A	b/(w)	% chg
Net premiums earned	383.4	421.8	428.2	6.4	12%
Net investment income	58.5	57.5	58.4	0.8	0%
Underwriting result	(22.2)	0.8	(0.0)	(0.9)	-100%
Other, net	0.4	(0.0)	0.1	(0.1)	-72%
Pretax operating income	36.6	58.4	58.4	0.0	60%
Income taxes	6.0	11.5	11.0	0.5	83%
Operating income	30.6	46.9	47.4	0.5	55%
Realized capital gains, net	5.6	6.8	6.0	(0.8)	7%
Net income	36.2	53.6	53.4	(0.2)	48%
Average shares outstanding (mil.)	34.9	35.0	35.0	0.0	0%
Operating EPS	0.88	1.34	1.35	0.01	54%
Combined ratio (GAAP basis)	105.8%	99.8%	100.0%	-0.2%	
Pretax operating income/premium	9.5%	13.8%	13.6%	-0.2%	

Source: Company reports and JPMS estimates

(J.P. Morgan Securities Inc. acted as co- or lead-manager in an offering of securities for AIG within the past three years. The analyst or research associate holds a position in AAIG.

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09:05am EST 31-Oct-00 Blair, William & Co. (Mark Lane) AIG AIG.N
AIG Third Quarter: Solid, No Surprises, Reiterate Rating (Part 2 of 2)

William Blair & Company, L.L.C.

Mark Lane (312) 364-8686

AMERICAN INTERNATIONAL GROUP, INC. (AIG)
(Part 2 of 2)

Price 10/27	Earnings Per Share			P/E Ratio		Div.	Yield	LTGR	Rating
$94.56	12/99	12/00E	12/01E	12/00E	12/01E	$0.19	0.2%	14%	"2"
($52-$100)	$2.13	$2.46	$2.80	38.4x	33.8x				

Details and Highlights

Life Insurance (40% of earnings). Operating income increased 16% to $887 million and continues to show strong momentum. Domestic operating earnings increased 18% to $323 million, driven by 19% revenue growth. Net investment income domestically only increased 11.1% due to a strong 1999 by SunAmerica. AIG's traditional business--annuity, pension, accident and health, and employee benefits--is growing by at least 20%. It is also selling variable life insurance, with SunAmerica subaccounts, through SunAmerica's broker-dealer network, one of largest securities salesforces in the United States.

Foreign life earnings increased 15% to $564 million for the quarter and 16% to $1.6 billion for the first nine months. The company is benefiting from stabilizing economic conditions and flight to quality in Southeast Asia. It also continues to benefit from a flight to quality in Japan, which is AIG's largest foreign market. AIG has an unbelievable consumer franchise in Southeast Asia, which we believe is the company's crown jewel. It is the largest life insurer serving Southeast Asia and maintains a network of approximately 115,000 agents throughout Asia. AIG is the largest life insurance company in the Philippines, Singapore, and Thailand, and is among the largest life insurers in Taiwan. The company also has a large consumer finance business in Southeast Asia, which is reported in the life segment. Its credit cards in Hong Kong, Taiwan, and the Philippines all carry the AIG brand. Early in 2000, the company opened its fourth wholly owned, full insurance office in China, and has more than 9,000 agents in Shanghai and Guangzhou alone. Important, in our view, AIG has barely begun to leverage SunAmerica's product offerings internationally. The exporting of SunAmerica's product was one of the main reasons for the acquisition, in our view. The company began selling dollar-denominated fixed and variable annuities in Japan in third quarter 1999 through more than 3,000 licensed representatives and started selling SunAmerica products in Southeast Asia this year.

General Insurance (40% 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. Net written premiums increased 8.1%, net investment income increased 6.9%, and operating earnings increased 14% to $868 million. On a GAAP basis, the overall property-casualty combined ratio decreased to 95.3%, compared with 96.4% one year ago and 95.7% last quarter.

Net written premiums in the domestic commercial property-casualty business increased 6.7% to $2.1 billion, which was the most encouraging financial measure in the property-casualty segment, in our view. The statutory combined ratio

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decline to 98.6%, compared with 99.9% one year ago and 99.3% last quarter. We believe the majority of catastrophe losses last year were in the international business. Management states that rate increases continue in many classes and that they expected continued improvement to return the industry to acceptable levels of profitability. We agree with this position and we expect better top line growth and margins in AIG's domestic commercial property-casualty business in 2001. AIG continues to cull underperforming business, although the level of non-renewed business declined significantly this quarter, another sign that pricing is returning to more adequate levels. Given AIG's size and earnings diversity, the company did not need to show top-line growth to the public market and has been able to cull underpriced business and improve profitability earlier than many of competitors. The international property-casualty insurance operations posted better underwriting profitability and strong earnings growth. Earnings increased 14%; premium growth was a healthy 7% and the statutory combined ratio decreased to 95.8% from 96.2% one year ago. Net written premiums at Transatlantic, the reinsurer in which AIG holds a majority stake, increased 12% to $450 million--approximately 50% of Transatlantic's business is outside the United States. The GAAP combined ratio decreased to 99.7% from 105.8%, but was relatively stable excluding catastrophe losses. Transatlantic management of states that reinsurance rates continue to increase steadily and that they expect the improvements to continue in 2001.

Domestic personal lines premiums, which predominantly is auto insurance, increased 14.4% to $635 million, while generating an underwriting loss. Premiums increased 19% excluding 21st Century. Intense price competition combined with an aggressive growth plan and increasing loss costs continues to compress underwriting margins. The statutory combined ratio increased to 101.3% compared to 96.7% one year ago. This is the first time since first quarter 1997 that the company has posted an underwriting loss in this business. Of AIG's separately reported businesses, personal auto continues to face the most-challenging near-term fundamentals, in our opinion. Premium growth was stronger than we expected. We have been forecasting a slowdown in premium growth given the expectation of further margin pressure and the need to raise rates. We believe it will take several quarters to improve results, as price increases are needed to just keep up with rising loss costs and are not reflected immediately in results.

At 21st Century, the direct personal auto insurer in which AIG holds a majority stake, net written premiums increased 6% to $207 million and constituted 33% of personal lines premiums this quarter. The GAAP combined ratio increased to 105.8% compared to 90.5% last year, and for the first nine months was 104.4%. The increase was by driven a significantly higher loss ratio (91.6% compared to 77.4%). The company announced it received a 6.4% rate increase in California (greater than 95% of business) that it intends to implement November 1, 2000. The company has also curtailed advertising expenses until rate changes come through. Although the rate action is encouraging, more rate increases are probably needed and we believe it will take at least 12-18 months to get back to more acceptable levels of profitability. The mortgage guaranty business also continues to post impressive results. Earnings increased 20% to $94 million on premium growth of 16% and stable underwriting margins.

Financial Services (15% of earnings). Operating income increased 23% to $308 million. The three principal businesses in financial services are ILFC; the aircraft-leasing subsidiary; AIG Financial Products, and AIG Trading Group. AIG Financial Products continues to prove it is a growth business, as earnings increased 28% to $154 million. It constituted 47% of earnings this quarter and 46% for the first nine months. AIG Financial Products continues to build more recurring revenue as it expands its structured and client-specific interest rate, currency, and equity products. Importantly, it is benefiting from AIG's broad corporate relationships. AIG Trading Group continues to struggle--although it has the least amount of recurring revenue and will be the most volatile component of earnings. It is engaged in client-focused hedged trading and market making in foreign exchange, interest rates, and metals. Earnings decreased 48% to $5 million for the quarter and 47% to $41 million for the first nine months. We forecast a $10 million run-rate for the balance of the year. We estimate a modest slowdown at ILFC given its larger size. ILFC earnings increased 14% to $166 million, compared to our 12.5% estimate. The upside came from higher margins. One hundred percent of aircraft are placed for 2001. A total of 82% of new planes ordered for 2002 have been placed, a slight improvement compared to the end of last quarter. Funding costs remain stable compared to first half 2000 and demand remains healthy.

Asset Management (5% of earnings). Asset management is the smallest segment, but remains the fastest-growing segment. Operating income increased 27% to $110 million, but was well below our $130 million, which we believed was too high due to poor equity markets in the third quarter. In the third quarter, the S&P 500 decreased 1.2% and the NASDAQ decreased 7.4%. The largest component of this business is SunAmerica's variable annuity business. Although SunAmerica's separate account assets are technically part of the life insurance balance sheet, variable annuity fees are recorded in the asset management segment. According to VARDs, SunAmerica generated $2.3 billion in variable annuity deposits in first half 2000, making it the 10th best-selling variable annuity underwriter. The segment also includes AIG and SunAmerica investment management businesses and a majority interest in John McStay Investment Counsel. John McStay is a small-cap/mid-cap institutional money manager with a family of retail mutual funds under the Brazos name. Assets under management increased $1 billion sequentially, including third-party institutional accounts and retail fund assets on a global basis. Given AIG's long-term strategy to build 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 to develop, to distribute, and to manage all retail mutual funds worldwide. It is has operating units in more than 10 countries around the world. We expect the company to introduce SunAmerica's mutual funds in Japan and Southeast Asia in the near future.

Additional information is available upon request.

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08:25am EDT 27-Oct-00 Bernstein (Bault, Todd 212/756 - 1857) AIG AIG.N
AIG: raising earnings estimates, growin` where the growin`s good

AIG: raising earnings estimates, growin' where the growin's good

Stock	10/26/00 Price	SCB Rating	YTD Rel. Perform.	1999	EPS 2000E	2001E	P/E 2000E	2001E	Price/ Book	Yield
AIG	$93	O	39%	2.13	2.45	2.85	38.1	32.7	6.2	0.2%
AIG old					2.45	2.80				
SPX	$1,364			50.75	56.50	61.25	24.1	22.3	4.6	1.2%

O - Outperform, M - Market-Perform, U - Underperform

Highlights

* We are raising earnings estimates for AIG to $2.85 from $2.80 in 2001, and estimating $3.25 in 2002. Our updated economic value for AIG is $95, with 15-16% annual appreciation reasonable. Reiterate Outperform.

* Results great on all fronts, with notable improvement in non-life; total forward growth rates of 15% for revenue and 16% for operating income expected; 15% ROE and 16% growth in book value expected

* Acquisition opportunities exist in all areas of expertise-deal choices driven by economic return, not expectations of needed business mix; while AIG does want to diversify earnings into lower volatility areas, opportunities in non-life and life insurance worldwide are too good to pass up given recent poor performance; look for AIG to pursue deals where outsized returns are possible (e.g. Chiyoda) and/or opportunities to extend a good platform exist (e.g. Hartford Steam Boiler); if one must do acquisitions, this is the way to do it

Details

Surprising no one, AIG reported operating income per share of $0.61 for 3rd quarter 2000, compared to $0.53 in 1999 and $0.61 consensus. As the world insurance market begins to improve and AIG perceives increasing opportunity, we become more convinced that AIG can maintain or increase profit and growth rates. We are raising our 2001 EPS estimate to $2.85 from $2.80. We estimate 2002 EPS to be $3.25 for the full year. Our updated economic value for AIG is $95, with a reasonable expectation of 16-17% annual appreciation. Recall that our target prices are largely based upon a discounted cash flow (DCF) model. AIG is the only company in our coverage that does not carry a "target price", because we believe any current evaluation of such a figure will appreciate at least at AIG's growth rate. We reiterate our Outperform rating, held since our launch in late May. It was easy to recommend AIG then, and it still is. Please see Exhibit 2 for our current earnings model.

Great results as usual, with increased optimism in insurance worldwide
While the pieces of AIG can be volatile, the whole rarely is. Growth in operating income is shaping up to be about 15% for the year, and we estimate 15-17% income growth for the next few years. This breaks down into 8-10% from non-life insurance, 17-20% from life insurance, 15-18% in financial services, and 30-35% in asset management. This is all assuming organic growth. Non-life insurance is expected to drop from 40% to 33% of total earnings by 2003, with life insurance climbing from 40% to 45% and asset management from 5% to 7%; financial services should remain at about 15% (see Exhibit 1). Return on GAAP

- FIRST CALL --

equity should be about 15%, growing at about 16%.

Exhibit 1 Share of AIG earnings, 2000E vs. 2003E
After a slower second quarter in non-life insurance, AIG has racked up 6.6% premium growth for 9 months and 8.9% operating income growth. While we are very wary of looking at just one quarter, the 3rd quarter growth is even better, with 8.1% premium growth and 14% operating income growth. This includes about $240 million (3.8% of Domestic Brokerage) of premiums year-to-date that AIG decided not to renew on business deemed inadequately priced. "Hank" Greenberg, AIG' s chairman and CEO, has pointed out, from the beginning of the insurance market's improvement, that insurance rates fell a long way during the 1990's. We agree-our own estimate is that industry standard commercial rates were 5-20% inadequate in 1999, and industry personal lines rates were 5-10% inadequate. There has been improvement in 2000 (5-10% in commercial, 0-4% in personal by our estimate), but there is still work to do. AIG had worse than normal results in its subsidiaries 21st Century (auto) this year, and Transatlantic Re (reinsurance) last year, but rate actions are occurring in both companies and results are improving. Please see Exhibit 3 for our non-life insurance model.

Life insurance results continue to be excellent, with 15.3% premium growth and 15.6% growth in operating income. Growth in domestic life has been particularly strong this year (30%), aided by SunAmerica. Foreign life continues to explore new territory, including a now-functioning office in Vietnam and an application to sell in India expected to be active next year. Finally, both the risks and rewards from AIG's sponsorship of Chiyoda Mutual Life Insurance, Japan's 12th largest life insurer, could be very large. AIG plans to help the company restructure, and most probably gains a chance to acquire some choice assets in the process. Chiyoda has about $32 billion of assets but is insolvent to the tune of $320 million. Please see Exhibit 4 for our life insurance model.

Financial services and asset management are the most difficult divisions to forecast for AIG, but both continue to produce solid results. Operating income growth for the year should be about 18% for Financial Services and 43% for Asset Management. We are projecting more modest growth for Asset Management, but still strong at 30-35%. Only Trading is producing weak results currently, but this segment will always be very volatile and is a small percentage of the total division (6.5% of revenues). Financial Products (credit and other financial products customized for corporations) showed very strong results (37% growth and 61% return on revenue). Please see Exhibit 5 for our financial services and asset management model.

Acquisitions: not where you'd guess
For the longest time, the burning question among investors has been: "When will AIG buy an asset manager?" We may now have our answer: tomorrow, never, or sometime in between. While an asset manager purchase is still possible, AIG made it clear that opportunities in insurance worldwide, both life and non-life, may be too good to pass up, given the weakened state of many competitors and markets. It was this declaration in the earnings release that is the only thing we can point to as a catalyst for the stock's decline yesterday-perhaps some investors really wanted AIG to buy an asset manager! The issue isn't the sector for AIG, but rather the opportunity. AIG has the ability and opportunity to look at many deals and pick those with the greatest profit potential. We have seen this in AIG's recent purchase of Hartford Steam

- FIRST CALL --

Boiler (see our August 21 call on the deal), and the potential is there in AIG's sponsorship of Chiyoda. In the US, we estimate industrywide loss reserves to be at least $2 billion or more inadequate as of year-end 1999, and we've seen much larger estimates. Most of the companies in our coverage (AIG included) still have positive reserve margin. Since our companies constitute a large percentage of the market, than means there are some seriously troubled companies out there-Reliance may be just the tip of the iceberg. In Japan, more life insurers have fallen since Chiyoda. This turmoil is an opportunity for a well-run and innovative company like AIG, who has a track record for good acquisitions in an industry where acquisitions are notoriously difficult. Acquisitions are not the only possibility-AIG could act as reinsurer and help shore up weak companies, for example.

Valuation: that real options piece makes more and more sense
Since our launch, we have advocated a discounted cash flow model (DCF) for valuing non-life insurers (see our black book "The times, are they a'changin' for non-life insurance?", September 2000, Appendix 1 for more details). In brief, we split value into three components: embedded value, franchise value, and real options value.
*Embedded value is the economic book value, correcting for accounting issues like not discounting reserves and not reflecting reserve margin. For AIG, our current estimate of embedded value is about $16.50 per share, or 107% of book value.
*Franchise value is the excess rate of return over a cost of capital (we use 10% in most cases) a company can make on future business for businesses it is already in. AIG has significant franchise value, given its estimated 18-25% economic ROE across its businesses. Our estimated franchise value is about $50 per share, or 17.5 times next year's earnings.
*Real options value is the value of activities the company has yet to enter-it is the value of management's ability to seize upon opportunities. We compute this by starting with franchise value and running that answer through a Black-Scholes model to recognize the cost of seizing opportunities, as well as the volatility of the outcome. In some sense, this is a high-tech way to make up numbers, but we use the framework to keep us focused on assumptions, rather than the final number. For most of our companies, real options value is not large, but this is not the case for a great innovator and risk-taker like AIG. Its current estimated real options value is about $29, or 37% of all future value. This may seem like a lot, but think about recent activity. How, exactly, could one have anticipated, let alone specifically valued, such actions as: peer-to-peer foreign exchange products, selling auto insurance on designated financial and auto Web sites, launch of Private Client personal lines insurance, purchase of HSB, licenses in the Ukraine and Vietnam, the sponsorship and Chiyoda, etc.? All this has occurred since we launched at the end of May! We see no signs that AIG is slowing down, so some measure of contingent future activity is needed, and we think the real options value is a good proxy.

In total, our estimate of current fair economic value is about $95+. Further, since we don't see AIG's competitive advantage waning anytime soon, this value can be reasonably expected to appreciate 15-17% per annum. This makes AIG always a core holding in our view. Given yesterday's weakness in the stock, now seems like a good time to start buying again.

Risks
AIG takes risks, so it's exposed to risk. The areas it is considering for

- FIRST CALL --

consolidation potential-Japanese life insurance and worldwide non-life-are risky indeed, with much potential to underestimate downside in economic conditions, balance sheet stress, and rate need. AIG has a proven track record, but the risks remain. As an example (and only an example-this is not an actual deal), the current deficit at Chiyoda is about 6% of AIG's estimated 2000 earnings. Making a full acquisition and then discovering a bigger hole could lead to 10% or greater downside in earnings.

Exhibit 2 AIG earnings model, 1997-2003E (all amounts in millions of dollars)
Exhibit 3 AIG general insurance model, 1997-2003E (all amounts in million of dollars)
Exhibit 4 AIG life insurance model, 1997-2003E (all amounts in millions of dollars)
Exhibit 5 AIG financial services and asset management model, 1997-2003E (all amounts in millions of dollars)

For exhibits call Todd Bault (212) 756-1857

Todd Bault
Sanford Bernstein

-> End of Note <-

08:24am EDT 27-Oct-00 A.G. Edwards (Musser, Steve 314-955-5862) AIG AIG.N
AIG: 3Q RESULTS, ANOTHER SOLID QUARTER. ACCUMULATE

A.G. Edwards & Sons, Inc.
Equity Research - Insurance
October 26, 2000

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

3Q RESULTS, ANOTHER SOLID QUARTER

AMERICAN INTERNATIONAL GROUP (AIG-96-NYSE)
ACCUMULATE

AIG reported third quarter EPS of $0.61 versus 0.53, in line with expectations. This was another solid quarter for AIG. The results were driven by continued strong growth of the life insurance business both foreign and domestic. Worldwide life operating income grew by 16.3%, led by strong domestic life operating income growth of 18.1%, as SunAmerica sales climbed 47.4%. General Insurance results improved as operating income rose 14.0% with signs of improvement in pricing across all classes. Asset management growth was strong as well, up 27.0%. We foresee continued strong growth in international operations, the probability of improved property/casualty results due to rising rates, and ongoing growth (perhaps less spectacular) from SunAmerica.

Comments in the release lead us to believe that the company may be more aggressive in pursuing acquisition opportunities. Certainly, AIG's size and global position allows them to seriously review any and all opportunities. We consider AIG to be a core holding and continue to rate the shares of AIG Accumulate. We would urge long-term investors to take advantage of any weakness to add to/build positions.

Market Cap: $224.6 bil.
52-week price range: $99 15/16-52 3/8 Estd. L.T. EPS CAGR: 15%
Dividend: $0.15 Yield: 0.16%

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
2000E	$0.58A	$0.61A	$0.61A		$2.45
2001E					$2.80

Property/Casualty operating income for the third quarter rose 14.0% to $868.3 million from $761.4 million in the third quarter of 1999. This progression in operating performance can be attributed to the hardening rate market and the improvement in the loss ratio to 74.56% from 76.02%. Although the expense ratio deteriorated to 21.69% from 20.54%, the overall combined ratio improved to 96.25% from 96.56%. Worldwide premiums written were $4.29 billion for the quarter, an 8.1% increase over $3.97 billion in 1999. Domestic brokerage premiums were up 6.7%. The company noted that the current pricing environment was still inadequate, but improving and that further increases will be

- FIRST-CALL --

necessary. AIG foresees industry consolidation due to the lack of profitability in the personal lines market. AIG's strong financial position places them in an ideal position to benefit from a consolidating environment. AIG is enacting rate increases in all of its automobile lines. Personal lines premiums rose 14.4% to $634.97 million from $555.0 million in the year-ago period. Net investment income for the third quarter increased 6.9% to $675.6 million from $632.2 million.

Life operating income rose 16.3%, with domestic up 18.2%. Worldwide life insurance premium income for the quarter increased 18.5% to $3.3 billion from $2.8 billion in 1999. Domestic and foreign life premiums grew 27.4% and 17.6%, respectively. We foresee foreign life insurance, particularly in Japan and Asia, increasing in the double-digit range. In the quarter AIG agreed to sponsor Chiyoda Mutual Life Insurance Company, a Japanese life insurance company that has applied for protection from its creditors. By doing so, AIG will help reorganize the company, which will allow them to analyze the Chiyoda business. Therefore, enabling AIG to purchase whatever part of the Chiyoda business it would like. Life insurance net investment income expanded at the rate of 17.3% to $1.8 billion from $1.5 billion in the year-ago period.

Financial Services income rose 23.3% to $308.4 million from $250.2 million in 1999. AIG trading revenue was up 117.1% for the quarter, although profitability shrank 47.9% for the quarter, as the market became increasingly more volatile. AIG Financial Products reported a 28.1% increase in operating income for the quarter and a 37.6% rise in revenues. Asset Management reported a 47.1% increase in operating income to $320.5 million from $217.9 million in 1999.

Analyst owns a position in common or common equivalents.

-> End of Note <-

- FIRST CALL --

07:42pm EDT 26-Oct-00 Prudential Securities (A.CORNISH 617-956-1017) AIG TW TRH
AIG REPORTS GOOD 3Q RESULTS ON A BAD DAY(PART 2 OF 2)

AIG REPORTS GOOD 3Q RESULTS ON A BAD DAY(PART 2 OF 2)

PRUDENTIAL SECURITIES

October 26, 2000

SUBJECT: American International Group (AIG-$99.38) --NYSE

----- ANALYST(S) --------------------

Alice Cornish, CPCU 617.956.1017
Jay Gelb, CFA 617.956.1091

-------- OPINION --------
Current:Strong Buy/SBI/Select
Risk:Low
Target:$110.00

	FY	REV	EPS	P/E	1Q	2Q	3Q	4Q
Act	12/99		$2.13	46.7X	$0.50	$0.54	$0.53	$0.56
Cur	12/00		$2.44E	40.7X	$0.58A	$0.61A	$0.61A	$0.64E
Cur	12/01		$2.80E	35.5X				

----- FUNDAMENTAL --

Avg. Volume:3,400,000
Mkt Cap:$229,948 mil
Shares:2,313.83 mil
IAD/Yield:0.10 / 0.10%
52-Week Range:100 - 52
EPS Growth:13.00%
P/E / Growth:3.1x

----- 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 2 continues

----- DISCUSSION--

Management seems to believe price increases will be sustained. According to AIG Chairman M.R. Greenberg, "In the domestic commercial property-casualty marketplace, we are seeing a continuation of rate increases for many classes of business. We have every reason to believe that this momentum will continue into future quarters, as the need for adequate pricing is clearly understood by all underwriting companies. It bears repeating, however, that while rates are clearly strengthening, rates had declined for nearly a decade, and hence the industry needs considerable improvement in pricing to get back to reasonable levels."

Personal premiums increased more than 14% with AIG's mass marketing unit providing the major contribution to the stand alone growth rate of 19.0%. 21st Century reported a 5.9% increase in net premiums written as the company continued to take corrective actions to improve its results.

21st Century had a third quarter GAAP combined ratio of 105.8% compared to 90.5%

- FIRST CALL --

9 (not shown). AIG's results were considerably better, based on a total combined ratio of 101.3% for the personal lines segment illustrated in Figure 4.

Figure 4. General Insurance Combined Ratios By Segment
($ in millions)

	3Q00E	3Q00A	3Q99A	Pt.Chg. 3Q00A/ 3Q99A
Domestic Brokerage	100.83%	98.55%	99.90%	-1.35%
Personal Lines	104.25%	101.30%	96.85%	4.45%
Mortgage Guaranty	40.80%	40.82%	40.33%	0.49%
Total Domestic	99.26%	96.68%	96.71%	-0.03%
Foreign General	93.45%	95.77%	96.20%	-0.43%
Total	97.28%	96.25%	96.56%	-0.31%

Note: 3Q99 restated for Worldsource division.
Source: Company data, Prudential Securities estimates.

Mortgage Guaranty results continued to be outstanding as shown in Figure 5. Operating income was ahead of our estimate and reflected the strength in the economy influencing mortgage default rates.

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

	3Q00E	3Q00A	3Q99A	% Chg. 3Q00A/ 3Q99A
Domestic Brokerage	451.6	524.3	436.0	20.3%
Personal Lines	1.6	17.6	45.0	-60.9%
Mortgage Guaranty	85.1	93.7	78.4	19.5%
Unalloc Investment Income	15.0	22.4	17.3	29.2%
Foreign General	266.9	210.3	184.7	13.9%
Total	820.3	868.3	761.3	14.1%
Total Domestic	553.3	868.3	576.7	50.6%
Total Investment Income	667.1	675.6	632.2	6.9%

Note: 3Q99 restated for Worldsource division.
Source: Company data, Prudential Securities estimates.

General insurance operating income by segment is shown in Figure 5 along with our estimates. Results were better across with board on the domestic side, with the Foreign results lower than our projection. Premium growth was less than we had forecast, but results were restated to the new Worldsource category, therefore our dollar estimate was not made on a comparable basis. Total investment income, up 6.9%, was ahead of our estimate of $667.1 million.

Life operating income, shown in Figure 6, increased 16.3%, or slightly less than we had expected. According to the company, Asia is improving and variable products are currently being sold in Japan. Sun America continued to turn in excellent results and is on budget.

Figure 6. Life Insurance Premium and Pretax Operating Income By Segment
($ in millions)
% Chg.

-- FIRST CALL --

	3Q00E	3Q00A	3Q99A	3Q00A/ 3Q99A
Total Domestic Premium	292.7	310.8	243.9	27.4%
Foreign Premium	2900.9	2966.5	2522.5	17.6%
Total Premium	3193.6	3277.3	2766.4	18.5%
Domestic Operating Income	340.0	322.7	273.1	18.2%
Foreign Operating Income	576.0	563.9	489.4	15.2%
Total Operating Income	916.0	886.6	762.5	16.3%

Source: Company data, Prudential Securities estimates.

Financial services operating income was on target at $308.4 million, or 23% above last year's earnings. Financial Products had a strong quarter and Trading seems to have stabilized, but at a low level. ILFC had a good quarter that included some aircraft sales but against a strong result last year. Asset management included the McStay operations in both years but still reported good growth.

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

	3Q00E	3Q00A	3Q99A	% Chg. 3Q00A/ 3Q99A
FINANCIAL SERVICES				
ILFC	170.0	166.5	145.7	14.2%
AIG Financial Products	155.0	154.2	120.4	28.1%
AIG Trading	11.0	5.4	10.3	-47.9%
Other	-3.0	2.7	-2.7	NA
Intercompany Reclassification	-23.5	-20.3	-23.5	-13.4%
Total Operating Income	309.5	308.4	250.2	23.3%
ASSET MANAGEMENT				
AUMs (in $Bil)	40,000.0	36,000.0	29,000.0	24.1%
Operating Income	118.8	110.2	86.8	27.0%
Pretax Margins	36.0%	35.0%	34.9%	

Source: Company data, Prudential Securities estimates.

The tax rate was slightly higher in the quarter at 29.58% compared to 29.39%. Book value per share was $15.80.

-> End of Note <-

-- FIRST CALL --

12:06pm EDT 26-Oct-00 UBS Warburg (US) (Michael A. Lewis) AIG AIG.N
AIG: DOWNGRADING RATING TO BUY FROM STRONG BUY ON VALUATION

****

UBS Warburg
Michael A. Lewis 212 821 2310
Peter C. Streit 212 821 2415

October 26, 2000

American International Group (AIG - NYSE) - Buy
US Insurance, Full Line

Price:	94.88	Div:	0.13	Mkt Cap:	223.2b	Est Debt/TC:	8%
Price Tgt:	110.00	Yld:	0.1%	Shrs O/S:	2.4b	ROE:	15%
52 Week:	99.38 - 54.29	5 yr EGR:	16%	Avg Vol(000):	2474	Ent Val:	N/A
				Est BV/Shr:	14.63	Cvt Secs:	Yes

FISCAL YEAR QUARTERLY ESTIMATES - EPS

	1stQ	2ndQ	3rdQ	4thQ
12/99	0.50A	0.54A	0.52A	0.56A
12/00	0.58A	0.61A	0.62E	0.65E
12/01				

FISCAL YEAR ESTIMATES - EPS

	Prior	EPS	P/E	Rev(M)
F99A		2.13	44.5	40602
F00E		2.46	38.6	45066
F01E		2.83	33.5	50023

AIG: DOWNGRADING RATING TO BUY FROM STRONG BUY ON VALUATION

SUMMARY:
We are downgrading our rating on American International Group to Buy from Strong Buy based on the stocks current valuation levels of 33.5 times next years earnings estimate of $2.83 and 6.3 times book value of $15.04. Our price target remains $110, or over 38.8 times our 2001 estimate of $2.83. However, based on third quarter 2000 results and taking into account the superior market performance of the stock, the current AIG valuation appears to reflect AIG's operating prospects going forward as we maintain our 2000 and 2001 operating EPS projections at $2.46 and $2.83 respectively. Additional comments on AIG's 3Q00 results will follow. Bottom line, we believe AIG valuation now reflects its growth prospects.

HIGHLIGHTS:

* We continue to feel that AIG is the premier company in the global insurance and financial services arena, based on the company's broad based, low cost global distribution capabilities, product development skills, and broad product scope.
* We believe management has positioned the company to extend this record given the expansion of its revenue and earnings streams, its top shelf financial ratings, and its leadership position in a number of markets.
* The acquisition of SunAmerica likewise created enhanced long term growth and profitability potential, while leveraging up AIG's strengths, fills important coverage gaps, and improves AIG's overall product and geographical mix.
* We believe AIG stands to be a major beneficiary of the firming in property casualty domestic commercial lines rates.

- FIRST CALL --

14:49pm EDT 26-Oct-00 Prudential Securities (A.CORNISH 617-956-1017) TRH
TRH: 3Q RESULTS REFLECT IMPROVING REINSURANCE MARKET

TRH: 3Q RESULTS REFLECT IMPROVING REINSURANCE MARKET

PRUDENTIAL SECURITIES October 26, 2000

SUBJECT: Transatlantic Holdings (TRH-$93.81) --NYSE

----- ANALYST(S) -------------------- -------- OPINION --------

Alice Cornish, CPCU 617.956.1017
Jay Gelb, CFA 617.956.1091

Current:Hold
Risk:Low
Target:$90.00

	FY	REV	EPS	P/E	1Q	2Q	3Q	4Q
Act	12/99		$3.83	24.5X	$1.35	$1.36	$0.88	$0.23
Cur	12/00		$5.56E	16.9X	$1.36A	$1.35A	$1.35A	$1.49E
Prev			$5.63E	16.7X			$1.42E	
Cur	12/01		$5.95E	15.8X				

----- FUNDAMENTAL ---

Avg. Volume:NA IAD/Yield:0.50 / 0.53% EPS Growth:9.00%
Mkt Cap:$3,261 mil 52-Week Range:96 - 69 P/E / Growth:1.9x
Shares:34.76 mil

---- 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 --

) Management confirmed that the worldwide reinsurance market continues to tighten.
) TRH should continue to raise rates through at least next year.
) Adjusting our 2000 EPS estimate to $5.56 based on 3Q results.

---- DISCUSSION --

Management Said That The Reinsurance Market Continues To Harden. The property catastrophe market has shown broad improvement, with retro rates up in excess of 100%. Property catastrophe accounts with good experience are receiving 10%-20% rate increases and accounts with losses are seeing their rates go up substantially more. Rates in the London market are showing healthy gains as well. Management said that it expects across the board rate increases to last through at least next year. However, they said that plenty of capital is still available and that it will be up to the market leaders to maintain underwriting discipline.

Second Quarter Recap. TRH reported third-quarter EPS of $1.35 compared to $0.88 last year and our estimate of $1.43. Net written premiums increased 12.3% to $450.9 million due to customers demanding financially stable carriers (like TRH) and across the board tightening in rates (Figure 1). The company has seen more opportunities to write business in accident and health (A&H) and private passenger auto outside the U.S. The combined ratio improved to 99.7% from 105.8% last year due to zero catastrophes in third-quarter 2000 compared to $16.3 million of after-tax catastrophe losses last year. Management said that international results were slightly better than domestic results due to the lack of catastrophes.

We are adjusting our 2000 EPS estimate to $5.56 from $5.63 based on third quarter results. We are maintaining our Hold rating and our $90 12-month target price. Book value per share at the end of third-quarter 2000 was $51.64 compared to $47.30 at year-end 1999.

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

	3Q00	2Q00	% Change
Domestic	240.5	215.6	11.5%
Foreign			
London	90.7	75.6	20.0%
Canada	6.5	5.1	27.5%
Tokyo	10.2	6.9	47.8%
Hong Kong	12.3	12.0	2.5%
Miami (Latin America)	15.3	18.9	-19.0%
Paris	39.7	43.0	-7.7%
Trans Re Zurich	35.7	24.4	46.3%
Total Foreign	210.4	185.9	13.2%
Total	450.9	401.5	12.3%

Source: Company data.

-> End of Note <-

-- FIRST CALL --

07:22am EDT 27-Oct-00 Bear Stearns (Smith, M/ Wright, B 212/272-9465) TRH BRKA
TRH: Raise Conservative Estimate

Michael A. Smith 212 272-9465 masmith@bear.com
Brian M. Wright 212 272-4329 bmwright@bear.com 10/27/00

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

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

Transatlantic Holdings (TRH 94 3/16) - Attractive
Raise Conservative Estimate

Data

Last ROE 10.9%	52-Wk Range $96-$69	Shares Out 35
Target Price $103-$105	Dividend/Yield $0.54/0.6%	Market Cap (MM) $3,297

Key Points
*** We are maintaining our Attractive rating on Transatlantic Holdings' stock, and raising our 2000 EPS estimate by $0.05.
*** Third quarter earnings were $0.10 above our estimate, but in line with "Street" expectations
*** Written premiums and underwriting results were stronger than we anticipated, reflective of the improving underwriting environment.
*** Investment income was flat with last year, and below our expectations, hurt by weak cash flow out of the underwriting operations.

Earnings Estimates

	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	P/E Year
1999	$1.35A	$1.36A	$0.88A	$0.23A	$3.83A	24.6
2000	$1.36A	$1.35A	$1.35E	$1.39E	$5.45E	17.3
Previous	$1.36A	$1.35A	$1.25E	$1.44E	$5.40E	17.4
2001	$1.45E	$1.50E	$1.45E	$1.60E	$6.00E	15.7
2002	$1.60E	$1.65E	$1.70E	$1.75E	$6.70E	14.1

We continue to recommend purchase of Transatlantic Holdings shares, rating the stock Attractive and with a price target of $103-$105. In our view, not only is pricing beginning to improve in the standard lines of reinsurance, but we also anticipate a further shakeout in that market, benefiting the stronger players such as Transatlantic. Transatlantic Holdings is the largest brokered market reinsurer in the domestic market, and the fourth-largest professional reinsurer overall (measured by statutory surplus).

We are raising our 2000 earnings estimate mildly, to $5.45 from $5.40, representing a fine-tuning following the company's third quarter earnings release. We are maintaining our 2001, and our 2002, projections at $6.00 per share and $6.70 respectively.

-- FIRST CALL --

Transatlantic Holdings earned $1.35 per share in the third quarter, about the same as the company would have reported last year had it not had to contend with catastrophe claims that took $0.46 per share out of the reported figure. Our own estimate was $0.10 lower. Underwriting results were better than we anticipated, but, as we have noted earlier, weak operating cash flow over the past year has put pressure on investment income growth, bringing this figure in below our expectations.

Written premiums increased by 12.3% from the year-ago level, about double the growth rate we had estimated and representing another sequential increase (first quarter premiums grew 9.9%, moving to 11.9% in the second quarter). Growth was about evenly divided, with domestic premiums up 11.6% and international premiums up 13.2%. Domestic business currently accounts for about 55% of total, and the mix by line remains at about 75% casualty and 25% property.

Management is optimistic about improving market conditions, both domestically and overseas. According to management, early discussions out of the Baden-Baden (Germany) industry conference that is underway have been positive. A major positive is that players are beginning to withdraw from the market. We noted this week a trade press report that General Cologne Re, a unit of Berkshire Hathaway (BRKA, not rated) has pulled the plug on facultative proportional business in Germany. Following up on that, the company has indicated it is willing to walk away from as much as $60 million of similar business in the U.S. market. As we commented earlier, the severe conditions in the reinsurance market may in fact result in the reinsurance capacity "crunch" that so far has been largely absent from the picture.

Over the past year, Transatlantic Holdings has incurred some severe catastrophe claims that have squeezed operating cash flow. That figure was negative at mid-year, and the resultant shrinkage of the investment portfolio has in turn resulted in flat investment income. According to the company, cash flow in the third quarter was almost $32 million positive, and while better, this was still down from last year's $36 million. Year-to-date, the figure is still negative, by $72 million.

Looking ahead, we believe our estimate for this year's earnings has turned out to be a bit too cautious. However, underwriting results are strong and we do not see the combined ratio moving much lower than the current 99.7% in the quarter. With underwriting essentially breaking even, upside surprises are essentially going to have to come from investment income, which generally improves slowly over time, fueled by strong cash flow. Rarely does investment income offer any big surprises in either direction. Thus, we expect earnings growth from the current level to take some time before we see appreciable acceleration.

Companies Mentioned: Transatlantic Holdings (TRH), Berkshire Hathaway (BRKA)

-> End of Note <-

-- FIRST CALL --

-> End of Note <-

-- FIRST CALL --