Group Affiliation: American International Group Inc

AMERICAN INTERNATIONAL GROUP

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Publicly Traded Corporation: American International Group, Inc. NYSE: AIG

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BEST'S RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Rating of A++ (Superior). The group's Financial Size Category is Class XV.

RATING UNIT MEMBERS

American International Group (AMB# 05953):

AMB#	COMPANY	RATING	POOL%
02351	National Union Fire Ins Co PA	A++ p	38.00
02034	American Home Assurance Co	A++ p	36.00
04000	Commerce and Industry Ins Co	A++ p	10.00
02349	Birmingham Fire Ins Co of PA	A++ p	5.00
02035	Insurance Co of the State PA	A++ p	5.00
02363	New Hampshire Insurance Co	A++ p	5.00
02389	AIU Insurance Company	A++ p	1.00
11984	AIG Global Trade & Pol. Risk	A++ g	
03536	American Intern Ins Co of PR	A++ g	
03535	American Intern Specialty Lns	A++ g	
04121	Audubon Indemnity Company	A++ g	
00180	Audubon Insurance Company	A++ g	
10587	China America Ins Co Ltd	A++ g	
85727	Commerce and Industry Ins CA	A++ g	
10725	National Union Fire Ins of LA	A++ g	
02359	American Intern Pacific Ins Co	A++ p	
02833	American Intern South Ins Co	A++ p	
02360	Granite State Insurance Co	A++ p	
02361	Illinois National Insurance Co	A++ p	

RATING RATIONALE

Rating Rationale: The rating of the eleven members of the American International Group (AIG) Commercial Lines Pool, led by National Union Fire Insurance Company of Pittsburgh, Pa., and certain strategic affiliates is based on the consolidated operating performance of AIG's domestic property / casualty insurance group, which includes the operating results of the following companies: the AIG Commercial Pool; the AIG Personal Lines Pool; the Lexington Insurance Pool; the Hartford Steam Boiler Group; majority-owned Transatlantic Holdings, Inc.; and majority-owned 21st Century Industries. Each of the aforementioned Pools/Groups are separately rated.

The rating reflects AIG's outstanding operating performance, specialty underwriting focus, and recognized global leadership position within its select and highly specialized market segments, particularly management liability (including directors and officers liability), commercial umbrella, environmental coverages and excess and surplus lines. The nation's largest underwriters of commercial and industrial coverages, AIG is widely recognized in the broker community for its unique and highly innovative product offerings, substantial risk management and service capabilities, as well as its ability to provide high coverage limits and broad global capacity. AIG also benefits from its profit center approach and strong broker relationships. Through its extensive overseas network and full array of commercial products, AIG can accommodate most of its clients' global insurance needs. Finally, the group maintains a high-quality investment portfolio and a conservative net limit risk profile that minimizes AIG's exposure to potentially large losses.

Partially offsetting these strengths is the uncertainty associated with AIG's ongoing exposure to asbestos and environmental (A&E) liabilities. Despite these uncertainties, A.M. Best believes that AIG's exposure to A&E claims is very manageable given its relatively lower market share of exposed policies, greater utilization of reinsurance and extremely strong earnings generation. The group also maintains a sizeable amount of stacked capital with affiliated investments equal to approximately one-third of its capital base. Despite these concerns, A.M. Best views the group's outlook as stable.

Despite recording a material $2.8 billion loss reserve charge in 2002 and additional reserve increases of $1.4 billion in 2003, AIG remains one of a select number of large national property/casualty groups that consistently produces outstanding operating results, with a five-year average combined ratio of 99.7% and pretax operating return on surplus of 10.3% both of which significantly outperform the industry. A.M. Best believes that AIG is extremely well positioned to capitalize on the industry's flight-to-quality trends and market dislocations within many of its core specialty segments. In addition, AIG's core philosophy of refusing to underwrite unprofitable business should enable the company to continue to perform better than the industry should prices appreciably soften.

A.M. Best believes AIG's long-term growth and profitability prospects continue to be favorable given its quality management teams, franchise value, product innovation, specialized underwriting expertise and use of high-quality reinsurance. Added financial flexibility and access to capital markets is afforded by its ultimate parent--American International Group, Inc., a globally diversified leader in the insurance and financial services industries.

FIVE YEAR RATING HISTORY

Date	Best's Rating
06/29/04	A++
06/24/03	A++
02/04/03	A++
09/17/02	A++
09/27/01	A++
04/04/01	A++
12/08/00	A++
07/06/99	A++

KEY FINANCIAL INDICATORS

	Statistics Data ($000)		
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income
1999	15,669,325	12,212,342	1,978,949
2000	17,183,709	12,923,591	2,293,292
2001	19,963,458	14,520,283	1,164,167
2002	26,563,418	21,562,029	-72,396
2003	32,350,195	27,972,154	2,670,759
09/2003	23,098,129	20,663,500	2,052,046
09/2004	26,053,887	24,460,761	1,863,829

Statutory Data ($000)

Period Ending	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	1,956,159	49,699,856	15,519,529
2000	2,082,978	49,126,332	15,742,812
2001	1,091,688	54,130,517	15,986,832
2002	466,225	61,281,955	14,925,591
2003	1,851,399	74,818,166	17,318,336
09/2003	1,333,662	69,218,902	16,105,179
09/2004	1,239,933	88,479,844	18,484,355

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash-flow (%)
1999	97.6	5.1	17.0	46.4	0.8	2.8	155.2	100.0
2000	97.7	5.7	18.2	50.3	0.8	2.7	160.0	112.7
2001	103.9	5.1	8.3	48.7	0.9	3.1	152.3	109.1
2002	105.7	4.3	-0.4	47.9	1.4	4.2	141.3	120.8
2003	94.9	4.3	10.6	47.6	1.6	4.6	137.8	151.6
5Yr Avg	99.7	4.9	9.8	…	…	…	…	…
09/2003	94.6	XX	11.1	XX	1.6	4.7	138.4	145.8
09/2004	97.3	XX	8.3	XX	1.7	5.1	132.7	145.2

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is compared against the Commercial Casualty Composite.

Combined numbers reported by the group include intra-group eliminations not included in A.M. Best tables of this report. Combined admitted assets reported by the group were $70.1 billion and $56.4 billion at periods ending 2003 and 2002, respectively. Policyholder surplus reported by the group was $16.7 billion and $13.6 billion at periods ending 2003 and 2002, respectively.

BUSINESS REVIEW

Domestically, AIG's property/casualty subsidiaries are most recognized for their ability to provide complex, specialty insurance products to large commercial and industrial customers. Utilizing its core group of well-respected specialty companies, AIG distributes its commercial products principally through global, national, regional and local brokers, offering a broad array of specialty insurance products to its customers, both domestically and abroad. Ranked among the leading property/casualty organizations in the U.S., AIG's domestic operations are conducted by 50 companies. All of AIG's active domestic property/casualty companies utilize either intercompany pooling and/or reinsurance for capacity or risk-sharing purposes. The most dominant intercompany pool is AIG's eleven member Commercial Lines Pool, led by the National Union Fire Insurance Company of Pittsburgh, Pa., the nation's leading provider of directors and officers liability and other management liability coverages, followed by the three member Surplus Lines Pool led by Lexington Insurance Company, the largest E&S carrier in the nation, and an eight member Personal Lines Pool, established in 1997 and led by American International Insurance Company. The remaining domestic subsidiaries contribute to AIG's consolidated property/casualty operations and are linked through reinsurance arrangements or other strategic ties. Overall, domestic business is split approximately 65% commercial, 31% personal lines and 4% reinsurance. In the large and middle market commercial segments, AIG remains a market leader given its core specialty focus, global capacity, product innovation skills and its willingness to provide coverage that other markets are unable to consider. In the personal lines segment, AIG continues to accelerate growth and is in the process of building a national brand name. Personal lines products are distributed via direct mail (retail), wholesale agents and affinity group marketing.

Domestically, AIG's underwriting operations are mainly geared towards the commercial markets, providing a broad range of insurance products to large corporate and middle market customers. Workers' compensation and other liability lines represent nearly 45% of AIG's total U.S. based premium revenue. Despite competitive market conditions, AIG maintains its commanding position as the leading writer of commercial insurance coverages in the U.S., and is widely recognized for its innovative product design and its ability to provide unique coverage solutions and high limits, as well as global insurance capacity to its customers. Much of AIG's success also comes from its broad geographic spread, which provides greater operating flexibility to changing market conditions and opportunities around the world. Despite market disruptions, such as asbestos & environmental liability, soft market cycles and catastrophes, AIG has grown its business while maintaining underwriting discipline and profitability.

AIG's Domestic General Brokerage Group (DBG), comprised of AIG's Commercial Lines and Lexington Insurance Pools, American International Specialty Lines Insurance Company and the Hartford Steam Boiler Group, markets its commercial coverages principally through global, national, regional and local brokers. In 1998, AIG's Domestic Brokerage Group received sponsorship from Nasdaq and the New York Stock Exchange to provide management liability insurance products to its listed companies. In 2001, National Union Fire Insurance Company successfully introduced many new management and professional liability offerings including a comprehensive specialty tailored program which was endorsed by the U.S. Chamber of Commerce to meet the needs of small business owners.

DBG currently accounts for approximately 75% of AIG's U.S. based premium volume. AIG's subsidiaries offer an extensive array of commercial products, writing substantially all classes of business including directors and officers liability, other management liability, commercial umbrella, environmental, fidelity and surety, excess and surplus lines, as well as integrated global programs for multinational customers. Many of AIG's products and services are provided by market leaders, such as Lexington Insurance Company, the largest excess and surplus lines insurer in the U.S.. Lexington specializes in providing highly specialized insurance coverages to industries such as energy, health care, construction, transportation and financial institutions.

DBG's underwriting and services operation is aligned into three separate customer-focused groups: National Accounts - for large corporations with over $700 million in annual revenue; Commercial Accounts - for companies generating $100 - 700 million in annual revenue; and Middle Market Accounts - for businesses with under $100 million in revenue.

AIG's personal lines pool, led by American International Insurance Company, was established in 1996. The pool, through its eight member companies, writes personal lines insurance, primarily private passenger auto and includes homeowners and personal umbrella coverages. The pool along with it separately rated affiliate, 21st Century Insurance Group, generates roughly 31% of AIG's group insurance business. As of year end 2003, personal lines business had risen to over $5 billion, ranking AIG among the top 10 private passenger automobile writers in the U.S.

The personal lines pool is managed through three voluntary divisions - Mass Marketing, Agency Auto and Private Client Group and an assigned risk division. The Mass Marketing Division, which represents 75% of the pool's direct premium, provides coverages for preferred and standard personal auto risks in 49 states and the District of Columbia. Business is marketed on a direct response, affinity group and mass marketing basis. Despite increasingly competitive market conditions, the nationwide introduction of AIG's Auto Insurance Program has been successful and is achieving strong results by targeting a select class of standard and preferred drivers. The division has benefited from strong direct sales efforts and an advertising program designed to enhance AIG brand awareness with the consumer. The 1999 introduction of aigdirect.com, an Internet site that offers a comprehensive portfolio of insurance coverages to consumers and small businesses, further expanded the group's distribution capabilities and marketing initiatives.

Non-standard personal auto products are provided by AIG through its Agency Auto Division and are distributed through independent agents in 30 states. This business segment represents 18% of the personal lines pool direct premium and has continued to see strong growth. During 1999, this division enhanced its Internet site to allow agents and brokers direct access to their customers' policy and claim information as well as monthly billing data.

The AIG Private Client Group segment, a provider of comprehensive insurance products and services to high net worth individuals, experienced a good start in 2001, its first full year of operation and in 2003 represented in excess of 10% of the personal lines pool's direct premium.

In 2002 the Personal Lines Pool re-entered the assigned risk business under Limited Assignment Distribution plans that underwrite residual market risks in 21 states. Under these programs, involuntary private passenger and commercial auto policies that would normally have been assigned to other companies are written by the pool companies. These companies charge the excused carriers a service fee to compensate for the risks and costs associated with writing this business.

In 2000, AIG acquired HSB Group, Inc., the parent company of The Hartford Steam Boiler Inspection and Insurance Company, one of the world's leading providers of equipment breakdown insurance and other specialty insurance business. HSB provides insurance coverage through reinsurance arrangements with approximately 200 property/casualty insurers with its domestic growth strategy focused on expanding these reinsurance relationships and offering new products and services developed in collaboration with other AIG member companies.

On August 29, 2001 AIG acquired American General Corporation in an all-stock transaction valued at approximately $22.73 billion. The acquisition of American General further enhanced AIG's life product offerings along with retirement savings and investment products in the US and abroad. American General's acquisition was accounted for as a pooling of interests.

In August, 2003 AIG acquired GE's U.S. based auto and home insurance business. These insurance companies will complement AIG's existing domestic U.S. personal auto insurance business. In 2004, these companies are expected to be folded into the AIG Personal Lines Group.

2003 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Reserves
Oth Liab Cl-Made	5,788,288	5,637,699	20.2	70.9	6,526,309
Workers' Comp	4,516,726	4,315,602	15.4	66.7	5,008,410
Priv Pass Auto Liab	2,955,970	3,280,250	11.7	72.6	2,399,677
Oth Liab Occur	5,159,882	2,607,243	9.3	51.2	5,445,893
Auto Physical	1,712,728	1,845,772	6.6	57.3	201,410
Fire	1,816,791	1,636,959	5.9	57.7	687,837
Group A & H	646,995	779,625	2.8	50.0	267,432
Med Mal Cl-Made	864,045	739,337	2.6	103.5	1,110,377
Reins-Casualty	…	735,682	2.6	82.4	940,499
Comm'l Auto Liab	1,373,829	663,554	2.4	82.1	1,051,104
Inland Marine	1,318,892	654,046	2.3	66.6	159,284
Boiler & Mach	195,508	644,545	2.3	24.0	253,051
Other A & H	1,191,718	598,595	2.1	49.5	204,118
Aircraft	1,159,146	595,285	2.1	46.1	598,496
Com'l MultiPeril	682,274	498,598	1.8	43.0	358,217
All Other	2,967,403	2,739,363	9.8	63.6	2,688,306
Totals	32,350,195	27,972,154	100.0	64.3	27,900,420

Major 2003 Direct Premium Writings By State ($000): California, $ 4,544,073 (14.0%); Illinois, $ 3,135,763 (9.7%); New York, $ 2,652,586 (8.2%); Florida, $ 1,832,378 (5.7%); Texas, $ 1,749,248 (5.4%); 49 other jurisdictions, $ 13,139,146 (40.6%); Canada, $ 601,488 (1.9%); Aggregate Alien, $ 4,695,514 (14.5%).

FINANCIAL PERFORMANCE

The historical data in this group report reflects, for all years, A.M. Best's consolidation of fifty-five domestic property/casualty member companies of the American International Group (AIG), including the subsidiaries of Transatlantic Holdings, Inc., 21st Century Insurance Group, American General Corporation, United Guaranty Corporation, and Hartford Steam Boiler Group.

Overall Earnings: AIG's overall earnings performance continues to be excellent, generating a five-year average pretax return on surplus of 10.3% - a level significantly above the average of its commercial casualty peers. AIG's ability to sustain consistently strong earnings through varying market cycles, stems from the group's broad diversification, outstanding underwriting talent, price discipline, superior expense management and effective use of reinsurance. Despite a tightening in short and long term interest rates, AIG's investment growth has been steady and supported by better than average cash flows. AIG's consistently strong earnings are also a reflection of its distinguished trademark as a true global specialty insurance provider. Innovative product offerings, diversification, and the ability to issue large limits of capacity are equally important.

For years, AIG has developed a reputation for its near breakeven underwriting results, placing less pressure on investment income to satisfy earnings expectations. Over the past five years AIG has averaged a combined ratio of 99.7% due to the group's broad spread of risk, strong risk management approach and dominant commercial casualty book.

Going forward, A.M. Best views AIG's near term earnings prospects as favorable, recognizing AIG's consistently strong operating results, sound business fundamentals and dominant market position.

PROFITABILITY ANALYSIS

	Company				Industry Composite			
Period Ending	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
1999	17.0	13.6	97.6	81.7	6.9	8.7	110.1	92.7
2000	18.2	12.7	97.7	81.5	8.1	2.5	109.8	91.6
2001	8.3	9.8	103.9	90.7	-4.0	-6.3	119.0	104.3
2002	-0.4	-7.9	105.7	96.9	2.3	-3.6	108.3	95.6
2003	10.6	19.8	94.9	86.9	5.1	12.7	104.3	92.0
5-Yr Avg	9.8	9.7	99.7	88.2	3.6	3.1	109.9	95.1
09/2003	11.1	XX	94.6	86.4	XX	XX	XX	XX
09/2004	8.3	XX	97.3	90.0	XX	XX	XX	XX

Underwriting Income: AIG is among the few large commercial casualty groups that consistently produce outstanding underwriting results, outperforming its peers by at least 10 combined ratio points. This proven ability aligns with AIG's legendary underwriting strategy, which prides itself as being the leading, and most innovative, specialty casualty insurer in the world. Despite having a business strategy that includes perhaps the most competitive segment in the commercial insurance industry, National Accounts, AIG maintains a five-year average combined ratio of 99.7%. The group's ten year average combined ratio was the same at 99.7%. Furthermore, the ability to stabilize premium revenue during the past five years is a testament to AIG's solid persistency and strong broker relationships -- both distinct competitive advantages.

In terms of efficiency, AIG continues to be a low-cost insurance provider, with an expense ratio that outperforms its peers by a margin of approximately 10 points. AIG's historical performance reflects the group's disciplined underwriting approach, effective reinsurance utilization and adherence to sound operating fundamentals, particularly its commitment to reserve adequacy and pricing. Other competitive advantages include AIG's unique and highly innovative product offerings, substantial risk management and service capabilities, as well as its ability to provide high coverage limits and broad global capacity. AIG also benefits from its profit center approach and strong broker relationships.

Through its extensive overseas network and full array of commercial products, AIG can accommodate most of its clients' global insurance needs. AIG is also recognized for its effective use of reinsurance which, through per risk and facultative covers, lowers its exposure to large property losses. In the personal lines segment, long term growth and profitability prospects remain strong.

UNDERWRITING EXPERIENCE

Net Undrw _____ Loss Ratios _____ ____ Expense Ratios ____

Year	Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb Ratio
1999	156,667	65.6	11.7	77.3	4.7	15.5	20.3	0.1	97.6
2000	217,381	65.0	11.0	76.1	5.5	16.1	21.6	0.1	97.7
2001	-656,761	71.6	11.1	82.7	6.1	15.0	21.1	0.2	103.9
2002	-1,585,259	74.1	12.9	87.0	7.6	11.0	18.6	0.1	105.7
2003	759,473	64.3	12.3	76.6	8.3	9.9	18.2	0.0	94.9
5-Yr Avg	…	68.1	12.0	80.0	6.9	12.7	19.6	0.1	99.7
09/2003	592,130	64.7	11.8	76.6	XX	XX	18.0	0.0	94.6
09/2004	257,147	67.7	10.8	78.4	XX	XX	18.9	0.0	97.3

Investment Income: Foregoing the effects from diminished yields, investment income reflects AIG's strong operating cash flows and an asset base of $47 billion at year-end 2003. In light of generally weak bond market conditions, AIG's pre tax investment yield was 4.3% as of December 31, 2003. This low yield is mitigated by AIG's dominant tax-exempt bond portfolio, which accounts for approximately 80% of its total fixed income holdings.

On a total return basis, AIG's five year average ROIA is 5.7%.

INVESTMENT INCOME ANALYSIS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
1999	1,860,071	451,929	102,897
2000	2,050,331	245,086	-92,788
2001	1,851,687	189,248	460,854
2002	1,653,810	574,983	-1,681,707
2003	2,003,517	93,355	1,346,978
09/2003	1,513,640	-96,298	546,496
09/2004	1,654,836	78,704	235,818

	Company			Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
1999	4.2	5.1	6.7	-5.8	5.4
2000	10.2	5.7	6.1	7.7	6.0
2001	-9.7	5.1	6.9	-14.4	5.3
2002	-10.7	4.3	1.4	0.2	5.1
2003	21.1	4.3	7.5	5.8	4.9
5-Yr Avg	12.3	4.9	5.8	-8.0	5.3
09/2003	XX	XX	4.5	XX	XX
09/2004	XX	XX	3.5	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

		% of Invested Assets		
Asset Class	2003 Inv Assets ($000)	2003	2002	Annual % Chg
Long-Term bonds	36,742,246	68.7	64.2	38.7
Stocks	4,513,395	8.4	7.6	44.4

Affiliated Investments	6,328,825	11.8	14.3	7.5
Other Inv Assets	5,866,701	11.0	14.0	1.4
Total	53,451,166	100.0	100.0	29.4

2003 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Governments	8.0	1.2	5.9	96.9	3.1	…	…
States, terr & poss	84.0	2.3	10.4	100.0	0.0	0.2	0.3
Corporates	8.0	2.5	5.2	87.5	12.5	18.4	3.1
Total all bonds	100.0	2.2	9.6	98.8	1.2	1.6	3.5

CAPITALIZATION

Capital Generation: AIG's capital generation has generally been supportive of its growth strategies. This growth is primarily attributable to the group's strong underwriting and investment performance, including $1.6 billion of capital appreciation associated with affiliate investments over the period - namely due to International Lease Finance Corporation (ILFC), - offset by stockholder dividend payments of $3.7 billion over the past five years and other surplus changes The $2.8 billion reserve charge in 2002 coupled with $1.7 billion of unrealized losses was the principal reason for a 6.6% decline in surplus (2.8% as reported by AIG). Going forward, A.M. Best expects capital generation to return to historical levels given AIG's sound capital management approach and consistent earnings trends. Surplus increased 16% in 2003 to $17.3 billion (22.5% to $16.7 billion as reported by AIG).

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth		
Year	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
1999	1,978,949	554,826	-618,729
2000	2,293,292	152,299	-624,817
2001	1,164,167	650,102	-1,031,113
2002	-72,396	-1,106,725	-393,892
2003	2,670,759	1,440,333	-1,191,998
5-Yr Total	8,034,770	1,690,834	-3,860,549
09/2003	2,052,046	450,198	-1,068,174
09/2004	1,863,829	314,523	-270,950

	Source of Surplus Growth		
Year	Other, Net of Tax	Change in PHS	PHS Growth (%)
1999	-1,132,656	782,389	5.3
2000	-1,597,490	223,282	1.4
2001	-539,136	244,020	1.6
2002	511,772	-1,061,241	-6.6
2003	-526,348	2,392,746	16.0
5-Yr Total	-3,283,858	2,581,196	…
09/2003	-295,730	1,138,340	7.9

09/2004	-741,384	1,166,019	6.7

Overall Capitalization: On a leverage basis, AIG reported net premium leverage of 1.6 to 1 at year-end 2003 rising from 1.4 in 2002 and .9 in 2001. However, the significant growth in premium was mainly the result of rate increases as compared with more moderate exposure growth. Net reserve leverage of 161% remains lower than the industry average of 217%. After adjusting reserves on an economic basis, AIG's loss reserves gain substantial embedded economic value, particularly within its predominant long-tail liability lines. Offsetting is AIG's substantial affiliated investment leverage in International Lease Finance Corp. - a highly leveraged, non-public aircraft leasing and sales corporation. Barring extra-ordinary events, A.M. Best expects AIG's overall capitalization will remain stable due to its historical trends, management's disciplined, profit-focused underwriting and historically prudent loss reserving practices.

QUALITY OF SURPLUS ($000)

		% of PHS			Dividend Requirements		
Year	Year-End PHS	Cap Stk/ Contrib. Cap.	Other	Un-assigned Surplus	Stock-holder Divs	Div to POI (%)	Div to Net Inc. (%)
1999	15,519,529	44.8	0.1	55.0	-623,832	31.5	31.9
2000	15,742,812	44.7	0.6	54.7	-688,635	30.0	33.1
2001	15,986,832	33.2	0.6	66.2	-1,086,611	93.3	99.5
2002	14,925,591	36.2	0.7	63.2	-407,180	-99.9	87.3
2003	17,318,336	28.1	0.6	71.3	-967,374	36.2	52.3
09/2003	16,105,179	30.2	0.6	69.2	-429,396	20.9	32.2
09/2004	18,484,355	26.5	0.5	73.0	-349,547	18.8	28.2

Underwriting Leverage: AIG currently maintains premium leverage of 1.6 to 1 at year end 2003 which is in line with the industry. Historically, premium leverage had been lower than the industry at .8 to 1 -.9 to 1, however, the higher leverage is mainly attributable to significant growth in rate vs exposure. AIG's loss reserve leverage is also conservative with significant embedded economic value. AIG's ceded reinsurance leverage of 2.0 times surplus is similar to that of the industry although the vast majority of gross premium is ceded to AIG affiliates. Concerns regarding recoverables is tempered by AIG's use of highly-rated reinsurers and substantial collateralization of recoverables.

LEVERAGE ANALYSIS

	Company				Industry Composite			
Year	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev
1999	0.8	1.3	2.8	4.6	0.9	1.7	3.3	4.5
2000	0.8	1.2	2.7	4.7	1.0	1.7	3.5	4.8
2001	0.9	1.2	3.1	5.1	1.2	1.9	4.1	5.8
2002	1.4	1.5	4.2	6.7	1.4	2.0	4.5	6.3
2003	1.6	1.6	4.6	6.6	1.3	1.9	4.3	5.9
09/2003	1.6	1.6	4.7	XX	XX	XX	XX	XX
09/2004	1.7	1.8	5.1	XX	XX	XX	XX	XX

Current BCAR: 171.1

PREMIUM COMPOSITION & GROWTH ANALYSIS

	DPW		GPW	
Period Ending	($000)	(% Chg)	($000)	(% Chg)
1999	15,669,325	-0.7	19,444,263	2.2
2000	17,183,709	9.7	21,553,049	10.8

2001	19,963,458	16.2	23,891,056	10.8
2002	26,563,418	33.1	31,706,213	32.7
2003	32,350,195	21.8	36,820,407	16.1
5-Yr CAGR	…	15.4	…	14.1
5-Yr Change	…	105.0	…	93.6
09/2003	23,098,129	24.1	59,007,629	20.6
09/2004	26,053,887	12.8	67,677,322	14.7

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
1999	12,212,342	0.8	11,636,428	-2.2
2000	12,923,591	5.8	12,614,645	8.4
2001	14,520,283	12.4	14,018,125	11.1
2002	21,562,029	48.5	18,800,793	34.1
2003	27,972,154	29.7	25,086,681	33.4
5-Yr CAGR	…	18.2	…	16.1
5-Yr Change	…	130.8	…	110.8
09/2003	20,663,500	31.9	18,462,381	36.4
09/2004	24,460,761	18.4	22,575,506	22.3

Reserve Quality: In 2003, the group recorded $1.7 billion of calendar year loss reserve development. The increase was mainly attributable to accident years 1998, 1999 and 2000. Numerous lines of business were affected, however, the majority of the increase stemmed from the medical malpractice (claims made), other liability (claims made and occurrence) and Reinsurance B (liability). In calendar year 2002 the group recorded $3.2 billion of adverse reserve development for 2001 and prior accident years which continued to develop adversely by $1.6 billion in calendar year 2003. The increase in 2002 was mainly attributable to accident years 1997 through 2000 including $1 billion for accident year 1999. Other Liability (claims-made and occurrence) caused almost $2 billion of this development.

Based on data published in AIG's 10-K, the group maintains A&E reserves of $2.0 billion and $669 million for gross and net reserves, respectively, as of year-end 2003, highlighting the group's significant use of reinsurance over the years, especially in the years prior to 1985. These reserves are split approximately 60/40 between asbestos and pollution, respectively, reflecting AIG's smaller relative market share in asbestos-prevalent years.

AIG's reserve position, as measured by its three year survival ratio (paid to A&E reserves) of 4.3x gross is below Best's estimated industry discounted benchmark of 12x. However, this is mitigated by the fact that AIG had a smaller relative market share in earlier years, coupled with its generally excess casualty book of business, which is less likely to be exposed to the extent of primary coverages. In addition, the group has actively pursued settlement and payments from its largest exposed cases. We also note that AIG's A&E paid losses have been declining since 2001.

The group has maintained an extensive and dedicated environmental claims unit for a number of years which monitors and limits its future exposures through proactive dispute resolution strategies. Finally, Best continues to view AIG's overall exposure to A&E development as moderate, given its substantial capitalization and sustainable earnings power that would easily absorb unexpected reserve development.

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2003	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/2003	Unpaid Resrv. to Dev.(%)
1998	21,008,143	22,945,325	9.2	13.1	193.1	4,913,255	21.4
1999	20,382,729	24,725,702	21.3	28.0	212.5	6,129,159	24.8
2000	19,139,389	24,714,596	29.1	35.4	195.9	7,657,042	31.0
2001	18,851,259	23,650,248	25.5	30.0	168.7	10,372,273	43.9

2002	21,896,984	23,569,657	7.6	11.2	125.4	16,006,778	67.9
2003	27,662,970	27,662,970	…	…	110.3	27,662,970	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2003	Develop. to Orig.(%)	Unpaid Reserves @12/2003	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
1998	5,796,571	6,812,924	17.5	943,995	89.6	109.2
1999	5,357,715	7,355,616	37.3	1,215,904	96.2	116.6
2000	5,544,739	6,656,209	20.0	1,527,883	85.4	107.1
2001	6,839,244	6,776,952	-0.9	2,715,231	76.9	98.2
2002	8,397,909	8,494,143	1.1	5,634,505	69.6	88.2
2003	11,656,192	11,656,192	…	11,656,192	69.3	87.5

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

	Company		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net IBNR Mix (%)
1999	893,647	33.6	…
2000	870,816	34.7	…
2001	730,503	31.8	…
2002	703,307	32.0	…
2003	654,881	32.0	31.9

	Company			Industry Composite		
Year	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)
1999	…	1.2	…	…	1.0	…
2000	…	0.4	…	…	0.5	…
2001	5.7	0.4	0.6	6.2	1.4	1.0
2002	5.2	0.6	0.5	8.7	2.4	1.5
2003	4.1	0.4	0.5	8.5	1.7	1.8

Reinsurance Utilization: The group maintains extensive reinsurance, with programs placed with U.S. domestic, international and offshore reinsurance facilities. Management's goal is to fully place its traditional excess of loss catastrophe reinsurance cover in order to limit the effect of a severe catastrophic event. AIG's reinsurance strategy is to retain a higher amount of low layer exposures, which are easily absorbed through its earnings stream.

AIG also maintains a strong risk management approach which has been in place well before Hurricane Andrew and the Northridge Earthquake. Even including the losses incurred from the extraordinary September 11th terrorist attacks, historical results have been successfully portrayed by lower than expected catastrophe losses that fell well short of AIG's market shares. The group's lower direct exposure to catastrophes, coupled with heavy reinsurance utilization, serve to limit AIG's net pretax probable maximum loss (PML) from a 250-year earthquake and 100-year hurricane to a modest percentage of surplus.

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Year	Ceded Reins Total	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS(%)
1999	27,637,739	62.8	120.8	178.1	76.9	81.8	115.8

2000	31,346,445	60.0	134.9	199.1	75.1	92.3	132.9
2001	33,048,262	60.8	149.1	206.7	71.5	122.2	168.4
2002	36,610,129	68.0	174.0	245.3	72.9	130.8	181.9
2003	34,496,455	76.0	137.6	199.2	74.3	115.6	162.7

2003 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	22,256,194	36,932,259	18,739,810	-1,746,520	76,181,748
Foreign Affiliates	1,944,899	3,133,490	793,311	-134,245	5,737,455
US Insurers	3,088,006	4,713,670	1,190,035	-320,735	8,670,972
Pools/Associations	341,328	313,410	110,490	-1,415	763,817
Other Non-US	6,144,354	5,203,576	1,397,609	-4,085,824	8,659,709
Total (ex US Affils)	11,518,587	13,364,146	3,491,445	-4,542,219	23,831,953
Grand Total	33,774,778	50,296,404	22,231,263	-6,288,740	100,013,697

* Includes Commissions less Funds Withheld

Investment Leverage: Non-affiliated investment leverage is comparable to its peers with moderate exposure to non-investment grade securities, real estate, or Schedule BA asset holdings. However, AIG maintains a sizable amount of pyramided capital, with affiliated investments equating to over 40% of surplus. Pyramided capital is further exaggerated by its investment in International Lease Finance Corp. (ILFC), a highly leveraged, non public affiliate. ILFC is exposed to market risk and the risk of loss of fair value resulting from adverse fluctuations in interest rates. However, a statistical VAR analysis performed by AIG indicates that the maximum potential loss in fair value with a confidence level of 95% is $50 million, which is less than 1% of the carrying value of this investment.

Unaffiliated common stock leverage is moderate at 21% of surplus. Additionally, AIG's common stock portfolio is well-diversified by issuer and sector and is actively monitored to manage valuation risk. Fixed income securities are mainly comprised of high-quality, investment grade types. AIG maintains little exposure to CMOs or other structured securities. Except for ILFC, AIG has no exposure to any large single investment or concentration of investments and poses no spread-of-risk concerns. The group manages its fixed income portfolio against market rates, currently keeping its asset duration at less than 10 years. Asset-liability matching is also monitored to minimize interest rate risk, although it may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rate or other economic changes.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affil Inv.	Class 3-6 Bonds	Common Stocks
1999	7.3	0.1	19.9	19.0	46.4	33.0	8.0	31.3
2000	4.7	0.1	27.1	18.4	50.3	34.5	7.8	26.5
2001	2.9	0.2	29.9	15.6	48.7	37.4	10.8	23.7
2002	3.6	0.2	29.9	14.2	47.9	39.4	10.7	18.1
2003	2.7	0.1	25.8	19.0	47.6	36.5	8.9	19.6

LIQUIDITY

AIG maintains sound balance sheet liquidity, enhanced by solid operating cash flows averaging over $3.4 billion over the past five years. In 2003, operating cash flows rose sharply to $11.2 billion (as reported by AIG) primarily due to the outstanding underwriting cash flows. AIG's current liquidity measure--invested assets divided by net liabilities--of 92% is below the industry average of 97%. The group's liquidity position is supported by its historically strong loss reserve position with substantial economic value and by consideration for a substantial volume of long-term receivables that are either collateralized or can be contractually offset against national account liabilities.

The group maintains a high quality investment portfolio, largely tax-exempt and corporate securities of medium to long duration. Due to its moderate exposure to catastrophe losses, substantial earnings power and historically strong cash flows, the group's exposure to premature bond losses stemming from catastrophic cash demands is minimal.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Year	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
1999	15.1	99.1	155.2	23.9	25.6	111.2	143.6	17.5
2000	14.1	100.4	160.0	13.3	25.2	109.1	142.4	18.1
2001	13.1	94.3	152.3	12.3	22.8	101.6	135.8	17.7
2002	11.7	88.4	141.3	13.1	24.2	99.7	133.6	18.6
2003	11.4	92.1	137.8	12.0	25.6	103.1	135.0	14.6
09/2003	XX	85.5	138.4	15.5	XX	XX	XX	XX
09/2004	XX	83.2	132.7	15.1	XX	XX	XX	XX

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow(%)	Oper Cash Flow(%)	Underw Cash Flow(%)	Oper Cash Flow(%)
1999	-894,262	-3,250	63,390	93.2	100.0	85.7	98.8
2000	253,976	1,872,919	106,887	101.8	112.7	86.8	101.7
2001	-256,218	1,451,197	224,018	98.4	109.1	87.2	103.1
2002	3,258,983	4,021,331	40,689	117.8	120.8	102.1	114.4
2003	7,981,746	9,573,989	-53,988	143.9	151.6	112.8	123.3
09/2003	5,768,840	6,168,792	-192,930	144.9	145.8	XX	XX
09/2004	6,962,579	7,680,568	-121,077	143.5	145.2	XX	XX

HISTORY

American International Group was developed from the insurance agency interests of C.V. Starr, which traces its origin to Shanghai in 1919. Domestically, AIG is a consolidation of the three lead companies and their various affiliates, which were acquired by the Starr/American International interests from the early 1950's through 1969. The lead companies are National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and American Home Assurance Company.

In 1967, New Hampshire Indemnity Company, Inc. came under the financial control of New Hampshire Insurance. This company had originally formed in 1951. An additional subsidiary, the American International Specialty Lines Insurance Company (formerly American International Surplus Lines Insurance Company and Alaska Insurance Company), was started in 1973 and transferred to other AIG subsidiaries in 1989.

In 1968, a majority interest in National Union Fire Insurance Company of Pittsburgh, Pa. and its two subsidiaries, Birmingham Fire Insurance Company of Pennsylvania and Lexington Insurance Company, were acquired. National Union was restructured under a newly-formed holding company, American International Group, Inc. (AIG). Birmingham Fire, originally incorporated in 1871, had been under the financial control of National Union since 1926, while National Union had been the sponsor of Lexington Insurance since its inception in 1965.

New Hampshire Insurance Company and its six subsidiaries were added to the group in 1969. New Hampshire Insurance was established in 1869. In 1900, it gained control of the American Fidelity Company, followed in 1921 by the purchase of Granite State Insurance Company, which had been in existence since 1885. American Global Insurance Company (now known as American International South Insurance Company) was chartered in 1946, although it remained inactive until 1981. Illinois National Insurance Company, incorporated in 1933, was acquired in 1960.

Complete ownership of the American Home Group was acquired by AIG by year-end 1969. American Home Assurance Company was organized in 1899. Transatlantic Reinsurance Company, chartered in 1952, was acquired in 1967, followed in 1968 with the purchase of Commerce and Industry Insurance Company, which started in 1957. AIG also formed Landmark Insurance Company in 1977 and, in that year, majority interest in Transatlantic Re was sold to outside investors. In April 1990, shareholders of Transatlantic Reinsurance received common stock of PREINCO Holdings, Inc. in exchange for their shares. Following the exchange the name of PREINCO Holdings, Inc. was changed to Transatlantic Holdings, Inc. Both Transatlantic Re and Putnam Re (the latter owned by PREINCO and incorporated in 1985 and activated in 1986) are now wholly-owned subsidiaries of Transatlantic Holdings, Inc. AIG is the majority stockholder of Transatlantic Holdings, Inc., which went public and was listed on the NYSE in 1990.

In 1970, National Union acquired two additional companies, AIU Insurance Company, formed in 1851 and The Insurance Company of the State of Pennsylvania, originally chartered in 1794. Subsequently, in 1972, all of National Union's subsidiaries were sold to and became direct subsidiaries of AIG. Another subsidiary of National Union Fire Insurance Company of Pittsburgh, Pa. was formed on November 1, 1988. National Union Fire Insurance Company of Louisiana started insurance operations on January 1, 1989.

American International Insurance Company of Puerto Rico was formed in 1971. It is a subsidiary of American International Underwriters Overseas, Ltd., Hamilton, Bermuda, which is a wholly owned subsidiary of AIG, Inc. In 1972, A.I. Lloyd's Insurance Company was chartered.

During 1981, the United Guaranty group of mortgage guaranty subsidiaries was acquired. In 1982 the Audubon Insurance Company and its subsidiary, the Audubon Indemnity Company, were acquired. Audubon Insurance was incorporated in 1945 and Audubon Indemnity in 1980 as successor to the Audubon Indemnity Company of Houston, Texas. During 1984, AIG Hawaii Insurance Company, Inc. was incorporated, and in 1986, American International Insurance Company was acquired.

On January 1, 1999, SunAmerica Inc., merged with and into AIG. AIG issued 187.5 million shares of its common stock in exchange for all outstanding common stock and Class B stock of SunAmerica Inc. The merger was accounted for as a pooling of interests. SunAmerica's life businesses, including SunAmerica Life Insurance Company, AIG SunAmerica Life Assurance Company, formerly Anchor National Life Insurance Company and First SunAmerica Life Insurance Company, are among the largest issuers of annuities and guaranteed investment contracts in the United States.

In November 2000, AIG acquired HSB Group Inc., a leading provider of specialty insurance products, engineering services and management consulting to business, industries and institutions. HSB is the parent company of the 135-year old Hartford Steam Boiler Inspection and Insurance Company, the largest company in the U.S. providing these specialized products and services.

On August 29, 2001, American General Corporation (AGC), was acquired by AIG. In connection with this acquisition, AIG issued approximately 290 million shares of its common stock in exchange for all outstanding common stock of AGC. The acquisition was accounted for as a pooling of interests. In the United States, AIG is now the third-largest life insurer following this acquisition.

MANAGEMENT

American International Group, Inc. is a widely held, publicly traded holding company whose common stock is listed on the New York, London, Tokyo, Paris and Swiss Stock Exchanges and trades under the symbol AIG. The directors and officers of AIG, the directors and stockholders of C. V. Starr & Co., Inc., The Starr Foundation, and Starr International Company, Inc. own or otherwise control approximately 21% of the voting stock of AIG. Management is under the direction of Maurice R. Greenberg, chairman and chief executive officer. Mr. Greenberg has been active in the management of C. V. Starr & Co., Inc. since 1961 and of AIG since 1968. In May of 2002, AIG elected Martin J. Sullivan and Edmund S.W. Tse to serve as Co-Chief Operating Officers and Howard I. Smith to the additional post of

Chief Administrative Officer. Messrs. M. Greenberg, M. Sullivan, E. Tse, H. Smith, D. Kanak, K. Moor and W. Neuger were also named to the Office of the Chairman.

Internal Directors include Maurice R. Greenberg (Chairman), Howard I. Smith, Martin J. Sullivan, Edmund S.W. Tse, Jay S. Wintrob, and Frank G. Wisner.

External Directors include M. Bernard Aidinoff, Pei-yuan Chia, Marshall A. Cohen, Barber B. Conable, Jr., Martin S. Feldstein, Ellen V. Futter, Carla A. Hills, Richard C. Holbrooke, Frank J. Hoenemeyer, Frank G. Zarb (Chairman of the Executive Committee).

REGULATORY

An annual independent audit of the company is conducted by PricewaterhouseCoopers, LLP.

TERRITORY

The majority of AIG subsidiaries are licensed in all U.S. states as well as all provinces of Canada. The group operates in a large number of foreign countries through its various foreign subsidiaries.

CONSOLIDATED BALANCE SHEET ($000)

ADMITTED ASSETS	12/31/2003	12/31/2002	2003 %	2002 %
Bonds	36,742,246	26,495,537	49.1	43.2
Preferred stock	1,231,173	1,008,805	1.6	1.6
Common stock	3,282,222	2,117,163	4.4	3.5
Cash & short-term invest	815,626	871,390	1.1	1.4
Real estate, investment	16,823	17,510	0.0	0.0
Other non-affil inv asset	4,476,100	4,481,272	6.0	7.3
Investments in affiliates	6,325,164	5,882,771	8.5	9.6
Real estate, offices	3,661	4,440	0.0	0.0
Total invested assets	52,893,015	40,878,888	70.7	66.7
Premium balances	6,851,010	5,672,098	9.2	9.3
Accrued interest	558,151	418,330	0.7	0.7
All other assets	14,515,990	14,312,639	19.4	23.4
Total assets	74,818,166	61,281,955	100.0	100.0

LIABILITIES & SURPLUS	12/31/2003	12/31/2002	2003 %	2002 %
Loss & LAE reserves	27,900,420	22,007,719	37.3	35.9
Unearned premiums	13,645,332	10,759,196	18.2	17.6
Conditional reserve funds	3,217,274	2,971,254	4.3	4.8
All other liabilities	12,736,804	10,618,196	17.0	17.3
Total liabilities	57,499,830	46,356,365	76.9	75.6
Total policyholders' surplus	17,318,336	14,925,591	23.1	24.4
Total liabilities & surplus	74,818,166	61,281,955	100.0	100.0

Combined total admitted assets and liabilities reported by the group include intra-group eliminations not included here. Combined total admitted assets reported by the group were $70.1 billion and $56.4 billion at 12/31/03 and 12/31/02, respectively. Combined total liabilities were $53.4 billion and $42.8 billion at 12/31/03 and 12/31/02, respectively. Total reported policyholder's surplus was $16.7 billion and $13.6 billion at 12/31/03 and 12/31/02, respectively.

CONSOLIDATED SUMMARY OF 2003 OPERATIONS ($000)

STATEMENT OF INCOME	12/31/2003
Premiums earned	25,086,681
Losses incurred	16,130,837
LAE incurred	3,095,416
Undrw expenses incurred	5,143,390
Other expense incurred	-45,863
Div to policyholders	3,428
Net underwriting income	759,473
Net investment income	2,003,517
Other income/expense	-92,231
Pre-tax oper income	2,670,759
Realized capital gains	93,355
Income taxes incurred	912,715
Net income	1,851,399

FUNDS PROVIDED FROM OPERATIONS	12/31/2003
Premiums collected	26,171,903
Benefit & loss related pmts	10,970,973
Net transfers to accounts	…
Undrw expenses paid	7,215,857
Other income/expense	…
Div to policyholders	3,328
Undrw cash flow	7,981,746
Investment income	2,033,476
Other income/expense	-87,301
Pre-tax cash operations	9,927,921
Income taxes pd (recov)	353,933
Net oper cash flow	9,573,989

INTERIM BALANCE SHEET

ADMITTED ASSETS	03/31/2004	06/30/2004	09/30/2004
Cash & short term invest	494,590	802,766	694,549
Bonds	39,281,136	40,752,125	43,545,834
Preferred stock	3,444,087	3,435,629	3,574,404
Common stock	7,640,946	7,418,655	7,441,204
Other investments	5,066,990	5,290,125	5,783,075
Total investments	55,927,749	57,699,300	61,039,066
Premium balances	7,599,602	9,053,637	8,922,315
Reinsurance funds	8,571,180	8,203,538	8,041,008
Accrued interest	602,687	609,808	646,946
All other assets	5,867,158	8,672,240	9,830,509
Total assets	78,568,377	84,238,523	88,479,844

LIABILITIES & SURPLUS	03/31/2004	06/30/2004	09/30/2004
Loss & LAE reserves	29,888,521	31,396,902	33,986,686
Unearned premiums	14,312,252	15,102,355	15,520,554
Conditional reserve funds	3,253,939	3,288,663	3,327,697
All other liabilities	13,190,934	16,122,309	17,160,553
Total liabilities	60,645,646	65,910,228	69,995,489
Capital & assigned surp	5,009,611	4,973,417	4,991,738
Unassigned surplus	12,913,120	13,354,878	13,492,617
Policyholders' surplus	17,922,731	18,328,295	18,484,355
Total liabilities & surplus	78,568,377	84,238,523	88,479,844

INTERIM INCOME STATEMENT

	Period Ended 09/30/2004	Period Ended 09/30/2003	Increase/ Decrease
Premiums earned	22,575,506	18,462,381	4,113,125
Losses incurred	15,275,152	11,954,328	3,320,824
LAE incurred	2,427,371	2,186,314	241,058
Underwriters expenses incurred	4,623,857	3,765,386	858,471
Other expenses incurred	-9,485	-37,777	28,292
Div to policyholders	1,463	2,000	-537
Net underwriting income	257,147	592,130	-334,983
Net investment income	1,654,836	1,513,640	141,196
Other income/expenses	-48,154	-53,724	5,571
Pre-tax operating income	1,863,829	2,052,046	-188,217
Realized capital gains	78,704	-96,298	175,002
Income taxes incurred	702,601	622,086	80,515
Net income	1,239,933	1,333,662	-93,730

INTERIM CASH FLOW

	Period Ended 09/30/2004	Period Ended 09/30/2003	Increase/ Decrease
Premiums collected	22,974,546	18,616,049	4,358,497
Benefit & loss related pmts	9,561,991	7,413,256	2,148,734
Undrw expenses paid	6,448,323	5,431,953	1,016,370
Div to policyholders	1,653	2,000	-347
Underwriting cash flow	6,962,579	5,768,840	1,193,740
Investment income	1,746,714	1,523,923	222,791
Other income/expense	-47,385	-500,403	…
Pre-tax cash operations	8,661,908	6,792,360	1,869,548
Income taxes pd (recov)	981,340	623,568	357,773
Net oper cash flow	7,680,568	6,168,792	1,511,776