

Welcome to
The One Stop World



Once a broker, always . . .

. . . *an underwriter?*

Agenda

- **A Few Facts About AIG**
- **Forces of Changes**
- **Insurance Market Dynamics**
- **What Does the Energy Industry Need From its Insurers?**
- **Service is Central**
- **What is AIG Global Energy?**
- **Who Will Be the Winners in the One Stop World?**

Global Reach

- **Leading U.S.-based insurance and financial services organization**
- **Nation's largest underwriter of commercial and industrial insurance**
- **55,000 employees in 400 offices in 130 countries and jurisdictions**



Financial Highlights

Overview 1999 results

- **Net income: \$5.06 billion**
- **Revenues: \$40.66 billion**
- **Assets: \$268 billion**

Growth in net income

- **1989: \$1.37 billion**
- **1999: \$5.06 billion**

AIG Structure

**American International Group, Inc.
(AIG)**

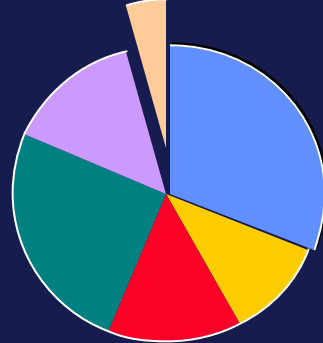
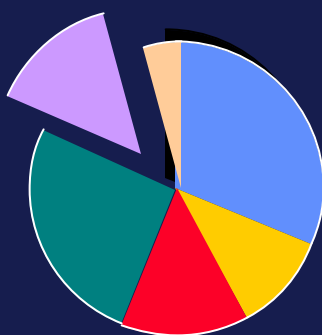
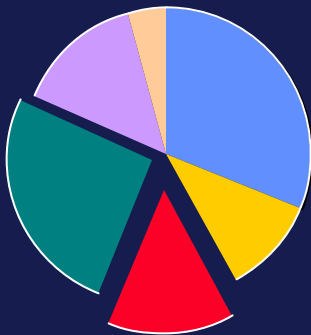
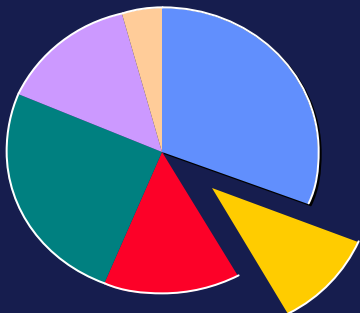
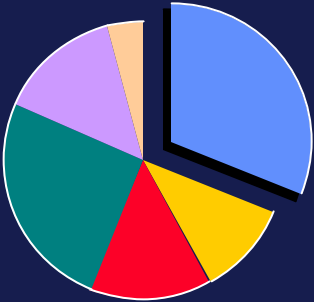
Domestic General Insurance
31.0% pretax income
\$10.7B net premiums written

Foreign General Insurance
11.0% pretax income
\$5.5B net premiums written

Life Insurance
39.60% pretax income
\$11.9B net premiums written

Financial Services
14.30% pretax income
\$1.1B net premiums written

Asset Management
4.1% pretax income
\$314M net premiums written



“It was the best of times, it was the worst of times.”

Charles Dickens
Tale of Two Cities
1859

**“The trouble with our times is that the future is not
what it used to be.”**

Paul Valery
1871-1945

Forces of Change

- **Excess capacity**
- **Collapsing boundaries between industries**
- **Deregulation**
- **Increased competition**

Forces of Change

Country

- Economic Growth
- System Reform
- Social Issues

Industry

- Globalization
- Technology
- Restructuring

Company

- Restructuring/Reengineering
- Global Strategy
- Development of new capabilities

Globalization

- **Financial services deregulation**
- **Significant cross border capital flows**
- **Global economies of scale and significant wage differentials increase foreign direct investment**
- **Emergence of unified regional markets**
- **Continued rise of global firms**

Technology

- **Changing how business is done**
- **New way for companies to differentiate themselves**
- **Emergence of internet as viable distribution channel**
- **E-commerce will play an increasingly larger role**
- **How large a role is another question**

Forces of Change

 **Globalization**

 **Technology**

 **Capital Flows**

 **Labor Mobility**

Result:

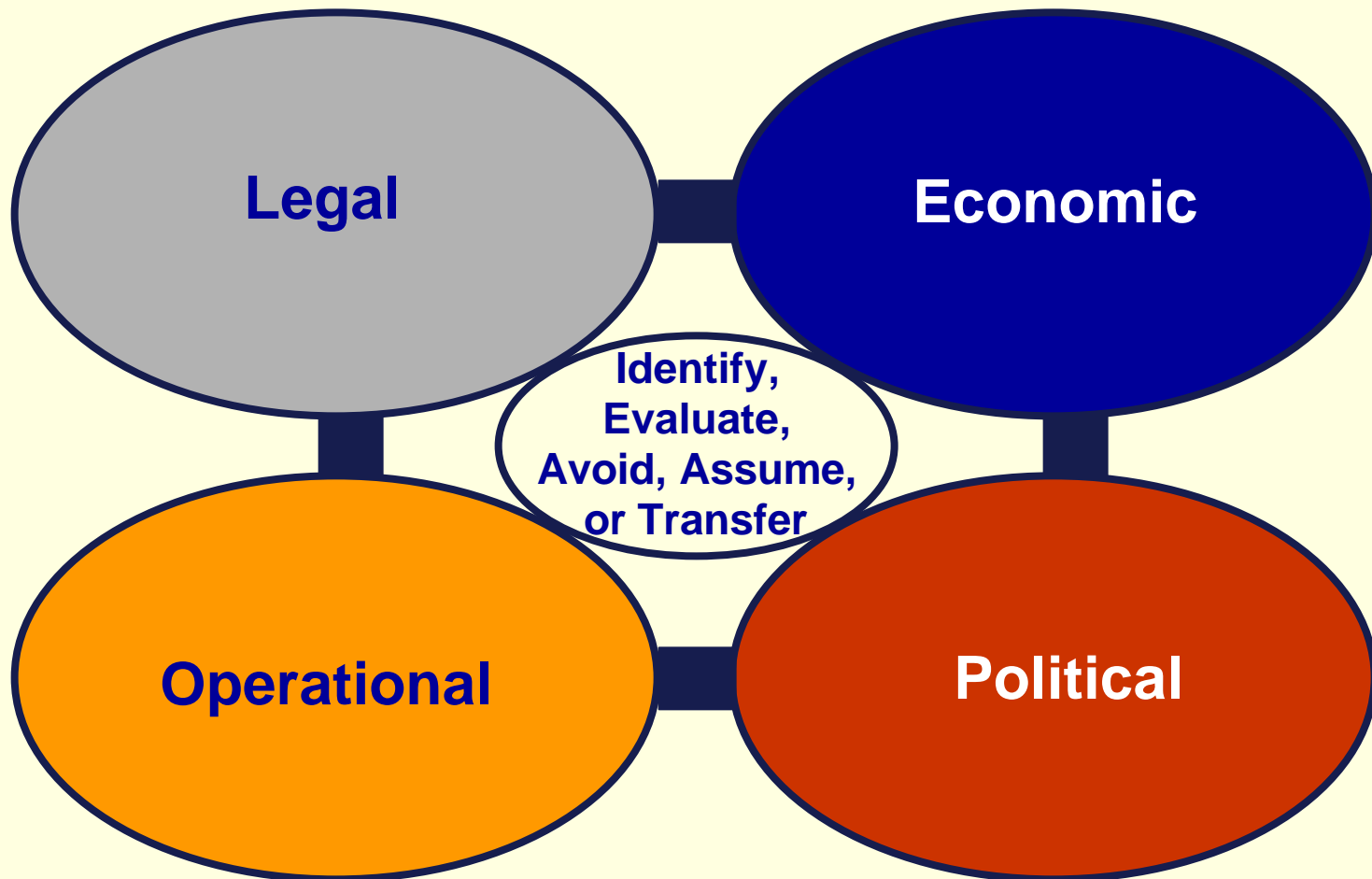
 **More opportunities**

 **More hazards**

 **More discontinuities**

 **Less stability**

Enterprise Risk



Insurance Market Dynamics

- **Significant consolidation**
- **Challenging environment from a profitability standpoint**
- **Competition across many fronts**
- **Client needs becoming much broader and more complex**
- **Technological capabilities**

Property & Casualty Industry - By the Numbers

	<u>1st Quarter 1999</u>	<u>1st Quarter 2000</u>
Net Income	\$9 Billion	\$5.8 Billion
Net Loss on underwriting	\$2.9 Billion	\$6.1 Billion
Combined Ratio	103.1%	107.4%

Energy Market Trends

- **Low base rating and deteriorating loss record will put upward pressure on rates and deductibles**
- **Natural catastrophe capacity is reducing and will reduce further**
- **“Back to the Basics” underwriting**
- **Significant differentiation between Insureds**

AIG Philosophy

- **Create, underwrite, and market products to achieve an underwriting profit**
- **Emphasis on new product development to serve changing needs of Insureds**
- **Flexible and efficient insurers can prosper**

Competition Exists on Several Fronts

- ➔ **Quality of capital**
- ➔ **Capacity**
- ➔ **Removal of internal barriers**
- ➔ **New products**
- ➔ **Price**
- ➔ **Enhanced global networks and capabilities**
- ➔ **Investment in complements**
- ➔ **Increased ease of doing business**
- ➔ **Improved service and responsiveness**

What Does the Energy Industry Need from its Insurers?

- **Quality of capital**
- **Understanding of global issues and global network**
- **Specialized knowledge of Energy industry**
- **Ability to innovate combined with willingness to develop unique products**
- **Broad product capabilities**
- **“Strategic alliance” mentality**

Strategic Alliance Mentality

- **Integrated team: Insured -- Broker -- Insurer**
- **Must benefit all firms**
- **Increased level of trust**
- **Core products help support more complex programs**
- **Increased flow of information**
- **Technology transfer**

Strategic Alliance Mentality cont'd.

- **Stronger relationships with fewer insurers who embody:**
 - ➔ **Stability plus risk taking**
 - ➔ **Consistency plus innovation**
 - ➔ **Capital plus service**
- **Service is central across the distribution value chain**

Service is Central

- **Quality “Revolution” occurring across many industries**
- **Improved technology and communication systems will accelerate this trend**
- **Service is, and will increasingly be, a differentiator**

Service is Central *cont'd.*

- **AIG believes that service will be a fundamental differentiator in the one stop world**
- **Our Performance Management Program (PMP) is aimed at improving every aspect of client service and the way we do business**
- **Heart of AIG's quality revolution:**
 - ➔ **Identifying "client" expectations and critical requirements**
 - ➔ **Setting service goals**
 - ➔ **Measuring our performance**
 - ➔ **Improving processes**
 - ➔ **Analyzing and replicating improvements**

AIG Performance Management Program

- **Selected business goals which we believe will provide the greatest benefit to our clients:**
 - ➔ **Timeliness and accuracy of policy issuance**
 - ➔ **Timeliness and accuracy of billing**
 - ➔ **Underwriting quality/service**
 - ➔ **Claims/underwriting communications**
 - ➔ **New products**
 - ➔ **e-commerce**

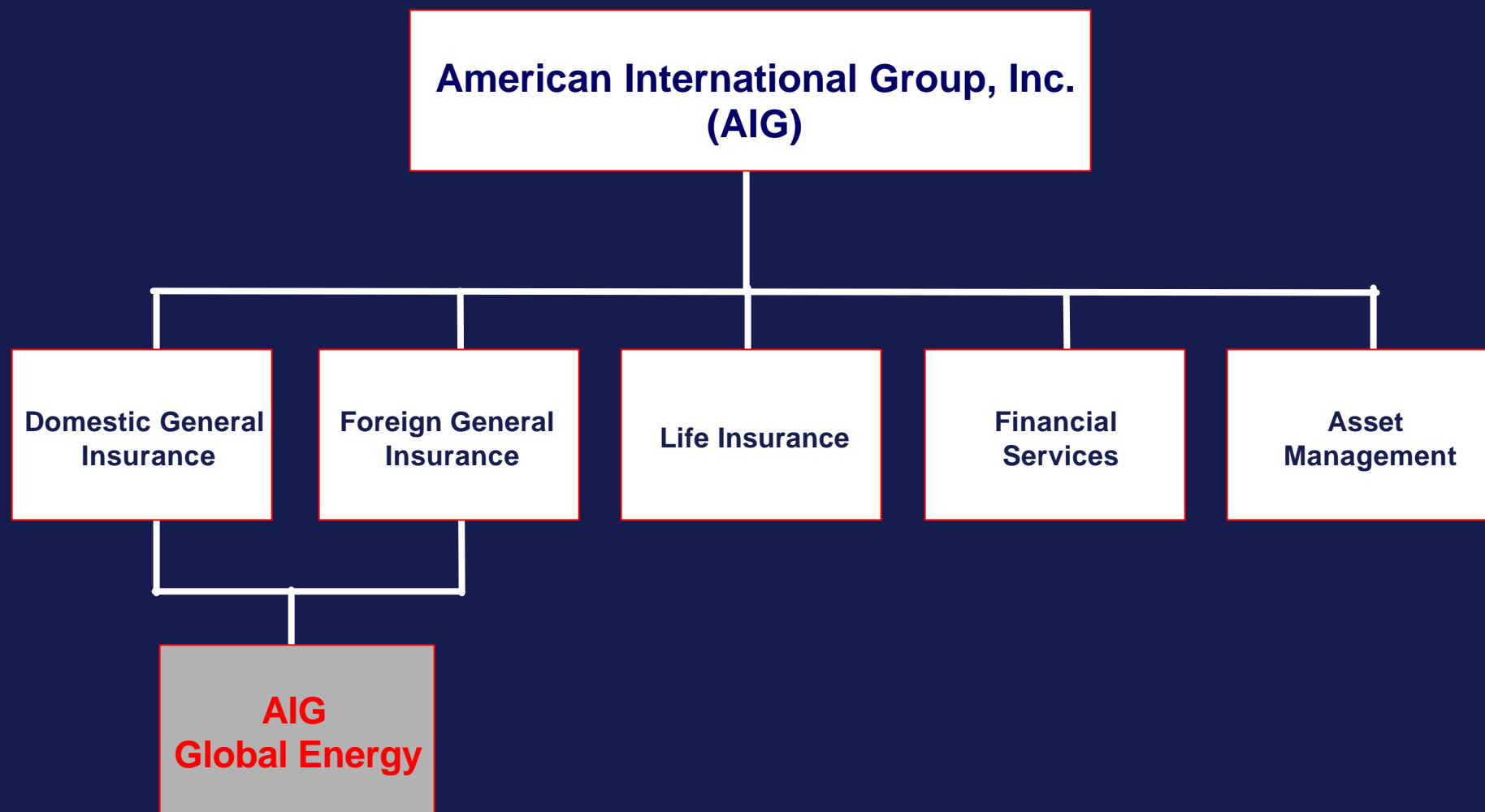
AIG Performance Management Program *cont'd.*

- **Measurement of our performance critical to success**
- **Must be detailed, systematic, frequent, and must have accountability**
- **Must have buy-in of the people who actually do the work**

AIG Performance Management Program *cont'd.*

- **Improving processes to meet and exceed client requirements**
- **Numerous projects already underway in all areas mentioned above**
- **Results are beginning to show**

What is AIG Global Energy?



AIG Global Energy

- **Combines AIG's well-regarded, highly specialized monoline expertise with new global focus and expanded portfolio of offerings**
- **Industry groups**
 - ➔ **Oil, Gas, & Petrochemical**
 - ➔ **Power Generation**
 - ➔ **Mining**
- **Over \$1.2 billion of GWP**
- **275 direct employees**

Strategic Rationale for AIG Global Energy

- **Interest in strategic relationships with brokers and clients**
- **Organization to organization relationships**
- **Growing importance of specialized product offerings**
- **Enhanced and persistent industry focus will leverage existing capabilities, drive new product development, and improve service delivery**

Value Proposition

- **Creative, energetic staff in a disciplined results-oriented organization**
- **To make a variety of AIG products and services easily accessible to our brokers, clients, and prospects**
- **Improved and *improving* service delivery**
- **AAA capacity**

Who Will Be the Winners in the One Stop World?

Winners will differentiate themselves based upon:

- **Creativity and innovation of their personnel**
- **Quality of their products**
- **Enhanced global networks**
- **A portfolio of broad capabilities addressing a wide spectrum of client needs**
- **Investments in complements**
- **Improved service and responsiveness**

Who Will Be the Winners in the One Stop World?

And they must also be able to:

- **Efficiently customize products to meet the specific needs of individual clients**
- **Provide the products and services needed through a single resource.**

***Welcome to
The One Stop World***

