



AMERICAN INTERNATIONAL GROUP

HOLD

Stock Data

Price (52 Week)	\$66.00-\$87.10
Symbol/Exchange	AIG
Beta	0.91
Dividend yield	0.23%
Fully diluted shares	2.61B
Average daily volume	4.54M
Current market cap	189.3B
Book Value/Share	\$19.44

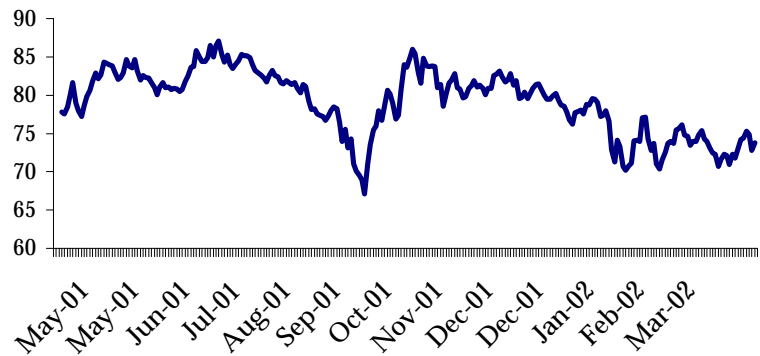
Valuation (per share)

FCF Analysis	\$73.91
Comparables Analysis	\$67.36-\$79.63

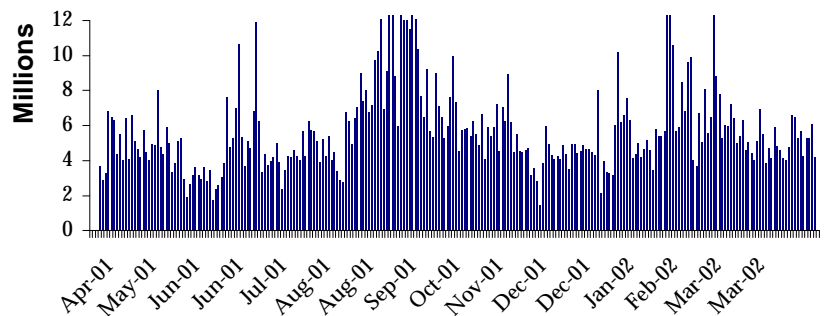
Summary of Financials (millions)

2001 Revenue	47,214
2001 Net Income	6,138
Total FCF's	6,647

Daily Closing Price



Daily Volume



BUSINESS OVERVIEW

American International Group, incorporated in Delaware, is a holding company that engages through subsidiaries in a broad range of insurance and insurance-related activities and financial services in the United States and abroad. AIG's primary activities include both general and life insurance operations. Other significant activities include financial services and asset management. AIG also sells group life and health insurance products and provides risk management and agency services.¹

GERNERAL INSURANCE OPERATIONS

AIG's general insurance operations are the largest underwriters of commercial and industrial insurance in the United States. The general insurance business is composed of Domestic brokerage, Domestic

Personal Lines, United Guaranty Corporation, and Foreign General. AIG's general insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance. One or more of these companies is licensed to write substantially all of these lines in all states of the United States and in approximately 70 foreign countries.

DOMESTIC BROKERAGE

AIG's Domestic property and casualty insurance operations are ranked fourth in the U.S. based on premiums written. AIG's Domestic Brokerage Group markets all property-casualty insurance products and services through brokers to corporate buyers and commercial customers ranging from large multinationals to middle market companies. DBG's principal subsidiaries are:

National Union Fire Insurance Company of Pittsburgh, Pa. is the leading U.S. provider of Directors and officers (D&O) liability and a leader in professional liability; employment practices liability insurance (EPLI), fidelity and surety coverages. National Union has led the D&O and management liability market for 30 years and continues to expand its coverages.

American Home Assurance Company is AIG's principle domestic provider of commercial umbrella/excess liability and primary and excess worker's compensation insurance.

Lexington Insurance Company is the largest U.S.-based excess and surplus lines carrier, specializing in difficult-to-place property and casualty risks. Lexington is one of the largest providers of casualty insurance to hospital systems, long term and other health care facilities, and is the leading provider of multi-line and specialty property-casualty programs to a wide range of businesses.

HBS Group, Inc. (HBS) is the parent company of The Hartford Steam Boiler Inspection and Insurance Company, which is one of the world's leading providers of equipment breakdown insurance. HSB was acquired by AIG in November of 2000.

Transatlantic Holdings, Inc. (Transatlantic) is a majority owned subsidiary of AIG and the largest publicly traded, U.S.-based reinsurance organization. With emphasis on special risks it offers reinsurance capacity for a variety of facultative and treaty products.

Domestic Personal Lines

AIG's domestic personal lines consist of the Mass Marketing and Specialty Auto Divisions, 21st Century Insurance Group and AIG's Private Client Group.

Mass Marketing Division provides coverages for preferred and standard personal auto risks. The division distributes its products through a variety of direct response marketing methods including direct mail, telephone, and the Internet. The Specialty Auto Division provides coverage primarily for non-standard personal auto risks through independent agents in 30 states. 21st Century Insurance Group writes personal automobile and homeowners insurance mainly in California, where it occupies 6 percent of the personal auto market. AIG private Clients Group serves high net worth individuals by providing coverage for valuable homes, cars, jewelry, art, yachts, aircrafts, etc.

United Guaranty Corporation (UGC) and its subsidiaries write residential mortgage guaranty insurance for financial institutions and mortgage investors. The coverages provided by UGC protect lenders and investors against loan losses resulting from borrower default and foreclosure.

FORIEGN OPERATIONS

AIG's Foreign General insurance group accepts risks primarily underwritten through American International Underwriters ("AIU"), a marketing unit consisting of wholly owned agencies and insurance companies. The Foreign General insurance group also includes business written by AIG's foreign-based insurance subsidiaries for their own accounts. The Foreign General group uses various marketing methods to write both business and personal lines insurance with certain refinements for local laws, customs and needs. AIU operates in over 70 countries in Asia, the Pacific Rim, Europe, Africa, Middle East and Latin America. Transatlantic's foreign operations are included in this group.

LIFE INSURANCE OPERATIONS

AIG's life insurance subsidiaries offer traditional insurance and financial and investment products. One or more of these subsidiaries is licensed to write life insurance in all states in the United States and in over 70 foreign countries. Traditional products consist of individual and group life, annuity, endowment and accident and health policies. Financial and investment products consist of single premium annuity, variable annuities, guaranteed investment contracts, universal life and pensions. There was no significant adverse effect on AIG's life insurance results of operations from economic environments in any one state, country or geographic region for the year ended December 31, 2000.

Foreign Life insurance operations in foreign countries comprised 90.8 percent of life premium income and 66.2 percent of operating income in 2000. AIG operates overseas principally through American Life Insurance Company (ALICO), American International Assurance Company (AIA), and Nan Shan Life Insurance Company, Ltd. (Nan Shan). ALICO is incorporated in Delaware and all of its business is written outside of the United States. ALICO has operations either directly or through subsidiaries in approximately 50 countries located in Europe, Africa, Latin America, the Caribbean, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates in Taiwan. These operations comprised 88.1 percent of AIG's consolidated life premium income in 2000

AIG's domestic life operations are comprised of two separate operations, AIG's domestic life companies and the life insurance subsidiaries of SunAmerica. The domestic life operations comprised 9.2 percent of total life premium income in 2000.

FINANCIAL SERVICES OPERATIONS

AIG's financial services subsidiaries engage in diversified financial products and services including aircraft, consumer and premium financing, and banking services. International Lease Finance Corporation (ILFC) engages primarily in the acquisition of new and used commercial jet aircraft and the leasing and remarketing of these aircraft to airlines around the world. AIG Financial Products Corp. and its subsidiaries (AIGFP) structure financial transactions, including long-dated interest rate and currency swaps and structured borrowings through notes, bonds and guaranteed investment agreements. IG Trading Group Inc. and its subsidiaries (AIGTG) engage in various commodities trading, foreign exchange trading, interest rate swaps and market making activities.

ASSET MANAGEMENT OPERATIONS

AIG's three principal asset management operations are SunAmerica's asset management operations (SAAMCo), AIG Global Investment Group, Inc. its subsidiaries (Global Investment) and AIG Capital Partners, Inc. SunAmerica develops and sells variable annuities and other investment products, sells and manages mutual funds and provides financial services.

COMPANY ANALYSIS

PROFITABILITY

AIG's profitability depends on two components: underwriting income and investment income. To determine if AIG is profitable we need to examine premium growth, reinsurance, return on equity and assets, and other measurement ratios. Premium growth for AIG's property casualty division in 2000 was 8% while the industry's premium growth was only 5%. For AIG's Life insurance operations premium income increased 20.2% in 2000. AIG's high premium growth indicates that it has added value when compared to the industry, but AIG's objective is not to have high premium growth, instead it desires a modest growth with quality low risk premium income. (See DCF for ROA and ROE measurements)

The rate of return on invested assets for AIG's life insurance and property casualty division are below:

Division	1997	1998	1999	2000	2001
P/C	6.1%	6.2%	6.5%	6.6%	6.7%
Life	5.9%	6.3%	6.3%	6.5%	6.1%

Total invested assets for 2001 equaled 258,817 million with an investment income of 14,628 million, and for 2000 invested assets equaled 213,911 million with an income of 13,365 million.

Reinsurance

The way reinsurance is used by an insurer can affect premium growth and alter financial results. AIG is a major purchaser of reinsurance for its general insurance operations. AIG is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. AIG insures risks in over 70 countries and its reinsurance programs must be coordinated in order to provide AIG with the level of reinsurance protection that AIG desires. These reinsurance arrangements do not relieve AIG from its direct obligations to its insureds. AIG desires quality premiums and doesn't pursue premium growth. AIG assesses the reinsurance market and potential reinsurers carefully and only does business with those that are credit worthy and properly licensed. AIG's reinsurance relationships look healthy according to the data provided by SEC. There have been no signs of AIG reducing premium transfers to reinsures to offset slowing premium growth.

Ratios for P/C division Underwriting Performance

Combined ratio: measures the insurers' underwriting performance. Combined ratios greater than 100% means that an insurer has incurred an underwriting loss, one lower than 100% indicates an underwriting profit.

Loss ratio: measures the claims cost experience. It typically ranges from 60%-80% but can be higher during periods of catastrophe losses.

Expense ratio: measures how effectively an insurer writes new business. It typically ranges from 25% to 35%.

	2001	2000
Domestic:		
Loss Ratio	80.64	80.84
Expense Ratio	16.49	16.41
Combined Ratio	97.13	97.25
Foreign:		
Loss Ratio	61.12	63.96
Expense Ratio	30.86	28.95
Combined Ratio	91.98	92.91
Consolidated:		
Loss Ratio	74.92	75.14
Expense Ratio	20.79	20.71
Combined Ratio	95.71	95.85

LIQUIDITY

In the insurance industry many claims are settled relatively quickly, AIG's ability to do good business and pay claim promptly depends upon its liquidity. AIG's liquidity is primarily derived from the operating cash flows of its general and life insurance operations. At December 31, 2001, AIG's consolidated invested assets included \$8.09 billion of cash and short-term investments. Consolidated net cash provided from operating activities in 2001 amounted to \$7.71 billion. Management believes that AIG's liquid assets, its net cash provided by operations, and access to the capital markets will enable it to meet any foreseeable cash requirements. AIG's insurance operations generated approximately \$27.4 billion in pre-tax cash flow during 2001 AIG's insurance investment operations generated approximately \$14.1 billion in investment income cash flow during 2001.

In the case of losses exceeding AIG's operating cash flow, there are two options for AIG. The option AIG will take depends on which division is liable. If paid losses from general insurance operations accelerated beyond AIG's ability to fund such paid losses from current operating cash flows, AIG would need to liquidate a portion of its general insurance investment portfolio and arrange for financing.

If a substantial portion of the life insurance operations bond portfolio diminished significantly in value or defaulted, AIG would need to liquidate other portions of its life insurance investment portfolio and arrange financing. Events that may cause liquidity strain could be the result of economic collapse or terrorist acts in a nation or region in which AIG's life insurance operations exist.

LEVERAGE

The leverage ratio measures how efficiently a company uses their capital base to write policies and produce business. It is an indicator of capacity utilization. Regulators permit companies to underwrite business to two to three times their capital base. Therefore, a company's capacity to write policies is usually twice its capital base. The leverage ratio for AIG's property casualty division was 44% in 2000. In 2000, this ratio was down 4% from 48% in 1999 and 1998. The ratio for the P/C industry in 2000 was 94%. The leverage ratio for AIG's life insurance division in 2000, 1999, and 1998 was 34%. AIG's significant amount of excess capacity, when compared to the industry, indicates that the company could possibly have too capital and not enough business.

MERGERS & ACQUISITIONS

AIG acquired American General Corporation (AGC) on August 29, 2001. AIG issued approximately 290 million shares of common stock in an exchange for all the outstanding common stock of AGC. AIG exchanged 57.9% of a share for each share of AGC's common stock. The merger of SunAmerica Inc., a leading company in the retirement savings and asset accumulation business, with AIG was completed January 1, 1999. AIG issued 0.855 shares of common stock in exchange for each share of SunAmerica Inc. stock outstanding at the effective time of the merger for an aggregate issuance of approximately 187.5 million shares.

Acquisition, restructuring and related charges of \$2.02 billion were incurred in connection with the acquisition of AGC, including \$654 million paid by AGC in connection with the termination of AGC's merger agreement with Prudential plc. Charges of \$315 million in 2000 were incurred by AGC in connection with acquisitions by AGC prior to its acquisition by AIG.

INDUSTRY

PROPERTY CASUALTY INSURANCE INDUSTRY (HOW IT WORKS)

INFLOWS

Underwriting income

The main source of revenue for an insurer is the payments collected in the form of premiums. The payments when collected are recorded as written premiums. A portion of the payments is then set aside to cover policyholders' losses. Over the policies life the payments are earned on a fractional basis. This creates a lag between when the policies are written and when the full premium is recognized as revenue.

Investment Income

The second largest component of an insurer's revenues is investment income. Investing the funds set aside for loss reserves, unearned premiums reserves, and shareholders' equity generates the funds for investment. Policy reserves constitute about 62% of the industries liabilities, and unearned premiums 20%.

OUTFLOWS

Commissions

Commissions are paid to the insurance agent upon sale of an insurance policy. The amount of the commission is deducted immediately from the collected premium and then the insurance agency deducts this amount from shareholder equity and credits unearned premium reserve.

Losses

After commissions are deducted, the premium covers a variety of expenses. The largest expense facing a property/ casualty insurer is losses (policy holders claims). These funds cover claims related expenses, loss adjustment expenses, and expenses related to the underwriting process (salaries for actuary staff). Subtracting these expenses from earned premiums produces the underwriting profit (margin). Property related claims often have a small amount of time between the incident and settlement. P/C insurers must maintain a majority of their assets in highly liquid investments to ensure that policy holders are paid promptly in the event of a loss

Loss Reserves

Insurers' depend upon their ability to quantify the ultimate cost of the losses from risks assumed because they are the largest liability and affect the insurers' financial results. When reserves are too high, profits appear to be lower than they actually are and premiums don't seem high enough which causes insurers' to raise premiums. The opposite occurs when reserves are too low. This process of loss estimation is extremely difficult. Inaccurate reserves will need adjustment, which often makes the insurer's financial position look unstable or erratic.

Lines of Coverage

Automobile coverage: Coverage of property damage and car owner's liability. This coverage constitutes 47% of the industry's direct written premium volume

Workers' Compensation: compensation for employees who are injured because of an occupational hazard. Other Lines include various types of coverage like homeowners' multiperil coverage, commercial multiperil coverage, and numerous types of liability coverages.

Trends

Overcapacity: A major influence on the performance of many P/C insurers today is the excess underwriting capacity. Insurers are permitted by the government to write two to three times their capital base. In other words, many insurers have too much capital and too little business.

LIFE INSURANCE INDUSTRY (HOW IT WORKS)

Income and expense

Like the property casualty insurers life insurers derive their income from premiums and investment income. In 1999, premiums for the industry rose 8.7%, total expenses 7.5%, pretax profits rose 11.1% and net income rose 16.8%. The largest expenses for an insurer are benefits such as death and surrender benefits.

Funds for investment: Insurer derives funds for investment from three primary sources: policy reserves, unearned premium reserves and deposited funds, and separate account liabilities. Policy reserves constitute about 47% of the industries liabilities, unearned premiums 7%, and separate account funds totaled about 38%.

Asset Types

Assets owned by insurance companies are classed into three broad categories:

Admitted: These assets are the most liquid and can be converted to cash very easily. In order to pay policyholders claims many insure must hold a majority of their assets in highly liquid investments.

Invested assets constitute the largest portion of an insurers' asset base.

Separate Account: assets that are held separately in an insurer's investment portfolio. These accounts are created to fund annuity and investment oriented accounts. There is no restriction for insures on how the assets should be allocated. As a result, a particular insurer's portfolio may be overweight with common stock and real estate compared to industry standards. The according to A.M Best this account is the fastest growing account (compounded growth from 17.7% for the period from 1985 to 1995).

Troublesome: are assets that decline in value while in ownership of the insurance company. In the past these assets have been mortgage loans and other real estate holdings.

Products

Whole life: policies that combine a death benefit with a forced savings plan. Premium levels are constant and the policyholder overpays in their early years. Interest accumulates and adds to the cash value of the policy. Each policy carries a surrender value, which is a cash amount available upon voluntary termination of the policy before the insured's death. In 1999, whole life constituted 23% of all premiums written for the industry.

Universal life: these policy combine a term life insurance policy with a saving plan that offers interest rates that are comparable to money market accounts. Premium and death benefits are variable and cash value can be used to subsidize the premium payments.

Term Insurance provides coverage for a term of usually 10 yrs. and accounted for 35% of the industries new life policies issued in 1999.

Other policies include variable life, universal life, group life, credit life, industrial life, and annuities. Annuities accounted 55% of insurer's total premiums and more than half of total income in 1999.

Trends

Demographic changes

With the realization that social security is no longer an option, the baby boom generation has shown signs of a heightened awareness of the need to save for retirement. This financial empowerment has caused many to plan for their financial futures.

Demutualization

Ownership structure for insurance companies can take two forms: a stock insurance company, and a mutual (owned by policy holders) insurance company. Many life insurers are seeking to restructure their company ownership through demutualization. With a rapidly changing environment some mutual insurer have found that being owned by policy holders has put them at a competitive disadvantage.

M&A Activity in decline

Regardless of the consolidation forecasts, mergers and acquisitions in the life insurance industry is down. In 2000, according to SNL securities, insurance and managed care mergers were down 44% (91 deals) from 1999, and in 1999 deals announced represented only a quarter of what they were in 1998. However, this trend is expected to be offset by slowing revenue growth and a consolidation trend in the future. At present, some firms are growing entirely through acquisition. The most likely candidates for

acquisition are those operating in the retirement savings market, have solid distribution lines, and significant band equity.

INSURANCE INDUSTRY (P/C and Life)

Distribution

There are two main channels of distribution for insurers the agency system and direct response. The agency system uses agents, either independent or captive, to represent the insurer and negotiate, sell, and service insurance policies. The direct response method is the most cost efficient. It uses the employees of the insurance company deal directly with potential clients. In addition to these two distribution methods, the Internet also poses as a promising outlet for distribution.

Dominated by few

In the P/C industry the domestic market is dominated by few: the 10 largest represent 44% of all premiums written, the 5 largest represent 30% of all premiums written, and the 2 largest (State Farm and Allstate) represent 19% of all premiums written. In the life insurance industry the situation is not much different. In 1999, the ten largest life insurers accounted for 34% of the industries admitted assets, the two largest life insurers (Prudential Insurance Co., and Metropolitan life Insurance Co.) accounted for 12% of admitted assets.

Reform legislation creates equality

When Bill Clinton signed into law The Gramm-Leach-Bliley Financial Services Modernization Act of 1999, the barriers that had separated insurance, banking, and securities were removed. This allowed firms in these industries to enter into one another's business. Several sources say that the number of insurers will shrink by 40% percent in this consolidation trend that has been trigger by deregulation. In the wake of this deregulation, many life insurers with resulting poor competitive positions are reevaluating their product mix and distribution channels, and joining forces with each other to gain economies of scale.

DCF ANALYSIS

I used a percent of sales approach to forecast and discount the cash flows of AIG Corporation and the resulting implied price is \$61.00. Using data from 1997-2001, I projected 10 yrs to 2012. Revenue growth was assumed to stay at or near its historical average of 13%. Other data was assumed from current market condition and historical data. I projected major expenses, which include losses and other related expenses to decline as the result of economies of scale initiated by consolidation activities and streamlined operations. I projected interest expense at 6% for 10yrs. based on averages and historical data. Capital expenditures were projected using a current ratio of about one and a multiple of five time earning.

COMPARABLE ANALYSIS

I choose five companies for my comparables analysis based on similar product, market capitalization, sales, corporate structure, and various other criteria that include the P/E ratio, ROE, and corporate strategy. The five comparable are Allstate, Prudential, Berkshire Hathaway, Allianz AG, and Progressive.

Allstate (ALL)

The Allstate Corporation is divided into three divisions that are similar to AIG's divisions. These segments are: Personal Property and casualty insurance, Life and savings segment, which specializes in insurance and savings products. Life insurance products include whole, term and other life policies. Savings products include fixed and variable annuities. Group pension products include guaranteed investment contracts, funding agreements and retirement annuities. I choose Allstate as a comparable because it is not only a leader in the Property Casualty Industry but also has similar products and corporate structure.

Prudential (PRU)

Prudential Financial provides a variety of insurance, investment, securities and other financial products and services. The products and services include, life insurance, property and casualty insurance, annuities, mutual funds, pension and retirement related investments, asset management and securities brokerage. I choose Prudential because it is a leader in the life Insurance industry and has objectives and strategies that are similar to AIG's.

Berkshire Hathaway Incorporated (BRKa)

Berkshire Hathaway underwrites automobile insurance and reinsurance worldwide. The group also underwrites multiple lines of property and casualty insurance. The Company trains operators of aircraft and ships and provides fractional ownership programs for general aviation aircrafts. Berkshire is also in the business of manufacturing and selling various consumer goods. I choose this companies mainly because it was an insurance company that had a market capitalization of \$100 billion and a beta close to 1.

Allianz AG (AZ)

Principle activities include reinsurance, life and health insurance, property and casualty insurance, travel insurance and credit insurance; also Asset management and other Financial services. I choose Allianz AG because it has a product line, P/E ratio, and sales volume that are comparable to AIG's.

Progressive (PRG)

Progressive is a leading property casualty insurer whose primary activities include automobile insurance, and other property related coverages. I choose Progressive for its similar P/E ratio, ROE, and product line.

RECOMMENDATION

The analysis of AIG shows that the company is strong financially. In the long run, the stock has consistently out performed the S&P 500. The implied prices from comparable and DCF analysis clearly state that AIG's current market price is representative of the company's value. However, the market price has averaged about \$78.3 for a year and dividend yields have remain at 0.2%. The underleveraged insurance industry is expecting a slow in premium growth leaving many large cap growth stocks like AIG with an option to grow only through acquisition. Recent data on the insurance industry indicates that mergers and acquisition are in decline but are expected to increase in the future. This trend has a possibility of negatively affecting AIG's future growth potential if the expected turnaround in not immediately ahead. In conclusion of this report and my assumptions I rate AIG as a **HOLD**.



UNIVERSITY OF OREGON
INVESTMENT GROUP

April 19, 2002

Financials

American International Group

(millions)	1997A	1998A	1999A	2000A	2001A	2002E	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	
Net Sales	28,871	31,915	36,356	40,717	47,214	52,408	59,221	67,511	76,288	84,680	96,535	107,153	121,083	136,824	151,875	168,581	
% Revenue Growth		10.5%	14%	12%	16%	11%	13%	14%	13%	11%	14%	11%	13%	13%	11%	11%	
Expenses (A)	19,126	15,200	16,738	18,565	21,718	23,583	26,649	29,030	32,804	34,719	39,579	43,933	48,433	54,730	60,750	67,432	
%	66%	48%	46%	46%	46%	45%	45%	43%	43%	41%	41%	41%	40%	40%	40%	40%	
SG & A Expenses (B)	2,470	8,366	9,957	11,279	14,164	15,722	17,766	20,253	22,886	25,404	28,960	32,146	36,325	41,047	45,562	50,574	
%	9%	26%	27%	28%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
EBITD	4,520	5,301	6,339	6,911	8,026	13,102	14,805	18,228	20,598	24,557	27,995	31,075	36,325	41,047	45,562	50,574	
%	16%	17%	17%	17%	17%	25%	25%	27%	27%	29%	29%	29%	30%	30%	30%	30%	
Depreciation expenses	885	952	1,071	1,176	1,293	1,422	1,563	1,719	1,890	2,078	2,284	2,512	2,762	3,036	3,339	3,671	
%	3.1%	3.0%	2.9%	2.9%	2.7%	2.7%	2.6%	2.5%	2.5%	2.5%	2.4%	2.3%	2.3%	2.2%	2.2%	2.2%	
Interest Expense	1,870	2,076	2,251	2,786	2,833	3,144	3,553	4,051	4,577	5,081	5,792	6,429	7,265	8,209	9,112	10,115	
%	6%	7%	6%	7%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	
Non-Operating Income	790	976	1,173	1,438	1,416	1,572	1,777	2,025	2,289	2,540	2,896	3,215	3,633	4,105	4,556	5,057	
%	3%	3%	3%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	
Income Before Tax	5,310	6,277	7,512	8,349	9,443	14,674	16,582	20,253	22,886	27,097	30,891	34,289	39,958	45,152	50,119	55,632	
Tax rate	29%	28%	30%	29%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Income tax	1,525	1,785	2,219	2,458	2,833	4,402	4,975	6,076	6,866	8,129	9,267	10,287	11,987	13,546	15,036	16,690	
%	5%	6%	6%	6%	6%	8%	8%	9%	9%	10%	10%	10%	10%	10%	10%	10%	
Income After Tax	3,785	4,492	5,293	5,891	6,610	10,272	11,607	14,177	16,020	18,968	21,624	24,002	27,970	31,606	35,083	38,942	
%	13%	14%	15%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	
Minority Interest	74	210	238	255	472	524	592	675	763	847	965	1,072	1,211	1,368	1,519	1,686	
%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
Net Income	3,711	4,282	5,055	5,636	6,138	9,748	11,015	13,502	15,258	18,121	20,658	22,931	26,759	30,238	33,564	37,256	
Add Back:																	
Depreciation expenses	885	952	1,071	1,176	1,293	1,422	1,563	1,719	1,890	2,078	2,284	2,512	2,762	3,036	3,339	3,671	
Interest Expense (1-t)	1,309	1,453	1,576	1,950	2,833	3,144	3,553	4,051	4,577	5,081	5,792	6,429	7,265	8,209	9,112	10,115	
CF from Operations	5,905	6,687	7,702	8,762	10,264	9,748	11,015	13,502	15,258	18,121	20,658	22,931	26,759	30,238	33,564	37,256	
%	13%	14%	15%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	
Current Assets	62,082	142,417	161,760	190,551	224,469	238,216	269,184	306,870	346,763	384,907	438,794	487,061	550,379	621,929	690,341	766,278	
Current Liabilities	58,934	142,254	117,099	138,222	186,492	229,054	258,831	295,067	333,426	370,103	421,917	468,328	529,211	598,008	663,789	736,806	
NWC	3,148	163	44,661	52,329	37,977	9,162	10,353	11,803	13,337	14,804	16,877	18,733	21,168	0	26,552	29,472	
Subtract Change in NWC		(2,985)	44,498	7,668	(14,352)	(28,815)	1,191	1,449	1,534	1,467	2,073	1,856	2,435	(21,168)	26,552	2,921	
%	11%	1%	123%	129%	80%	85%	89%	92%	96%	102%	105%	112%	116%	121%	129%	137%	
Capital Expenditures	4,205	3,905	4,239	4,729	5,828	6,289	7,106	8,101	9,155	10,162	11,584	12,858	14,530	16,419	18,225	20,230	
%	15%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	
Free Cash Flow	1,700	5,767	(41,035)	(3,635)	18,787	32,274	2,717	3,951	4,569	6,493	7,002	8,216	9,794	34,988	(11,212)	14,106	
PV	(3,642)	214	(43,845)	(51,422)	(55,875)	29,930	2,337	3,151	3,379	4,453	4,453	4,494	4,968	16,459	(4,891)	5,707	
Risk Free Rate	5%	Percent Equity			44%	Terminal Value			300,642	FCF-LTD			159,204				
Beta	0.91	Percent Debt (Liabilities)			55%	PV of terminal			131,158	Share Outstanding			2,610				
Risk Premium	7%	WACC			7.83%	PV of 10yr			74,441	Implied Share Price			\$ 61.00				
CAPM	11.37%	Terminal Rate of Growth			3%	LTD			46,395								
Return or Rate on Debt	7.15%							PV of CF			205,599						

(A) Includes Losses, loss expenses, and death benefits

(B) Includes Underwriting expenses, insurance expenses, and policy benefit increases.

Comparable Analysis

Company Symbol	Amer. Int'l AIG	Allstate ALL	Prudential Pru	Berkshire BRK	Allianz AG AZ	Progressive PGR	
Sales (Bil. \$)	55.5	29.9	27.2	37.7	68	7.49	
Market Cap (Bil. \$)	194	27.3	18.9	108.60	59.2	12.5	
Beta	0.91	0.41		0.73	N/A	1.15	
ROE	11.71	6.7	-0.81	1.35	9.7	13.55	
ROA	1.42	1.13	-0.06	0.57	1.03	3.9	
Current Price	74.2	38.43	32.31		24.09	169.49	
Price to Earnings	34.54	23.86	n/a	136.52	20.8	30.87	
Price to Book	3.72	1.59	0.93	1.88	1.91	3.83	
Price to Sales	3.45	0.96	0.69	2.88	0.87	1.7	
Price to Cash	274.81	103.86	1.02	N/A	16.6	1129.93	
Shares Outstanding	219.5						
	Per Share (AIG)	Mean Ratios	Implied Price	Weights			
Earnings per share	2.15	53.01	113.98	25	50	33	
Book Value per share	19.94	2.028	40.44	25	25	33	
Sales per share	21.52	1.42	30.56	25	25		
Cash per share	0.27	312.85	84.47	25		33	
			Implied Price	67.36	74.74	79.63	Mean Price
							73.91
	Industry Averages						
Profitability	Life	P/C	AVERAGE				
ROE	13%	15%	14.00%				
ROA	0.75%	1.50%	1.13%				
Range ROA	0.6%-0.9%	0.5%-2%	-----				
Range ROE	9%-15%	-----	-----				

