

American International Group, Inc.

Consolidated Statement of Income

(in millions, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004 (Restated)	2005	2004 (Restated)
Revenues:				
Premiums and other considerations	\$ 17,750	\$ 17,190	\$ 70,209	\$ 66,625
Net investment income	5,952	4,815	22,165	18,465
Realized capital gains (losses)	252	119	341	44
Other revenues (1)	3,438	2,917	16,190	12,532
Total revenues	<u>27,392</u>	<u>25,041</u>	<u>108,905</u>	<u>97,666</u>
Benefits and expenses:				
Incurred policy losses and benefits	18,054	16,073	63,711	58,360
Insurance acquisition and other operating expenses	9,022	6,670	29,981	24,461
Total benefits and expenses	<u>27,076</u>	<u>22,743</u>	<u>93,692</u>	<u>82,821</u>
Income before income taxes, minority interest and cumulative effect of an accounting change (2)	<u>316</u>	<u>2,298</u>	<u>15,213</u>	<u>14,845</u>
Income taxes (benefits):				
Current	214	(45)	2,569	2,593
Deferred	(493)	593	1,689	1,814
Total income tax	<u>(279)</u>	<u>548</u>	<u>4,258</u>	<u>4,407</u>
Income before minority interest and cumulative effect of an accounting change	595	1,750	10,955	10,438
Minority interest	(151)	(138)	(478)	(455)
Income before cumulative effect of an accounting change	444	1,612	10,477	9,983
Cumulative effect of an accounting change, net of tax (3)	-	-	-	(144)
Net income	<u>\$ 444</u>	<u>\$ 1,612</u>	<u>\$ 10,477</u>	<u>\$ 9,839</u>
Earnings per common share:				
Basic	\$ 0.17	\$ 0.62	\$ 4.03	\$ 3.77
Diluted (4)	\$ 0.17	\$ 0.62	\$ 3.99	\$ 3.73
Average outstanding shares:				
Basic	2,597	2,601	2,597	2,606
Diluted (4)	2,626	2,632	2,627	2,637

Note: (1) Includes the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133 "Accounting for Derivative Instruments and Hedging Activities", including the related foreign exchange gains and losses.

(2) Includes catastrophe losses of \$841 million and \$3.280 billion for the three months and twelve months ended December 31, 2005, respectively; and \$341 million and \$1.155 billion for the three months and twelve months ended December 31, 2004, respectively.

(3) Represents the cumulative effect of an accounting change, net of tax, related to SOP 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts".

(4) Assumes conversion of contingently convertible bonds due to the adoption of EITF Issue No. 04-8 "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per share."

American International Group, Inc.

Consolidated Statement of Segment Operations

(in millions, except per share data)

	Three Months Ended December 31,		
	2005	2004 (Restated)	% Chg
General insurance			
Net premiums written (1)	\$ 10,126	\$ 10,078	0.5 %
Net premiums earned (1)	10,303	10,165	1.4
Losses and loss expenses incurred (1) (2)	9,729	8,794	10.6
Underwriting expenses (1)	2,704	2,500	8.2
Underwriting loss (1) (2) (3)	(2,130)	(1,129)	NM
Net investment income	969	753	28.7
Loss before realized capital gains (losses) (1) (2)	(1,161)	(376)	NM
Realized capital gains (losses)	86	46	87.0
Operating loss (1) (2)	(1,075)	(330)	NM
Life insurance & retirement services			
GAAP premiums	7,447	7,025	6.0
Deposits and other considerations not included in revenues under GAAP	8,014	9,266	(13.5)
Premiums, deposits and other considerations	15,461	16,291	(5.1)
Net investment income	4,983	4,062	22.7
Pricing net investment gains (4)	75	49	53.1
Income before realized capital gains (losses)	2,332	1,946	19.8
Realized capital gains (losses) (4)	(169)	290	NM
Operating income	2,163	2,236	(3.3)
Financial services			
Operating income excluding FAS 133	553	650	(14.9)
FAS 133 (6)	240	(740)	NM
Operating income (loss) (7)	793	(90)	NM
Asset management			
Operating income excluding FIN46R and FAS 133	477	480	(0.6)
FIN46R	72	48	NM
FAS 133 (6)	22	72	NM
Operating income	571	600	(4.8)
Other realized capital gains (losses)	260	(266)	NM
Other income (deductions) - net (9)	(2,396)	148	NM
Income before income taxes and minority interest	<u>316</u>	<u>2,298</u>	(86.2)
Income taxes (benefits)	(279)	548	NM
Income before minority interest	595	1,750	(66.0)
Minority interest, after tax:			
Income before realized capital gains (losses)	(152)	(130)	NM
Realized capital gains (losses)	1	(8)	NM
Net income	<u>444</u>	<u>1,612</u>	(72.5)
Realized capital gains (losses), net of tax (11)	182	123	NM
FAS 133 gains (losses), excluding realized capital gains (losses), net of tax	(114)	(240)	NM
Adjusted net income (12)	<u>376</u>	<u>1,729</u>	(78.3)
Effect of settlement charge, net of tax (13)	1,147	53	
Effect of General Insurance reserve charge, net of tax (2)	1,186	553	
Effect of catastrophe related losses, net of tax	540	217	
Per share - diluted (14):			
Net income	0.17	0.62	(72.6)
Adjusted net income (12)	0.14	0.66	(78.8) %
Effect of settlement charge, net of tax	0.44	0.02	
Effect of General Insurance reserve charge, net of tax	0.45	0.21	
Effect of catastrophe related losses, net of tax	\$ 0.20	\$ 0.08	
Average outstanding shares - diluted (14)	2,626	2,632	
Effective tax rate:			
Net income	-	23.8%	
Adjusted net income (12)	-	25.7%	

(See Accompanying Notes on Page 4)

American International Group, Inc.

Consolidated Statement of Segment Operations

(in millions, except per share data)

	Twelve Months Ended December 31,		
	2005	2004 (Restated)	% Chg
General insurance			
Net premiums written (1)	\$ 41,872	\$ 40,623	3.1 %
Net premiums earned (1)	40,809	38,537	5.9
Losses and loss expenses incurred (1) (2)	33,091	30,357	9.0
Underwriting expenses (1)	9,768	8,427	15.9
Underwriting loss (1) (2) (3)	(2,050)	(247)	NM
Net investment income	4,031	3,196	26.1
Income before realized capital gains (losses) (1) (2)	1,981	2,949	(32.8)
Realized capital gains (losses)	334	228	46.5
Operating income (1) (2)	<u>2,315</u>	<u>3,177</u>	<u>(27.1)</u>
Life insurance & retirement services			
GAAP premiums	29,400	28,088	4.7
Deposits and other considerations not included in revenues under GAAP	37,048	38,756	(4.4)
Premiums, deposits and other considerations	66,448	66,844	(0.6)
Net investment income	18,134	15,269	18.8
Pricing net investment gains (4)	344	225	52.9
Income before realized capital gains (losses) (5)	9,406	8,105	16.1
Realized capital gains (losses) (4)	(562)	(182)	NM
Operating income (5)	<u>8,844</u>	<u>7,923</u>	<u>11.6</u>
Financial services			
Operating income excluding FAS 133	2,296	2,329	(1.4)
FAS 133 (6)	1,980	(149)	NM
Operating income (7)	<u>4,276</u>	<u>2,180</u>	<u>96.1</u>
Asset management			
Operating income excluding FIN46R and FAS 133	1,843	1,617	14.0
FIN46R	261	195	NM
FAS 133 (6)	149	313	NM
Operating income (8)	<u>2,253</u>	<u>2,125</u>	<u>6.0</u>
Other realized capital gains (losses)	225	(227)	NM
Other income (deductions) - net (9)	<u>(2,700)</u>	<u>(333)</u>	<u>NM</u>
Income before income taxes, minority interest and cumulative effect of an accounting change	<u>15,213</u>	<u>14,845</u>	<u>2.5</u>
Income taxes	<u>4,258</u>	<u>4,407</u>	<u>NM</u>
Income before minority interest and cumulative effect of an accounting change	10,955	10,438	5.0
Minority interest, after tax:			
Income before realized capital gains (losses)	(465)	(440)	NM
Realized capital gains (losses)	(13)	(15)	NM
Income before cumulative effect of an accounting change	10,477	9,983	4.9
Cumulative effect of an accounting change, net of tax (10)	-	(144)	NM
Net income	<u>10,477</u>	<u>9,839</u>	<u>6.5</u>
Realized capital gains (losses), net of tax (11)	201	85	NM
FAS 133 gains (losses), excluding realized capital gains (losses), net of tax	1,530	315	NM
Cumulative effect of an accounting change, net of tax (10)	-	(144)	NM
Adjusted net income (12)	<u>8,746</u>	<u>9,583</u>	<u>(8.7)</u>
Effect of settlement charge, net of tax (13)	1,147	53	
Effect of General Insurance reserve charge, net of tax (2)	1,186	553	
Effect of catastrophe related losses, net of tax	2,109	729	
Per share - diluted (14):			
Net income	3.99	3.73	7.0
Adjusted net income (12)	3.33	3.64	(8.5) %
Effect of settlement charge, net of tax	0.44	0.02	
Effect of General Insurance reserve charge, net of tax	0.45	0.21	
Effect of catastrophe related losses, net of tax	\$ 0.80	\$ 0.27	
Average outstanding shares - diluted (14)	2,627	2,637	
Effective tax rate:			
Net income	28.0%	29.7%	
Adjusted net income (12)	26.8%	29.2%	
Return on Equity (15)	12.3%	13.3%	

(See Accompanying Notes on Page 4)

American International Group, Inc.

Consolidated Statement of Segment Operations

Notes

- (1) Net premiums written includes net reinstatement premium cost of \$5 million and \$263 million for the three months and twelve months ended December 31, 2005, respectively.
Losses and loss expenses incurred includes catastrophe losses of \$770 million and \$2.618 billion for the three months and twelve months ended December 31, 2005, respectively, and \$318 million and \$1.054 billion for the three months and twelve months ended December 31, 2004, respectively.
Underwriting expenses includes catastrophe related losses of \$7 million for the twelve months ended December 31, 2005.
- (2) Three months and twelve months ended December 31, 2005 include an after-tax charge of \$1.186 billion related to an increase of \$1.824 billion to net reserve for losses and loss expenses.
Three months and twelve months ended December 31, 2004 includes an after-tax charge of \$553 million related to an increase of \$850 million to net loss reserves reflecting a change in estimates for asbestos and environmental exposures.
- (3) Underwriting loss, a GAAP measure, is statutory underwriting profit (loss) adjusted primarily for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.
- (4) For purposes of this presentation, pricing net investment gains are segregated out of total realized gains (losses). They represent certain amounts of realized capital gains where gains are an inherent element in pricing certain life products in some foreign countries.
- (5) Includes catastrophe related losses of \$12 million and \$5 million for the twelve months ended December 31, 2005 and 2004, respectively.
- (6) Includes the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133 "Accounting for Derivative Instruments and Hedging Activities", including the related foreign exchange gains and losses.
- (7) Includes catastrophe related losses of \$62 million for the twelve months ended December 31, 2005.
- (8) Includes catastrophe related losses of \$6 million for the twelve months ended December 31, 2005.
- (9) Includes catastrophe related losses of \$66 million and \$312 million for the three months and twelve months ended December 31, 2005, respectively, and \$22 million and \$96 million for the three months and twelve months ended December 31, 2004, respectively.
- (10) Represents the cumulative effect of an accounting change, net of tax, related to SOP 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts".
- (11) Includes a loss of \$50 million, net of tax and \$215 million, net of tax for the three months and twelve months ended December 31, 2005; respectively, and a gain of \$149 million, net of tax and \$121 million, net of tax for the three months and twelve months ended December 31, 2004, respectively, attributable to FAS 133.
- (12) Adjusted net income excludes realized capital gains (losses) which includes pricing net investment gains, cumulative effect of an accounting change and FAS 133 "Accounting for Derivative Instruments and Hedging Activities".
- (13) Three months and twelve months ended December 31, 2005 includes an after-tax charge related to a settlement with the SEC, DOJ, NYAG and the New York State Department of Insurance in connection with the accounting, financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers compensation premium taxes and other assessments. Three months and twelve months ended December 31, 2004 includes the after-tax charge related to a settlement with the SEC, DOJ, and the U.S. Attorney for the Southern District of Indiana with respect to issues arising from certain transactions with Brightpoint, Inc. the PNC Financial Services Group, Inc. and related matters.
- (14) Assumes conversion of contingently convertible bonds due to the adoption of EITF Issue No. 04-8 "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share" of \$3 million, net of tax, for each of the three months ended December 31, 2005 and 2004, respectively, and \$11 million, net of tax, for each of the twelve months ended December 31, 2005 and 2004, respectively.
- (15) Return on equity is net income, expressed as a percentage of average shareholders' equity.

American International Group, Inc.

Consolidated Balance Sheet

(in millions)

	December 31, 2005	December 31, 2004 (Restated)
Assets:		
Investments and financial services assets:		
Fixed maturities	\$ 385,680	\$ 365,677
Equity securities	23,588	17,706
Mortgage loans on real estate, policy, collateral and guaranteed loans - net of allowance	24,909	23,484
Financial services assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation	36,245	32,130
Securities available for sale, at market value	37,511	31,225
Trading securities, at market value	6,499	2,746
Spot commodities	92	534
Unrealized gain on swaps, options and forward transactions	18,695	22,670
Trading assets	1,204	3,433
Securities purchased under agreements to resell, at contract value	14,547	26,272
Finance receivables, net of allowance	27,995	23,574
Securities lending collateral, at market (which approximates cost)	59,471	49,169
Other invested assets	27,267	23,559
Short-term investments, at cost (approximates market value)	15,342	16,102
Total investments and financial services assets	679,045	638,281
Cash	1,897	2,009
Investment income due and accrued	5,727	5,556
Premiums and insurance balances receivable, net of allowance	15,333	15,622
Reinsurance assets, net of allowance	24,978	19,613
Deferred policy acquisition costs	33,248	29,817
Investments in partially owned companies	1,158	1,495
Real estate and other fixed assets, net of accumulated depreciation	7,446	6,192
Separate and variable accounts	63,797	57,741
Goodwill	8,093	8,556
Income taxes receivable - current	319	138
Other assets	12,329	16,125
Total assets	\$ 853,370	\$ 801,145
Liabilities:		
Reserve for losses and loss expenses	\$ 77,169	\$ 61,878
Reserve for unearned premiums	24,243	23,400
Future policy benefits for life and accident and health insurance contracts	108,807	104,740
Policyholders' contract deposits	227,027	216,474
Other policyholders' funds	10,870	10,280
Reserve for commissions, expenses and taxes	4,769	4,629
Insurance balances payable	3,564	3,661
Funds held by companies under reinsurance treaties	4,174	3,404
Income taxes payable - deferred	6,607	6,588
Financial services liabilities:		
Borrowings under obligations of guaranteed investment agreements	20,811	18,919
Securities sold under agreements to repurchase, at contract value	11,047	23,581
Trading liabilities	2,546	2,503
Securities and spot commodities sold but not yet purchased, at market value	5,975	5,404
Unrealized loss on swaps, options and forward transactions	12,740	15,985
Trust deposits and deposits due to banks and other depositors	4,877	4,248
Commercial paper	6,514	6,724
Notes, bonds, loans and mortgages payable	71,313	61,296
Commercial paper	2,694	2,969
Notes, bonds, loans and mortgages payable	7,126	5,502
Liabilities connected to trust preferred stock	1,391	1,489
Separate and variable accounts	63,797	57,741
Minority interest	5,124	4,831
Securities lending payable	60,409	49,972
Other liabilities	23,273	25,055
Total liabilities	766,867	721,273
Preferred shareholders' equity in subsidiary companies	186	199
Shareholders' equity:		
Common stock	6,878	6,878
Additional paid-in capital	2,339	2,094
Unrealized appreciation of investments, net of taxes	8,348	10,326
Cash flow hedging activities, net of taxes	(25)	(53)
Foreign currency translation adjustments, net of taxes	(1,242)	(683)
Foreign currency translation adjustments hedging, net of taxes	1	(18)
Retirement plan liabilities adjustment, net of taxes	(115)	(128)
Retained earnings	72,330	63,468
Treasury stock, at cost	(2,197)	(2,211)
Total shareholders' equity	86,317	79,673
Total liabilities, preferred shareholders' equity in subsidiary companies and shareholders' equity	\$ 853,370	\$ 801,145

American International Group, Inc.

Book Value per Share

	<u>Book Value Per Share (1)</u>	<u>Book Value excluding URA Per Share (2)</u>	<u>Shareholders' Equity (1) (in millions)</u>	<u>Shareholders' Equity excluding URA (2) (in millions)</u>
December 31, 2000	\$ 17.25	\$ 17.28	\$ 45,239	\$ 45,320
December 31, 2001	19.07	18.27	49,881	47,790
December 31, 2002	22.34	19.99	58,303	52,154
March 31, 2003	23.56	20.61	61,462	53,750
June 30, 2003	25.98	21.44	67,774	55,933
September 30, 2003	25.54	22.17	66,612	57,807
December 31, 2003	26.54	23.06	69,230	60,159
March 31, 2004	28.73	24.05	74,921	62,739
June 30, 2004	27.08	25.07	70,544	65,304
September 30, 2004	29.34	26.01	76,427	67,747
December 31, 2004	30.69	26.71	79,673	69,347
March 31, 2005	31.45	27.96	81,608	72,561
June 30, 2005	34.15	29.48	88,613	76,509
September 30, 2005	34.03	29.95	88,333	77,729
December 31, 2005	\$ 33.24 (3)	\$ 30.03	\$ 86,317	\$ 77,969

Note: (1) Book values and shareholders' equity prior to December 31, 2005 have been restated.

(2) Unrealized appreciation of investments (URA), net of taxes.

(3)
$$\frac{\text{Total shareholders' equity}}{\text{Total common shares issued - treasury shares}} = \frac{\$86,316,906,958}{2,751,327,476 - 154,680,704} = \$33.24$$

American International Group, Inc. General Insurance Operating Statistics

(dollars in millions)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2005	2004 (Restated)	% Chg	2005	2004 (Restated)	% Chg
Gross premiums written	\$ 11,743	\$ 12,087	(2.8) %	\$ 52,725	\$ 52,046	1.3 %
Ceded premiums written	1,617	2,009	(19.5)	10,853	11,423	(5.0)
Net premiums written (1)	10,126	10,078	0.5	41,872	40,623	3.1
Net premiums earned (1)	10,303	10,165	1.4	40,809	38,537	5.9
Paid losses	6,038	5,427	11.3	22,241	19,855	12.0
Change in net loss reserves	3,417	3,800	(10.1)	10,222	11,026	(7.3)
Less foreign exchange effect	(274)	433	NM	(628)	524	NM
Losses and loss expenses incurred (1)(2)(3)(4)	9,72	8,79	10.	33,09	30,35	9.0
Statutory underwriting expenses (1) (5)	2,730	2,373	15.0	9,883	8,744	13.0
Underwriting loss (1)(2)(3)(4)(5)(6)	(2,130)	(1,129)	NM	(2,050)	(247)	NM
Net investment income (7)						
Interest and dividends	924	727	27.1	3,388	2,651	27.8
Partnership income	88	108	(18.5)	784	708	10.7
Other investment income (8)	113	79	43.0	349	305	14.4
Investment expense	(156)	(161)	NM	(490)	(468)	NM
Total	969	753	28.7	4,031	3,196	26.1
Operating income (loss) before realized capital gains (losses) (1) (2) (3) (4) (5) (7)	(1,161)	(376)	NM	1,981	2,949	(32.8)
Realized capital gains (losses) (7)	86	46	87.0	334	228	46.5
Operating income (loss) (1)(2)(3)(4)(5)(7)	\$ (1,075)	\$ (330)	NM %	\$ 2,315	\$ 3,177	(27.1)
Net loss and loss expense reserve				\$ 57,476	\$ 47,254	21.6 %
Underwriting ratios:						
As reported						
Loss ratio (1) (2) (3) (4)	94.43	86.52		81.09	78.78	
Expense ratio (1) (5)	26.96	23.54		23.60	21.52	
Combined ratio	121.39	110.06		104.69	100.30	
Excluding catastrophe losses						
Loss ratio (1) (2) (3) (4)	86.91	83.39		74.19	76.04	
Expense ratio (1) (5)	26.95	23.54		23.44	21.52	
Combined ratio	113.86	106.93		97.63	97.56	
Excluding catastrophe losses and reserve charge						
Loss ratio (1) (2) (3) (4)	69.21	75.03		69.75	73.83	
Expense ratio (1) (5)	26.95	23.54		23.44	21.52	
Combined ratio	96.16	98.57		93.19	95.35	
Foreign exchange impact on growth of worldwide net premiums written:						
Growth in original currency	1.2 %			2.6 %		
Foreign exchange impact	(0.7)			0.5		
Growth as reported in U.S. \$	0.5 %			3.1 %		

Note: (1) Net premiums written includes net reinstatement premium cost of \$5 million and \$263 million for the three months and twelve months ended December 31, 2005, respectively. Losses and loss expenses incurred includes catastrophe losses of \$770 million and \$2.618 billion for the three months and twelve months ended December 31, 2005, respectively, and \$318 million and \$1.054 billion for the three months and twelve months ended December 31, 2004, respectively. Statutory underwriting expenses includes catastrophe related losses of \$7 million for the twelve months ended December 31, 2005.

(2) Includes \$1.824 billion reserve charge increase for both the three months and twelve months ended December 31, 2005. Losses and loss expenses incurred includes a charge of \$850 million reflecting the change in estimate for asbestos and environmental exposures for both the three months and twelve months ended December 31, 2004.

(3) Includes an increase of \$232 million reflecting a change in estimate for salvage and subrogation recoveries for both the three months and twelve months ended December 31, 2004.

(4) Includes \$40 million and \$197 million of additional Domestic Brokerage Group losses incurred resulting from increased labor and material costs related to the 2004 Florida hurricanes in the three months and twelve months ended December 31, 2005, respectively.

(5) Includes \$291 million of Domestic Brokerage Group expenses related to changes in estimates for uncollectible reinsurance and other premium balances for both the three months and twelve months ended December 31, 2005, and \$100 million of accrued expenses in connection with certain workers compensation insurance policies written between 1985 and 1996 for the twelve months ended December 31, 2005. These expenses increased the expense and combined ratios by 2.87 and 0.93 in the three months and twelve months ended December 31, 2005, respectively.

(6) Underwriting loss, a GAAP measure, is statutory underwriting profit (loss) adjusted primarily for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.

(7) Total may not equal the sum of the individual group totals due to consolidating eliminations.

(8) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.

American International Group, Inc.
General Insurance Operating Statistics
Excluding Catastrophe Losses

(dollars in millions)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2005	2004 (Restated)	% Chg	2005	2004 (Restated)	% Chg
Gross premiums written	\$ 11,743	\$ 12,087	(2.8) %	\$ 52,725	\$ 52,046	1.3 %
Ceded premiums written	1,612	2,009	(19.8)	10,590	11,423	(7.3)
Net premiums written (1)	10,131	10,078	0.5	42,135	40,623	3.7
Net premiums earned (1)	10,308	10,165	1.4	41,072	38,537	6.6
Losses and loss expenses incurred (1)(2)(3)(4)	8,959	8,476	5.7	30,473	29,303	4.0
Statutory underwriting expenses (1) (5)	2,730	2,373	15.0	9,876	8,744	12.9
Underwriting profit (loss) (1)(2)(3)(4)(5)(6)	(1,355)	(811)	NM	838	807	3.8
Net investment income						
Interest and dividends	924	727	27.1	3,388	2,651	27.8
Partnership income	88	108	(18.5)	784	708	10.7
Other investment income (7)	113	79	43.0	349	305	14.4
Investment expense	(156)	(161)	NM	(490)	(468)	NM
Total	969	753	28.7	4,031	3,196	26.1
Operating income (loss) before realized capital gains (losses) (1) (2) (3) (4) (5)	(386)	(58)	NM	4,869	4,003	21.6
Realized capital gains (losses)	86	46	87.0	334	228	46.5
Operating income (loss) (1) (2) (3) (4) (5)	\$ (300)	\$ (12)	NM %	\$ 5,203	\$ 4,231	23.0
Net loss and loss expense reserve				\$ 54,858	\$ 46,200	18.7 %
Underwriting ratios:						
Excluding catastrophe losses						
Loss ratio (1) (2) (3) (4)	86.91	83.39		74.19	76.04	
Expense ratio (1) (5)	26.95	23.54		23.44	21.52	
Combined ratio	113.86	106.93		97.63	97.56	
Excluding catastrophe losses and reserve charge						
Loss ratio (1) (2) (3) (4)	69.21	75.03		69.75	73.83	
Expense ratio (1) (5)	26.95	23.54		23.44	21.52	
Combined ratio	96.16	98.57		93.19	95.35	
Foreign exchange impact on growth of worldwide net premiums written:						
Growth in original currency	1.2 %			3.2 %		
Foreign exchange impact	(0.7)			0.5		
Growth as reported in U.S. \$	0.5 %			3.7 %		

- Note: (1) Net premiums written excludes net reinstatement premium cost of \$5 million and \$263 million for the three months and twelve months ended December 31, 2005, respectively. Losses and loss expenses incurred excludes catastrophe losses of \$770 million and \$2.618 billion for the three months and twelve months ended December 31, 2005, respectively, and \$318 million and \$1.054 billion for the three months and twelve months ended December 31, 2004, respectively. Statutory underwriting expenses excludes catastrophe related losses of \$7 million for the twelve months ended December 31, 2005.
- (2) Includes \$1.824 billion reserve charge increase for both the three months and twelve months ended December 31, 2005. Losses and loss expenses incurred includes a charge of \$850 million reflecting the change in estimate for asbestos and environmental exposures for both the three months and twelve months ended December 31, 2004.
- (3) Includes an increase of \$232 million reflecting a change in estimate for salvage and subrogation recoveries for both the three months and twelve months ended December 31, 2004.
- (4) Includes \$40 million and \$197 million of additional Domestic Brokerage Group losses incurred resulting from increased labor and material costs related to the 2004 Florida hurricanes in the three months and twelve months ended December 31, 2005, respectively.
- (5) Includes \$291 million of Domestic Brokerage Group expenses related to changes in estimates for uncollectible reinsurance and other premium balances for both the three months and twelve months ended December 31, 2005, and \$100 million of accrued expenses in connection with certain workers compensation insurance policies written between 1985 and 1996 for the twelve months ended December 31, 2005. These expenses increased the expense and combined ratios by 2.87 and 0.93 in the three months and twelve months ended December 31, 2005, respectively.
- (6) Underwriting profit (loss), a GAAP measure, is statutory underwriting profit (loss) adjusted primarily for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.
- (7) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.

