News

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AIG'S THIRD QUARTER 2000 INCOME EXCLUDING REALIZED CAPITAL GAINS (LOSSES) ROSE 14.6 PERCENT TO $1.41 BILLION

Net Income Per Share As Adjusted Rose 15.1% To $0.61

NEW YORK, NY, October 26, 2000 - American International Group, Inc. (AIG) today reported that its income excluding net realized capital gains (losses) increased 14.6 percent to $1.41 billion in the third quarter and 14.4 percent to $4.21 billion for the first nine months of 2000.

Net income for the third quarter of 2000, including net realized capital gains (losses), increased 9.3 percent to $1.39 billion, compared to $1.27 billion in the third quarter of 1999. For the first nine months of 2000, net income totaled $4.14 billion, an increase of 10.6 percent, compared to $3.74 billion in the same period of 1999. Following is a summary table of third quarter and nine months information (in millions, except per share amounts).

	THIRD QUARTER			NINE MONTHS		
	2000	1999	Change	2000	1999	Change
Net income, as reported	$1,385.6	$1,267.4	9.3%	$4,138.7	$3,743.2	10.6%
Income, as adjusted*	$1,413.6	$1,233.6	14.6%	$4,208.4	$3,680.1	14.4%
PER SHARE RESULTS:**						
Net income, as reported	$ 0.60	$ 0.54	11.1%	$ 1.77	$ 1.59	11.3%
Income, as adjusted*	$ 0.61	$ 0.53	15.1%	$ 1.80	$ 1.57	14.6%
Average shares outstanding	2,339.9	2,351.3		2,341.5	2,350.7	

*Adjusted to exclude realized capital gains (losses), net of taxes.
**Share information reflects the three-for-two split in the form of a 50 percent common stock dividend, paid July 28, 2000.

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Income before income taxes, minority interest and realized capital gains (losses) for the third quarter of 2000 amounted to $2.10 billion, an increase of 15.8 percent over the $1.81 billion reported in 1999. For the first nine months of 2000, income before income taxes, minority interest and realized capital gains (losses) increased 14.5 percent to $6.24 billion from $5.45 billion reported last year.

Revenues in the third quarter of 2000 rose 15.6 percent to $11.14 billion from $9.64 billion in the year-earlier quarter. For the first nine months, revenues totaled $33.46 billion, an increase of 12.8 percent over $29.66 billion in 1999.

At September 30, 2000, AIG's consolidated assets and shareholders' equity approximated $295 billion and $36.5 billion, respectively.

Commenting on the third quarter results, AIG Chairman M.R. Greenberg said, "AIG had a very good quarter, with increased momentum on the domestic commercial insurance pricing front, strong results from our overseas general insurance business, an excellent quarter for life insurance, and outstanding results in our financial services and asset management businesses.

"Worldwide general insurance net premiums written increased 8.1 percent to $4.29 billion, our largest quarterly percentage increase of the year, and we achieved an adjusted underwriting profit of $192.7 million. Our combined ratio was 96.25, compared to 96.56 in last year's third quarter. General insurance operating income for the quarter posted a 14.0 percent increase over last year. Overall, our general insurance business is in very strong shape around the world and our underwriting results continue to be satisfactory.

"In the domestic commercial property-casualty marketplace, we are seeing a continuation of rate increases for many classes of business. We have every reason to believe that this momentum will continue into future quarters, as the need for adequate pricing is clearly understood by all underwriting companies. It bears repeating, however, that while rates are clearly strengthening, rates had declined for nearly a decade, and hence the industry needs considerable improvement in pricing to get back to reasonable levels. AIG remains extremely disciplined in underwriting selectivity, and we continue to shed or non-renew business where rates and underwriting conditions are still inadequate. In this environment, AIG's Domestic Brokerage Group had a solid quarter.

"AIG's domestic personal lines business did reasonably well, but we are aggressively pursuing increased pricing in all of our automobile operations and feel confident that a firmer market will develop. In the meantime, our recently announced Private Client Group is making good progress, and our direct auto business continues to expand.

"United Guaranty Corporation (UGC), AIG's mortgage guaranty insurance subsidiary, reported outstanding results for the quarter, with a strong 19.5 percent gain in operating income.

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"The Foreign General Insurance Group had a good quarter, with a 6.9 percent increase in net premiums written and a combined ratio of 95.77. In particular, our property-casualty business in Asia, the United Kingdom and Continental Europe continued to report good underwriting results. Rates are also increasing in many classes and many regions of the world.

"Transatlantic Holdings, Inc., whose results are reported through both AIG's domestic and foreign general insurance segments, had improved results in the quarter. The worldwide reinsurance market is tightening, which should benefit future quarters' results for Transatlantic. Claims resulting from prior periods' catastrophes are being paid currently, resulting in a reduction in outstanding losses. Transatlantic reported an increase in both net premiums written and operating income in the quarter, as well as an improved combined ratio to below 100.

"AIG's worldwide Life business was quite strong in the third quarter, with excellent results across all of our life subsidiaries. Operating income increased 16.3 percent to $886.6 million, including the life operations of SunAmerica. Results throughout Asia, as well as in the United States, Continental and Central Europe, and the United Kingdom were very good. SunAmerica itself had an excellent quarter in both its life and asset management business segments. Earlier in the year, we announced that AIG member company American International Assurance Company (Bermuda), Ltd. had received a license from the government of Vietnam to operate a wholly owned life company there. We commenced recruiting agents some months ago, and AIA Vietnam is now officially opened and doing business.

"Recently, AIG and the Tata Group filed applications with the Indian Insurance Regulatory Development Authority to establish joint venture general and life insurance companies in India, and we expect to begin operations there early next year.

"The poor underwriting environment that existed for a number of years in the non-life sector in many parts of the world, as well as the failure to meet investment guarantees to policyholders in the life sector, must lead to a continuing consolidation in the industry. We view this as an opportunity given our strong financial position and global network. AIG is well positioned to evaluate such opportunities.

"The Financial Services Group reported an outstanding quarter, with particularly strong results from International Lease Finance Corporation and AIG Financial Products Corp. Overall operating income rose 23.3 percent to $308.4 million. AIG Trading Group Inc. reported a profitable quarter, though moderately lower than last year. The Consumer Finance Group did very well in the quarter, and its credit card operations in Asian markets continue to gain share.

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"The Asset Management Group also continued its strong growth and performance, including the asset management operations of SunAmerica. Operating income for the Group rose 27.0 percent to $110.2 million."

GENERAL INSURANCE

General insurance pretax income before realized capital gains for the third quarter of 2000 was $868.3 million, 14.0 percent above the $761.4 million last year. For the first nine months of 2000, general insurance pretax income before realized capital gains was $2.63 billion, an increase of 8.9 percent, compared to $2.42 billion in 1999.

Worldwide general insurance net premiums written in the third quarter of 2000 amounted to $4.29 billion, 8.1 percent ahead of the $3.97 billion in 1999. For the first nine months of 2000, general insurance net premiums written were $13.02 billion, an increase of 6.6 percent, compared to $12.22 billion last year.

General insurance net investment income rose 6.9 percent to $675.6 million in the third quarter and 6.9 percent to $2.00 billion in the nine months of 2000.

LIFE INSURANCE

AIG's worldwide life insurance operations reported third quarter 2000 pretax income before realized capital losses of $886.6 million, an increase of 16.3 percent, compared to $762.5 million in 1999. For the first nine months of 2000, life insurance pretax income before realized capital losses increased 18.0 percent to $2.59 billion, compared to $2.20 billion last year.

Life insurance premium income increased 18.5 percent in the third quarter to $3.28 billion from $2.77 billion in 1999. For the first nine months, premium income amounted to $9.94 billion, a gain of 15.3 percent, compared to $8.62 billion in 1999.

Life insurance net investment income rose 17.3 percent to $1.77 billion in the third quarter of 2000, compared to $1.51 billion for the same period last year. For the first nine months, net investment income amounted to $5.18 billion, an increase of 14.0 percent, compared to $4.55 billion in 1999.

FINANCIAL SERVICES

Financial services pretax operating income during the third quarter of 2000 increased 23.3 percent to $308.4 million, compared to $250.2 million in 1999. For the first nine months of 2000, financial services operating income was $893.8 million, an 18.2 percent increase, compared to $755.8 million in 1999.

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ASSET MANAGEMENT

Asset management pretax operating income during the third quarter of 2000 amounted to $110.2 million, an increase of 27.0 percent, compared to $86.8 million in 1999. For the first nine months of 2000, pretax operating income increased 47.1 percent to $320.5 million, compared to $217.9 million in 1999. At September 30, 2000, third party assets under management, including retail mutual funds and institutional accounts, totaled approximately $36 billion.

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AIG is the leading U.S.-based international insurance and financial services organization and the largest underwriter of commercial and industrial insurance in the United States. Its member companies write a wide range of commercial and personal insurance products through a variety of distribution channels in approximately 130 countries and jurisdictions throughout the world. AIG's global businesses also include financial services and asset management, including aircraft leasing, financial products, trading and market making, consumer finance, institutional, retail and direct investment fund asset management, real estate investment management, and retirement savings products. American International Group, Inc.'s common stock is listed on the New York Stock Exchange, as well as the stock exchanges in London, Paris, Switzerland and Tokyo.

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Caution concerning forward-looking statements

This press release may contain forward-looking statements. Please refer to AIG's Annual Report on Form 10-K for the year ended December 31, 1999 for a description of the business environment in which AIG operates and the important factors that may affect its business. AIG is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

American International Group, Inc.
Financial Highlights
(in thousands, except per share amounts)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2000	1999	Change	2000	1999	Change
General Insurance Operations:						
Net Premiums Written	$ 13,023,420	$ 12,217,009	6.6 %	$ 4,293,706	$ 3,972,422	8.1 %
Net Premiums Earned	12,621,333	11,378,191	10.9	4,112,496	3,625,107	13.4
Adjusted Underwriting Profit	632,118	546,996	15.6	192,732	129,128	49.3
Net Investment Income	1,998,477	1,869,425	6.9	675,566	632,235	6.9
Income before Realized Capital Gains	2,630,595	2,416,421	8.9	868,298	761,363	14.0
Realized Capital Gains	42,321	210,984	-	33,283	71,841	-
Operating Income	$ 2,672,916	$ 2,627,405	1.7 %	$ 901,581	$ 833,204	8.2 %
Loss Ratio	74.95	75.08		74.56	76.02	
Expense Ratio	21.03	20.37		21.69	20.54	
Combined Ratio	95.98	95.45		96.25	96.56	
Life Insurance Operations:						
Premium Income (a)	$ 9,942,157	$ 8,623,675	15.3 %	$ 3,277,289	$ 2,766,423	18.5 %
Net Investment Income	5,184,465	4,548,611	14.0	1,773,060	1,511,581	17.3
Income before Realized Capital Losses	2,593,278	2,198,082	18.0	886,581	762,486	16.3
Realized Capital Losses	(123,378)	(61,593)	-	(65,187)	(12,437)	-
Operating Income	2,469,900	2,136,489	15.6	821,394	750,049	9.5
Financial Services Operating Income	893,759	755,845	18.2	308,398	250,192	23.3
Asset Management Operating Income	320,545	217,913	47.1	110,203	86,808	27.0
Other Realized Capital Losses	(10,542)	(18,288)	-	(4,431)	(5,303)	-
Other Income (Deductions) - net	(189,332)	(129,514)	-	(73,127)	(44,898)	-
Foreign Exchange Losses	(6,633)	(5,645)	-	(1,245)	(3,041)	-
Income before Income Taxes and Minority Interest	6,150,613	5,584,205	10.1	2,062,773	1,867,011	10.5
Income Taxes	1,823,546	1,640,171	-	610,231	548,781	-
Income before Minority Interest	4,327,067	3,944,034	9.7	1,452,542	1,318,230	10.2
Minority Interest, after tax: (b)						
Operating Income	(178,220)	(178,464)	-	(63,980)	(49,482)	-
Capital Gains	(10,091)	(22,375)	-	(2,940)	(1,339)	-
Net Income, as reported	4,138,756	3,743,195	10.6	1,385,622	1,267,409	9.3
Per Common Share (c) - Basic	1.79	1.61	11.2	0.60	0.55	9.1
- Diluted	1.77	1.59	11.3	0.60	0.54	11.1
Income, as adjusted (d)	4,208,413	3,680,120	14.4	1,413,646	1,233,602	14.6
Per Common Share (c) - Diluted	$ 1.80	$ 1.57	14.6 %	$ 0.61	$ 0.53	15.1 %
Average Common Shares Outstanding (c)						
- Basic	2,316,257	2,322,133		2,314,426	2,321,986	
- Diluted	2,341,462	2,350,669		2,339,897	2,351,332	

(a) Inclusive of full policy universal life and interest sensitive whole life premium, the growth rate would have been 18.5 percent and 17.0 percent for the third quarter and nine months 2000, respectively.
(b) Represents minority shareholders' equity in operating income and capital gains of certain consolidated subsidiaries, including Transatlantic Holdings, Inc. and 21st Century Insurance Group.
(c) Share information reflects the three-for-two split in the form of a 50 percent common stock dividend, paid July 28, 2000.
(d) Adjusted to exclude realized capital gains (losses), net of taxes.

American International Group, Inc.
Supplementary Data
(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2000	1999	Change	2000	1999	Change
General Insurance Operations:						
Net Premiums Written						
Brokerage Division (a) (b)	$ 6,409,443	$ 6,272,979	2.2 %	$ 2,120,030	$ 1,987,023	6.7 %
Personal Lines	1,867,798	1,611,314	15.9	634,876	555,031	14.4
Mortgage Guaranty	335,327	290,590	15.4	116,999	100,495	16.4
Total Domestic General (a)	8,612,568	8,174,883	5.4	2,871,905	2,642,549	8.7
Foreign General (a)	4,410,852	4,042,126	9.1	1,421,801	1,329,873	6.9
Total	13,023,420	12,217,009	6.6	4,293,706	3,972,422	8.1
Operating Income (c)						
Brokerage Division (a)	1,498,732	1,283,306	16.8	524,347	435,982	20.3
Personal Lines	82,290	171,809	(52.1)	17,581	44,961	(60.9)
Mortgage Guaranty	273,640	219,873	24.5	93,718	78,430	19.5
Intercompany Adjustments	63,588	49,447	-	22,372	17,311	-
Total Domestic General (a)	1,918,250	1,724,435	11.2	658,018	576,684	14.1
Foreign General (a)	712,345	691,986	2.9	210,280	184,679	13.9
Total	$ 2,630,595	$ 2,416,421	8.9 %	$ 868,298	$ 761,363	14.0 %
Combined Ratio:						
Brokerage Division (a)	99.58	100.65		98.55	99.90	
Personal Lines	99.18	94.23		101.30	96.85	
Mortgage Guaranty	39.52	44.20		40.82	40.33	
Total Domestic General (a)	97.08	97.11		96.68	96.71	
Foreign General (a)	93.83	92.54		95.77	96.20	
Losses & Loss Expenses Paid	$ 9,449,483	$ 8,466,456	11.6 %	$ 3,125,031	$ 2,743,591	13.9 %
Change in Loss and LAE Reserve (d)	10,247	76,200	(86.6)	(58,939)	12,090	-
Losses and Loss Expenses Incurred	9,459,730	8,542,656	10.7	3,066,092	2,755,681	11.3
Net Loss and LAE Reserve	24,609,919	24,695,088	(0.3)			
GAAP Underwriting Profit	632,118	546,996	15.6	192,732	129,128	49.3
Life Insurance Operations: (e)						
Premium Income (f)						
Domestic	880,630	675,115	30.4	310,837	243,941	27.4
Foreign	9,061,527	7,948,560	14.0	2,966,452	2,522,482	17.6
Total	9,942,157	8,623,675	15.3	3,277,289	2,766,423	18.5
Net Investment Income						
Domestic	2,854,728	2,600,290	9.8	975,397	878,019	11.1
Foreign	2,329,737	1,948,321	19.6	797,663	633,562	25.9
Total	5,184,465	4,548,611	14.0	1,773,060	1,511,581	17.3
Operating Income (c)						
Domestic	947,862	777,078	22.0	322,724	273,125	18.2
Foreign	1,645,416	1,421,004	15.8	563,857	489,361	15.2
Total	$ 2,593,278	$ 2,198,082	18.0 %	$ 886,581	$ 762,486	16.3 %

Supplementary Data continued

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2000	1999	Change	2000	1999	Change
Financial Services:						
Revenues						
International Lease Finance Corp.	$ 1,786,132	$ 1,634,974	9.2 %	$ 629,342	$ 558,222	12.7 %
AIG Financial Products Corp.	711,250	495,460	43.6	260,324	189,190	37.6
AIG Trading Group Inc.	190,199	153,448	24.0	55,369	25,502	117.1
Other	206,693	118,430	74.5	79,249	26,661	197.2
Total	2,894,274	2,402,312	20.5	1,024,284	799,575	28.1
Operating Income						
International Lease Finance Corp.	476,406	429,738	10.9	166,474	145,712	14.2
AIG Financial Products Corp.	432,793	316,160	36.9	154,218	120,362	28.1
AIG Trading Group Inc.	40,577	76,751	(47.1)	5,351	10,267	(47.9)
Other	(137)	3,970	-	2,683	(2,678)	-
Intercompany Reclassifications	(55,880)	(70,774)	-	(20,328)	(23,471)	-
Total	893,759	755,845	18.2	308,398	250,192	23.3
SunAmerica:						
Operating Income (e)	1,017,672	812,987	25.2	347,352	293,995	18.1
Total Sales	$ 10,224,836	$ 8,191,351	24.8 %	$ 3,551,215	$ 2,408,829	47.4 %
Effective Tax Rates:						
Excluding Capital Gains (Losses)	29.73%	29.24%		29.61%	29.23%	
Capital Gains (Losses) Alone	34.97%	34.82%		30.97%	35.04%	
As Reported	29.65%	29.37%		29.58%	29.39%	

(a) Restated for WorldSource Division.

(b) Net premiums written in the Domestic Brokerage Group grew approximately ten and six percent in the third quarter and nine months 2000, respectively, after adjusting for non-renewed premiums.

(c) Operating income excludes realized capital gains (losses).

(d) The reduction in loss and loss adjustment expense reserve is primarily attributed to Transatlantic Holdings, Inc., as discussed above.

(e) Results for SunAmerica Inc. are included in Life Insurance and Asset Management Operations.

(f) Inclusive of full policy universal life and interest sensitive whole life premium, the growth rates for Life Insurance premium income would have been 26.3 percent for Domestic, 17.7 percent for Foreign and 18.5 percent for Total in the third quarter, and 28.5 percent for Domestic, 15.9 percent for Foreign and 17.0 percent for Total in the nine months 2000.