News

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AIG REPORTS 2000 NET INCOME EXCLUDING REALIZED CAPITAL GAINS (LOSSES) ROSE 14.8 PERCENT TO RECORD $5.74 BILLION

Net Income Per Share As Adjusted Gained 15.0% To $2.45

NEW YORK, NY, February 8, 2001 - American International Group, Inc. (AIG) today reported that its income excluding net realized capital gains (losses) increased 14.8 percent to $5.74 billion for the year 2000 and 15.9 percent to $1.53 billion in the fourth quarter of 2000.

Net income for 2000, including net realized capital gains (losses), increased 11.5 percent to $5.64 billion, compared to $5.06 billion in 1999. For the fourth quarter of 2000, net income totaled $1.50 billion, an increase of 14.1 percent, compared to $1.31 billion in the same period of 1999.

Revenues for the year 2000 rose 13.1 percent to $45.97 billion from $40.66 billion in 1999. Fourth quarter revenues totaled $12.51 billion, an increase of 13.8 percent over $11.00 billion in the year earlier quarter.

At December 31, 2000, AIG's consolidated assets approximated $303 billion, an increase of 13 percent, compared to $268 billion at the prior year-end. In 2000, shareholders' equity increased to approximately $40 billion, a 20 percent increase over the $33.3 billion reported at December 31, 1999.

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Following is a summary table of fourth quarter and full year information (in millions, except per share amounts).

	FOURTH QUARTER			TWELVE MONTHS		
	2000	1999	Change	2000	1999	Change
Net income, as reported	$1,497.3	$1,312.2	14.1%	$5,636.1	$5,055.4	11.5%
Income, as adjusted*	$1,528.1	$1,318.5	15.9%	$5,736.5	$4,998.6	14.8%
PER SHARE RESULTS:**						
Net income, as reported	$ 0.64	$ 0.56	14.3%	$ 2.41	$ 2.15	12.1%
Income, as adjusted*	$ 0.65	$ 0.56	16.1%	$ 2.45	$ 2.13	15.0%
Average shares outstanding	2,345.6	2,351.3		2,343.2	2,350.2	

*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.

Income before income taxes, minority interest and realized capital gains (losses) for the year 2000 increased 14.8 percent to $8.49 billion from $7.39 billion reported last year. For the fourth quarter of 2000, income before income taxes, minority interest and realized capital losses amounted to $2.24 billion, an increase of 15.9 percent over the $1.94 billion reported in 1999.

Foreign exchange rates negatively affected the translation into U.S. dollars of foreign currency net premiums written, as shown in the following table, which compares fourth quarter 2000 to fourth quarter 1999. Worldwide life insurance includes life premium income and other considerations.

	Worldwide General Insurance	Foreign General Insurance	Worldwide Life Insurance	Foreign Life Insurance
Premium Growth in Original Currency	14.0%	6.4%	7.3%	20.0%
Foreign Exchange Impact	(1.6)	(4.8)	(3.8)	(6.0)
Premium Growth as Reported in U.S. $	12.4%	1.6%	3.5%	14.0%

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Commenting on the fourth quarter and full year 2000, AIG Chairman M.R. Greenberg said, "AIG had a very good quarter and year. Our worldwide businesses reported strong results and met their goals for the year. Net income for the year 2000 before realized capital gains and losses rose 14.8 percent to a record $5.74 billion, or $2.45 per share. AIG is well positioned in 2001 in our principal markets. The strengthening rate environment across the board, both in the U.S. property-casualty market and in key overseas markets, is a major positive event for our industry and most particularly for AIG.

"Our worldwide general insurance business had a strong quarter. Worldwide net premiums written increased 12.4 percent in the quarter to $4.50 billion, and 8.0 percent to $17.53 billion for the full year. We achieved an adjusted underwriting profit of $152.9 million in the fourth quarter and a record $785.0 million for the full year. Our combined ratio for the quarter was 98.81, compared to 98.95 in last year's fourth quarter. For the full year, AIG's combined ratio was 96.73, compared to last year's 96.35.

"We added $106 million to AIG's general insurance net loss and loss adjustment reserves for the quarter, and together with the acquisition of HSB Group, Inc., increased the total of those reserves to $25.0 billion at year-end 2000.

"The Domestic Brokerage Group benefited in the fourth quarter from the broad strengthening of commercial property-casualty rates and our array of specialized products and services tailored to the changing needs of our customers. Stronger rates are evident across virtually all classes of business, and we believe rates will continue to firm. Nonetheless, it bears repeating that commercial insurance rates have experienced a steady decline over the past decade, eroding the financial strength and balance sheets of many companies. Therefore, continued broad rate increases are essential to the future health of our industry.

"AIG's domestic personal lines business did not meet our expectations, but relative to the market, performed satisfactorily. For the year 2000, net premiums written increased 16.1 percent to $2.51 billion. Virtually all companies in this market have been increasing rates during the year, and AIG has filed for rate increases in all states where we offer personal lines products. We expect to see these rate increases reflected in operating results toward mid-year, barring any unforeseen catastrophes.

"United Guaranty Corporation (UGC), our mortgage guaranty insurance subsidiary, had another outstanding year, with record operating income. UGC's results have benefited from a strong housing market. For the quarter and full year, UGC reported 10.1 percent and 20.6 percent gains, respectively, in operating income.

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"Our Foreign General Insurance Group, including the foreign operations of Transatlantic Holdings, Inc., achieved 6.4 percent and 7.4 percent increases, respectively, in net premiums written in original currency for the quarter and year. The strengthening U.S. dollar, particularly with respect to the Japanese yen, negatively impacted net premiums written. Also, opportunistically driven risk finance transactions can affect the growth in premiums written during any given quarter. Excluding risk finance transactions and foreign exchange, traditional Foreign General net premiums written rose 11.5 percent in the fourth quarter. The Group had combined ratios of 95.07 in the quarter and 94.09 for the year. Rates in the United Kingdom and Continental Europe are rising, following the same pattern that is evident in the United States. This reflects the poor underwriting experience in many classes over a number of years, especially the effect of the major storms that have struck Europe in each of the past two years.

"In Asia, our non-life operations did quite well, with very good underwriting results. Despite Japan's stagnant economy, our business there was good, with stronger growth than was achieved by the domestic property-casualty industry. In Southeast Asia, the breadth of the AIG network and distribution system had a very positive impact on results. Our joint venture insurance company in Israel, AIG Golden Insurance Ltd., received a license shortly after year-end to market commercial property-casualty insurance lines in that country. Previously, the company had been limited to personal lines. Also, AIG purchased a 90 percent share in an Egyptian non-life insurance company, Pharaonic Insurance Company S.A.E., adding to our extensive network in the Middle East. In addition, we have received a general insurance license for the Ukraine, a further step in building our network in Central Europe and the C.I.S.

"In January 2001, in an important development for AIG's global network, our joint venture general insurance company in India, Tata AIG General Insurance Co. Ltd., received its license to market both commercial and personal lines products in India. Our partner, the Tata Group, with whom AIG has had a long relationship, is the premier business and industrial group in India. In addition, we have been advised that our joint venture life insurance company, Tata AIG Life Insurance Co. Ltd., has received approval in principle and the formal license should be issued shortly. This marks our return to India after an absence of 30 years.

"Integration of HSB Group, Inc. and its subsidiary, The Hartford Steam Boiler Inspection and Insurance Company, acquired in the fourth quarter, is proceeding very well in both new product development and in the provision of new opportunities to market HSB's strong lineup of insurance products and inspection services to AIG clients both in the U.S. and overseas.

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"Transatlantic Holdings, Inc., whose results are reported through both AIG's Domestic and Foreign General insurance segments, had solid performance in the fourth quarter and full year. Net premiums written rose 10.7 percent for the year 2000, with strong gains in operating income. Transatlantic is benefiting from the same environment of broad rate increases as AIG, in both its domestic and international operations. Transatlantic's core casualty business was particularly strong.

"AIG's worldwide Life Division had an excellent full year and fourth quarter. Including the results of SunAmerica's life business, premium income and the sale of annuities, pensions and investment products rose for the full year by 20.2 percent to $29.60 billion. For the fourth quarter, these revenues rose 3.5 percent to $7.08 billion as the sales of annuities, pensions and investment products declined slightly. This was largely due to market timing considerations not reflective of the year's results as a whole or the business going forward. Life operating income before realized capital losses rose 18.1 percent for the year 2000 to $3.55 billion, and for the quarter increased 18.3 percent to $955.2 million. Our life distribution system markets a variety of life and investment products, and we are constantly introducing new products and services tailored to meet buyers' needs.

"Once again, Asia was a major contributor to our life results, led by Japan, Southeast Asia and Taiwan. Our new life company in Vietnam, licensed in 2000, is off to an excellent start. Central Europe has become an important component of our growing life business, and Latin America achieved satisfactory results. In Japan, as reported earlier, AIG was named as the business sponsor for Chiyoda Mutual Life Insurance Company, a Japanese life company that had applied for protection from its creditors. We are continuing to work with Chiyoda on the details of a reorganization plan for the company.

"The Financial Services Group, led by International Lease Finance Corporation (ILFC) and AIG Financial Products Corp. (AIGFP), produced outstanding results for the fourth quarter and full year 2000. Operating income for the Group gained 22.6 percent to $398.9 million in the quarter and 19.5 percent for the year to $1.29 billion. Both ILFC and AIGFP had record operating income and continued to expand their business franchises. A new management team was put in place at AIG Trading Group Inc. following AIG's purchase of the minority ownership interest of the previous management. We believe the new structure will strengthen that unit's performance going forward. Our consumer finance business, started in 1996, continues to make excellent progress in both its consumer loan and credit card businesses and contributed to the Group's operating income in 2000.

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"SunAmerica had a very good year in both asset management and in its variable annuity business. Operating income for the year 2000 gained 26.2 percent to $1.41 billion. Retirement savings continues to be a major and growing business globally. SunAmerica, working with AIG units both domestically and overseas, is taking advantage of these expanding opportunities with products tailored to individual market needs.

"AIG's Asset Management Group, which includes the asset management business of SunAmerica, posted excellent results for the fourth quarter and full year. Operating income for the quarter rose 14.1 percent to $109.7 million. For the year 2000, operating income gained 37.0 percent to $430.2 million. At year-end 2000, AIG's third party assets under management, including retail mutual funds and institutional accounts, totaled approximately $35 billion."

GENERAL INSURANCE

General insurance pretax income before realized capital gains for the year 2000 was $3.49 billion, 9.4 percent above the $3.19 billion reported last year. For the fourth quarter of 2000, general insurance pretax income before realized capital gains (losses) was $855.2 million, an increase of 11.1 percent compared to $769.5 million in 1999.

Worldwide general insurance net premiums written for the year 2000 amounted to $17.53 billion, 8.0 percent ahead of the $16.22 billion in 1999. In the fourth quarter, general insurance net premiums written were $4.50 billion, an increase of 12.4 percent, compared to $4.01 billion last year.

General insurance net investment income rose 7.3 percent to $2.70 billion in 2000 and 8.5 percent to $702.3 million in the fourth quarter.

LIFE INSURANCE

AIG's worldwide life insurance operations reported pretax income before realized capital losses of $3.55 billion in the year 2000, an increase of 18.1 percent, compared to $3.01 billion in 1999. For the fourth quarter, life insurance pretax income before realized capital losses increased 18.3 percent to $955.2 million, compared to $807.4 million last year.

For the year 2000 life insurance premium income and other considerations rose 20.2 percent to $29.60 billion from $24.62 billion in 1999. Fourth quarter premium income and other considerations amounted to $7.08 billion, a gain of 3.5 percent, compared to $6.84 billion in 1999.

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Life insurance net investment income rose 14.8 percent to $7.12 billion for the year 2000, compared to $6.21 billion last year. For the fourth quarter, net investment income amounted to $1.94 billion, an increase of 17.0 percent, compared to $1.66 billion in the same period last year.

FINANCIAL SERVICES

Financial services pretax operating income amounted to $1.29 billion for the year 2000, compared to $1.08 billion last year, an increase of 19.5 percent. For the fourth quarter, financial services operating income increased 22.6 percent to $398.9 million, compared to $325.5 million in 1999.

ASSET MANAGEMENT

Asset management pretax operating income amounted to $430.2 million for the year 2000, compared to $314.1 million last year, an increase of 37.0 percent. For the fourth quarter, asset management operating income increased 14.1 percent to $109.7 million, compared to $96.2 million in 1999.

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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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 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.