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**AMERICAN LIFE INSURANCE COMPANY (ALICO),
AMERICAN INTERNATIONAL ASSURANCE COMPANY, LTD. (AIA)
TO BE PLACED IN SPECIAL PURPOSE VEHICLES**

AIG POSITIONING AIA AND ALICO AS INDEPENDENT OPERATIONS

**FEDERAL RESERVE BANK OF NEW YORK TO OWN PREFERRED INTERESTS
IN AIA AND ALICO SPVs; UPON CLOSING, DEBT OWED BY AIG
TO FRBNY TO BE REDUCED BY \$25 BILLION**

NEW YORK, June 25, 2009 – American International Group, Inc. (AIG) today announced that it has entered into an agreement with the Federal Reserve Bank of New York (FRBNY) that will accomplish two key goals: reducing the debt AIG owes the FRBNY by \$25 billion; and positioning two of the company's leading international life insurance franchises, American International Assurance Company, Ltd. (AIA) and American Life Insurance Company (ALICO), for initial public offerings, depending on market conditions.

Under the agreement with the FRBNY, AIG will contribute the equity of each of AIA and ALICO to separate special purpose vehicles (SPVs) in exchange for preferred and common interests in the SPVs. The FRBNY will receive preferred interests in the AIA SPV of \$16 billion and in the ALICO SPV of \$9 billion.

The face value of the preferred interests represents a percentage of the estimated fair market value of AIA and ALICO. AIG will hold the common interests in the AIA and ALICO SPVs and will benefit from the fair market value of AIA and ALICO in excess of the value of the preferred interests as the SPVs monetize their stakes in these companies in the future.

Taken together, upon closing, the transactions will result in a reduction in the debt owed by AIG under the FRBNY credit facility and the line available to AIG by \$25 billion. As of today, AIG's outstanding balance under the FRBNY credit facility is approximately \$40 billion.

AIG expects these transactions to close in the second half of 2009 subject to customary closing conditions, including regulatory approvals. Until their separation as independent companies, AIA and ALICO will remain wholly owned subsidiaries of AIG, consolidated in AIG's reported financial statements.

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American International Group, Inc.

70 Pine Street, New York, NY 10270

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“Placing AIA and ALICO into SPVs represents a major step toward repaying taxpayers and preserving the value of AIA and ALICO, two terrific life insurance businesses with great futures,” said Edward Liddy, Chairman and Chief Executive Officer, AIG. “Operating AIA’s and ALICO’s successful business models in the SPV format will enhance the value of these franchises as we move forward with our global restructuring.”

According to the FRBNY: “The agreements further the goals of enabling AIG to fully repay the assistance that it has received from U.S. taxpayers and advancing the company’s global restructuring process. The exchange of senior secured debt for preferred equity interests reduces AIG’s financial leverage and facilitates the independence of these two key subsidiaries.”

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American International Group, Inc. (AIG), a world leader in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG’s common stock is listed on the New York Stock Exchange, as well as the stock exchanges in Ireland and Tokyo.

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