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**AMERICAN INTERNATIONAL GROUP, INC. PROPOSES TO ACQUIRE  
PUBLICLY HELD SHARES OF 21ST CENTURY INSURANCE GROUP**

- **Proposed Price of \$19.75 in Cash per Share for the 38.1% Publicly Held Shares**
- **21st Century Insurance Group Would Become Wholly Owned by AIG**

New York, January 24, 2007 - American International Group, Inc. (AIG) announced today that it has submitted a letter to the board of directors of 21st Century Insurance Group (21st Century) (NYSE: TW) proposing to acquire the outstanding 38.1% publicly held shares of 21st Century for \$19.75 per share in cash. AIG and its subsidiaries own approximately 61.9% of the outstanding shares of 21st Century. The aggregate cash consideration payable would be approximately \$690 million. Following the transaction, 21st Century would become a wholly owned subsidiary of AIG. A copy of the letter sent by AIG to the 21st Century board of directors is attached.

The proposed per share price represents a 19.0% premium to today's closing price and a 25.5% premium to the average closing price during the last twelve months. The proposed per share price also represents a multiple of 19.6x the consensus estimates of 21st Century's 2007 earnings per share (based on a current First Call estimate of \$1.01 per share).

"Our proposal represents an excellent opportunity for 21st Century's shareholders to monetize their investment at a full and fair value for their shares. For AIG, this is an opportunity to make a substantial additional investment in a business we know well," said Martin J. Sullivan, President and Chief Executive Officer of AIG.

AIG contemplates that the transaction would be implemented through a merger agreement which would be negotiated and approved by a special committee comprised of directors of 21st Century who are independent of AIG ("Special Committee"). This proposal is subject to AIG's satisfactory completion of due diligence, satisfaction of regulatory requirements and the approval of the Special Committee.

AIG has advised 21st Century that AIG's sole interest is in acquiring the remaining shares of 21st Century held by the public shareholders and that it has no interest in a disposition of its controlling equity stake in 21st Century. AIG reserves the right to withdraw its proposal prior to the execution of a definitive merger agreement and to modify its proposal in any way as a result of negotiations or for any reason at all, including proposing alternative acquisition structures.

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## **AIG Proposes to Acquire Publicly Held Shares of 21<sup>st</sup> Century Insurance Group**

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Banc of America Securities LLC and J.P. Morgan Securities Inc. are serving as AIG's financial advisors and Sullivan & Cromwell LLP is serving as AIG's legal advisor in the transaction.

21st Century shareholders and other interested parties are urged to read AIG's and 21st Century's relevant documents filed with the Securities and Exchange Commission ("SEC") when they become available because they will contain important information. 21st Century shareholders will be able to obtain such documents free of charge at the SEC's web site: [www.sec.gov](http://www.sec.gov).

*A copy of the letter sent by AIG to the 21<sup>st</sup> Century board of directors follows.*

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American International Group, Inc. (AIG), world leaders 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 London, Paris, Switzerland and Tokyo.

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**AMERICAN INTERNATIONAL GROUP, INC.  
70 PINE STREET  
NEW YORK, NEW YORK 10270**

**Martin J. Sullivan  
President and  
Chief Executive Officer**

January 24, 2007

Board of Directors  
21st Century Insurance Group  
6301 Owensmouth Avenue  
Woodland Hills, California 91367

Dear Board Members:

American International Group, Inc. ("AIG" or "we") is pleased to propose to acquire for cash all of the outstanding shares of common stock, par value \$0.001 (the "Shares"), of 21st Century Insurance Group (the "Company") not owned by AIG and its subsidiaries at a purchase price of \$19.75 per Share.

The proposed per Share price represents a 19.0% premium to today's closing price and a 25.5% premium to the average closing price during the last twelve months. The proposed per Share price also represents a multiple of 19.6x the consensus estimates of the Company's 2007 earnings per share (based on a current First Call estimate of \$1.01 per share).

Through its subsidiaries American Home Assurance Company, Commerce and Industry Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa. and New Hampshire Insurance Company, AIG is the Company's largest shareholder, owning approximately 61.9% of the outstanding Shares. This proposal would enable the Company's public shareholders to monetize their investment at a full and fair value for their Shares. We therefore are confident that our proposal will be attractive to the Company's public shareholders and that the Company's combination with AIG would serve the best long-term interests of the Company and its policyholders.

The proposed transaction would be effected by means of a merger agreement with the intention for the Company to become a wholly-owned subsidiary of AIG. Following completion of the merger, the Company would be able to devote its full energy and resources to building the business.

This proposal is subject to AIG's satisfactory completion of due diligence, satisfaction of regulatory requirements and the approval by a special committee comprised of directors of the Company who are independent of AIG. AIG is interested only in acquiring the publicly held Shares of the Company, and has no interest in selling

*continued*

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its controlling stake in the Company. Please be aware that in making this proposal, AIG reserves the right both to withdraw this proposal prior to the execution of a definitive merger agreement and to modify it in any way as a result of negotiations or for any reason at all, including proposing alternative acquisition structures.

Concurrent with sending this proposal to you, AIG is filing an amendment to its Schedule 13D, as required by the Securities Exchange Act of 1934, and plans to issue a press release. In connection with this proposal, AIG has engaged Banc of America Securities LLC and J.P. Morgan Securities Inc. as financial advisors and Sullivan & Cromwell LLP as legal advisor. We are happy to make them available to you to help expedite the transaction.

We look forward to working with you.

Very truly yours,

/s/ Martin J. Sullivan