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**AIG'S LEXINGTON INSURANCE COMPANY ENTERS INTO QUOTA SHARE
REINSURANCE AGREEMENT WITH CONCORD RE LIMITED**

NEW YORK, August 31, 2006 -- American International Group, Inc. (AIG) today announced that the newly formed Concord Re Limited (Concord Re), a "sidecar" reinsurer, and AIG's subsidiary, Lexington Insurance Company (Lexington), have entered into a quota share reinsurance agreement covering the U.S. commercial property insurance business written by Lexington.

Concord Re was capitalized with \$730 million from equity securities issued by Concord Re's parent holding company, Concord Re Holdings Limited, to investment funds managed by J.C. Flowers & Co. LLC and senior secured term loans issued by Concord Re. The senior secured term loans have been rated BB+ by Standard & Poor's, Ba2 by Moody's Investors Service, and bb+ by A.M. Best Co. The net proceeds of Concord Re's total capitalization, as well as its share of premiums on this business, will be deposited into a trust account to collateralize Concord Re's obligations to Lexington.

Kevin H. Kelley, Chairman and Chief Executive Officer of Lexington, commented "In the aftermath of the industry's severe losses from hurricanes Katrina, Rita and Wilma last year, Lexington saw an opportunity to meet a market demand for additional property insurance capacity without materially changing its own exposure to catastrophe losses. We are especially pleased to work with J.C. Flowers to better serve our clients and respond to their needs."

Goldman, Sachs & Co. acted as the structuring advisor for the transaction and Goldman Sachs Credit Partners L.P. as lead arranger, sole bookrunner and syndication agent for the senior secured term loan facility.

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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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