AMERICAN INTERNATIONAL GROUP INC
Form 424A
May 09, 2008

Table of Contents

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Subject to Completion, Dated May 8, 2008
Preliminary Prospectus Supplement
(To Prospectus Dated July 13, 2007)
American International Group, Inc
Equity Units
(Initially Consisting of Corporate Units)

We are offering Equity Units initially consisting of Corporate Units. Each Corporate Unit will have an initial stated amount of $75 and will consist of a stock purchase contract issued by us and, initially, a 1/40, or 2.5%, undivided beneficial ownership interest in (i) our Series B-1 Junior Subordinated Debentures initially due February 15, 2041 (the *Series B-1 Debentures*), (ii) our Series B-2 Junior Subordinated Debentures initially due May 1, 2041 (the *Series B-2 Debentures*) and (iii) our Series B-3 Junior Subordinated Debentures initially due August 1, 2041 (the *Series B-3 Debentures*), each with a principal amount of $1,000.

The stock purchase contract will obligate you to purchase from us, and us to sell to you, on each of February 15, 2011, May 1, 2011 and August 1, 2011 (each, a *stock purchase date*) for $25 in cash on each of the three stock purchase dates, a variable number of shares of our common stock, subject to anti-dilution adjustments, equal to the applicable settlement rate, calculated as follows:

if the applicable market value of our common stock, which will be determined by reference to the average of the trading prices of our common stock over the 20-trading day period ending on the third business day prior to the relevant stock purchase date, is greater than or equal to the threshold appreciation price of $, the settlement rate will be shares of our common stock;

if the applicable market value of our common stock is less than the threshold appreciation price, but greater than the reference price of $, the settlement rate will be a number of shares of our common stock equal to $25 divided by the applicable market value; and

if the applicable market value of our common stock is less than or equal to the reference price, the settlement rate will be shares of our common stock.

We will also pay you quarterly contract adjustment payments on the stock purchase contracts:

from and including May , 2008 to but excluding the first stock purchase date, at an annual rate of % on the initial stated amount of $75 per Equity Unit;

from and including the first stock purchase date to but excluding the second stock purchase date, at an annual rate of % on the adjusted stated amount of $50 per Equity Unit; and from and including the second stock purchase date to but excluding the third stock purchase date, at an annual rate of % on the adjusted stated amount of $25 per Equity Unit.

Our obligation to pay quarterly contract adjustment payments may be deferred by us and will terminate upon our bankruptcy or insolvency.

The Series B-1 Debentures will initially bear interest at an annual rate of %, the Series B-2 Debentures will initially bear interest at an annual rate of % and the Series B-3 Debentures will initially bear interest at an annual rate of %, in each case payable quarterly in arrears. Each series of debentures will be remarketed as described in this prospectus supplement. The debentures will initially be subordinated to all of our existing and future senior, subordinated and junior subordinated debt, except for (i) our Series A-1 through A-5 Junior Subordinated Debentures described in this prospectus supplement, which will rank *pari passu* with the debentures, (ii) any trade accounts payable and accrued liabilities arising in the ordinary course of business and (iii) any future debt that by its terms is not superior in right of payment. The debentures will be effectively subordinated to all liabilities of our subsidiaries. We have the right to defer interest on each series of debentures for one or more consecutive interest periods until the applicable stock purchase date, without giving rise to an event of default. If the remarketing of a series of debentures, as described in this prospectus supplement, is successful, such series of debentures will cease to be subordinated and the interest rate on such series of debentures will be reset to a new fixed or floating rate, effective as of the applicable remarketing settlement date, and thereafter interest will be payable at the applicable reset rate or at the applicable index plus the applicable reset spread. Prior to the remarketing of any series of debentures, we may elect to change the maturity date of such series of debentures to an earlier date not less than two years from the applicable stock purchase date.

If there is a successful remarketing of a series of debentures as described in this prospectus supplement, and you hold Corporate Units, the proceeds from the remarketing will be invested in a portfolio of U.S. Treasury securities that matures on or prior to the applicable stock purchase date, the proceeds of which will be used to satisfy your payment obligations under the stock purchase contract on such stock purchase date.

You can create Treasury Units from Corporate Units by substituting Treasury securities for your undivided beneficial ownership interest in each series of debentures comprising a part of the Corporate Units, and you can recreate Corporate Units by substituting debentures for the Treasury securities comprising a part of the Treasury Units.

Your ownership interest in any debentures, Treasury portfolio or Treasury securities comprising a part of the Equity Units, as the case may be, will be pledged to us to secure your obligations under the stock purchase contract.

We have applied to list the Corporate Units on the New York Stock Exchange (the *NYSE*) under the symbol AIG-PrA . We expect trading of the Corporate Units on the NYSE to commence on the issue date. Prior to this offering, there was no public market for the Corporate Units.

Our common stock is listed on the NYSE under the symbol AIG . The last reported sale price of our common stock on the NYSE on May 7, 2008 was $45.08 per share.

We are also making a concurrent offering of shares of our common stock pursuant to a separate prospectus supplement (plus an additional shares of common stock in the event the underwriters of that offering exercise their over-allotment option in full). We refer to the offering of the Equity Units as the *Equity Units Offering* and to the offering of the common stock as the *Common Stock Offering*. The Common Stock Offering is being made pursuant to a separate prospectus supplement and is not part of the offering to which this prospectus supplement relates. The Equity Units Offering and the Common Stock Offering are not contingent upon one another.

Investing in our Equity Units involves risks. See Risk Factors beginning on page S-22 of this prospectus supplement to read about factors you should consider before buying our Equity Units. You should also consider the risk factors described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Equity Unit	**Total**
Public offering price	$	$
Underwriting discount	$	$
Proceeds to American International Group, Inc. (before expenses)	$	$

The underwriters expect to deliver the Equity Units in book-entry form only, through the facilities of The Depository Trust Company, against payment in New York, New York on May , 2008. The underwriters also may purchase up to an additional Equity Units within 13 days of the closing date of this offering to cover over-allotments, if any.

Joint Bookrunning Managers

Citi **JPMorgan**

Banc of America Securities LLC **Merrill Lynch & Co.** **Morgan Stanley** **UBS Investment Bank** **Wachovia Securit**

May , 2008

Table of Contents

	Page
Prospectus Supplement	
About This Prospectus Supplement	S-i
Cautionary Statement Regarding Projections and Other Information about Future Events	S-ii
Summary	S-1
Risk Factors	S-22
Use of Proceeds	S-30
Price Range of Common Stock and Dividends	S-31
Description of the Equity Units	S-32
Description of the Stock Purchase Contracts	S-39
Certain Provisions of the Purchase Contract Agreement and the Pledge Agreement	S-57
Description of Our Debentures	S-61
Description of Our Capital Stock	S-70
Certain United States Federal Income Tax Consequences	S-71
Underwriting	S-79
Validity of Securities	S-83
Experts	S-83
Prospectus	
Prospectus Summary	1
Use of Proceeds	5
Consolidated Ratios of Earnings to Fixed Charges	5
Description of Debt Securities AIG May Offer	6
Description of Warrants AIG May Offer	17
Description of Purchase Contracts AIG May Offer	29
Description of Units AIG May Offer	34
Description of Preferred Stock AIG May Offer	39
Description of Common Stock AIG May Offer	47
Market Price and Dividend Information	50
Description of Junior Subordinated Debentures AIG May Offer	51
Description of AIG Guarantees	63
Description of Debt Securities AIGPF May Offer	64
Description of Warrants AIGPF May Offer	74
Description of Purchase Contracts AIGPF May Offer	86
Description of Units AIGPF May Offer	91
Risk Factors	96
Legal Ownership and Book-Entry Issuance	101
Considerations Relating to Securities Issued in Bearer Form	106
Employee Retirement Income Security Act	110
Plan of Distribution	111
Market-Making Resales by Subsidiaries of AIG	111
Validity of the Securities and Guarantees	112
Experts	113
Where You Can Find More Information	113
Cautionary Statement Regarding Projections and Other Information About Future Events	115

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information regarding our securities, some of which does not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information in the accompanying prospectus.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to *AIG*, *we*, *us*, *our* or similar references mean American International Group, Inc. and its subsidiaries.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Unless otherwise indicated, you may rely on the information contained in this prospectus supplement, the accompanying prospectus and the information incorporated by reference therein. Neither we nor any underwriter has authorized anyone to provide information different from that contained in this prospectus supplement, the accompanying prospectus and the information incorporated by reference therein. When you make a decision about whether to invest in our Equity Units, you should not rely upon any information other than the information in this prospectus supplement, the accompanying prospectus and the information incorporated by reference therein. Neither the delivery of this prospectus supplement nor sale of our Equity Units means that information contained in this prospectus supplement or the accompanying prospectus is correct after their respective dates. This prospectus supplement and the accompanying prospectus are not an offer to sell or solicitation of an offer to buy our Equity Units in any circumstances under which the offer or solicitation is unlawful.

Table of Contents

CAUTIONARY STATEMENT REGARDING PROJECTIONS AND OTHER INFORMATION ABOUT FUTURE EVENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference therein may include, and AIG s officers and representatives may from time to time make, projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. These projections and statements are not historical facts but instead represent only AIG s belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG s control. These projections and statements may address, among other things; the status and potential future outcome of the current regulatory and civil proceedings against AIG and their potential effect on AIG s businesses, AIG s financial condition, results of operations, cash flows and liquidity, AIG s exposures to subprime mortgages, monoline insurers and the residential real estate market and AIG s strategy for growth, product development, market position, financial results and reserves. It is possible that AIG s actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause AIG s actual results to differ, possibly materially, from those in the specific projections and statements are discussed in Item 1A. Risk Factors of AIG s Annual Report on Form 10-K for the year ended December 31, 2007, and some additional factors that could adversely affect an investment in the Equity Units, possibly materially, than AIG expects are discussed in the Risk Factors section of this prospectus supplement and the Risk Factors section of the accompanying prospectus. You should refer to AIG s periodic and current reports filed with the Securities and Exchange Commission for specific risks that could cause actual results to be significantly different from those expressed or implied by these projections and statements. See Where You Can Find More Information in the accompanying prospectus. AIG is not under any obligation (and expressly disclaims any such obligation) to update or alter any projection or other statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights selected information contained elsewhere, or incorporated by reference, in this prospectus supplement. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the Equity Units. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section of this prospectus supplement and in Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2007, and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, which are described under Where You Can Find More Information, in the accompanying prospectus.

American International Group, Inc.

AIG, a Delaware corporation, is a holding company that, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIG s principal executive offices are located at 70 Pine Street, New York, New York 10270, and its main telephone number is (212) 770-7000. The Internet address for AIG s corporate website is *www.aigcorporate.com*. Except for the documents referred to under Where You Can Find More Information in the accompanying prospectus (which are specifically incorporated by reference into this prospectus supplement), information contained on AIG s website or that can be accessed through its website does not constitute a part of this prospectus supplement. AIG has included its website address only as an inactive textual reference and does not intend it to be an active link to its website.

Why We Are Raising Capital

Concurrently with this offering of our Equity Units, we are offering shares of our common stock (or shares of our common stock if the underwriters exercise their overallotment option in full) in a public offering for net proceeds of approximately $ billion (or approximately $ billion if the underwriters exercise their overallotment option in full), which we refer to as the *Common Stock Offering* and which is described below under Concurrent Offering. We also may raise approximately $5 billion in the fixed income market in the form of high equity content fixed income securities.

These offerings are designed to further strengthen our significant financial resources. We believe that raising capital will enhance our ability to grow while maintaining the financial strength to withstand potential market volatility.

Risk Factors and Other Information

An investment in the Equity Units involves certain risks. You should carefully consider the risks described under Risk Factors beginning on page S-22 of this prospectus supplement and in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2007, as well as other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus before making a decision to purchase Equity Units.

Recent Developments

On May 8, 2008, AIG announced its first quarter earnings and provided an update of the outlook for its business.

General Trends

In mid-2007, the U.S. residential mortgage market began to experience serious disruption due to credit quality deterioration in a significant portion of loans originated, particularly to non-prime and subprime borrowers; evolving changes in the regulatory environment; a slower residential housing market; increased cost of borrowings for mortgage participants; and illiquid credit markets. The conditions continued and worsened

Table of Contents

throughout 2007 and the first quarter of 2008, expanding into the broader U.S. credit markets and resulting in greater volatility, less liquidity, widening of credit spreads, a lack of price transparency and increased credit losses in certain markets.

AIG participates in the U.S. residential mortgage market in several ways: American General Finance, Inc. originates principally first-lien mortgage loans and to a lesser extent second-lien mortgage loans to buyers and owners of residential housing; United Guaranty Corporation (UGC) provides first loss mortgage guaranty insurance for high loan-to-value first- and second-lien residential mortgages; AIG insurance and financial services subsidiaries invest in mortgage-backed securities and collateralized debt obligations (CDOs), in which the underlying collateral is composed in whole or in part of residential mortgage loans; and AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (collectively, AIGFP) provides credit protection through credit default swaps on certain super senior tranches of CDOs, a significant majority of which have AAA underlying or subordinate layers. AIG identifies its reportable segments by product line consistent with its management structure. These segments are General Insurance, Life Insurance & Retirement Services, Financial Services and Asset Management (segments may be identified as Domestic or Foreign).

Continuing disruption in the U.S. residential mortgage and other credit markets may also increase claim activity in the financial institution segment of AIG s directors and officers liability (D&O) and professional liability classes of business. However, based on its review of information currently available, AIG believes overall loss activity for the broader D&O and professional liability classes is likely to remain within or near the levels observed during the last several years, which include losses related to stock options backdating as well as to the U.S. residential mortgage market.

The operating results of AIG s consumer finance and mortgage guaranty operations in the United States have been and are likely to continue to be adversely affected by the factors referred to above. The downward cycle in the U.S. housing market is not expected to improve until residential inventories return to a more normal level and the mortgage credit market stabilizes. The duration and severity of the downward cycle could be further negatively affected in the event of an economic recession. AIG expects that this downward cycle will continue to adversely affect UGC s operating results for the foreseeable future and will result in a significant operating loss for UGC in 2008 and possibly beyond. AIG also incurred substantial unrealized market valuation losses on AIGFP s super senior credit default swap portfolio and substantial other-than-temporary impairment charges on AIG s available for sale securities in the first quarter of 2008 and fourth quarter of 2007. The results from AIG s operations with exposure to the U.S. residential mortgage market will be highly dependent on future market conditions. Continuing market deterioration will cause AIG to report additional unrealized market valuation losses and impairment charges.

The ongoing effect of the downward cycle in the U.S. housing market on AIG s consolidated financial condition could be material if the market disruption continues to expand beyond the residential mortgage markets, although AIG seeks to mitigate the risks to its business by disciplined underwriting and active risk management.

Credit ratings are important to AIG s business, results of operations and liquidity. Downgrades in AIG s credit ratings could increase AIG s borrowing costs and could adversely affect its competitive position and liquidity. With respect to AIG s liquidity, it is estimated that, as of the close of business on April 30, 2008, based on AIGFP s outstanding municipal guaranteed investment agreements (GIAs) and financial derivative transactions at that date, a downgrade of AIG s longer-term senior debt ratings to Aa3 by Moody s Investors Service (Moody s) or AA by Standard & Poor s, division of the McGraw-Hill Companies (S&P), would permit counterparties to call for approximately $1.8 billion of collateral, while a downgrade to A1 by Moody s or A+ by S&P would permit counterparties to call for approximately $9.8 billion of additional collateral. Further downgrades could result in requirements for substantial additional collateral, which could have a material adverse effect on how AIGFP manages its liquidity. The actual amount of collateral that AIGFP would be required to post to counterparties in the event of such downgrades depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at the time of the downgrade. Additional obligations to post collateral would increase the demands on AIGFP s liquidity.

Table of Contents

Globally, heightened regulatory scrutiny of financial services companies in many jurisdictions has the potential to affect future financial results through higher compliance costs. This is particularly true in the United States, where federal and state authorities have commenced various investigations of the financial services industry, and in Japan and Southeast Asia, where financial institutions have received remediation orders affecting consumer and policyholder rights.

General Insurance

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophes or other significant losses that affect the overall capacity of the industry to provide coverage. As premium rates decline, AIG will generally experience higher current accident year loss ratios, as the written premiums are earned, and higher expense ratios if written premiums decline more quickly than expenses. Despite industry price erosion in commercial lines, AIG expects to continue to identify profitable opportunities and build attractive new general insurance businesses as a result of AIG s broad product line and extensive distribution networks in the United States and abroad.

Workers compensation remains under considerable pricing pressure, as statutory rates continue to decline. Rates for most casualty lines of insurance continue to decline due to competitive pressures, particularly for aviation, excess casualty and D&O exposures. Rates for commercial property lines are also declining following another year of relatively low catastrophe losses. Further price erosion is expected during the remainder of 2008 for the commercial lines; AIG seeks to mitigate the decline by constantly seeking out profitable opportunities across its diverse product lines and distribution networks while maintaining a commitment to underwriting discipline. There can be no assurance that price erosion will not become more widespread or that AIG s profitability will not deteriorate from current levels in major commercial lines.

The personal lines market has softened considerably and further deterioration in underwriting results is expected to continue through 2009. A generally weakening economy and increasing loss trends are contributing factors. AIG is filing for rate increases and tightening underwriting guidelines where necessary in response to the changing market conditions.

Life Insurance & Retirement Services

Disruption in the U.S. residential mortgage and credit markets had a significant adverse effect on Life Insurance & Retirement Services operating results, specifically its net investment income and net realized capital losses in 2007 and the first three months of 2008, and AIG expects that this disruption will continue to be a key factor in the remainder of 2008 and beyond, especially in its U.S.-based operations. The volatility in operating results will be further magnified by the continuing market shift to variable products with living benefits.

In response to the market disruption, AIG, including Domestic Life and Domestic Retirement Services, has been increasing its liquidity position and investing in shorter duration investments. While prudent in the current environment, such actions will reduce overall investment yields.

Recent capital markets volatility has put pressure on credit lenders resulting in increased costs for premium financing, which could affect future sales of products where such financing is used, primarily in large universal life policies in Domestic Life Insurance.

The U.S. dollar has significantly weakened against many currencies, resulting in a favorable effect on operating results due to the translation of foreign currencies to the U.S. dollar. However, the weakened dollar has an unfavorable effect on other-than-temporary impairments in Foreign Life Insurance & Retirement Services and will continue to affect operating results throughout 2008.

An additional capital contribution to operations in Taiwan is planned for the second quarter of 2008 in order to meet the needs of this growing business and increased risk-based capital requirements. The amount of the additional capital contribution is expected to be approximately $400 million.

Table of Contents

Financial Services

AIG exercises significant judgment in the valuation of its various credit default swap portfolios. AIG uses pricing models and other methodologies to value these portfolios that take into account, where applicable, and to the extent possible, third-party prices, pricing matrices, the movement of indices (such as the CDX and iTraxx), collateral calls and other observable market data. There is no uniform methodology used by market participants in valuing these types of portfolios. AIG believes that the assumptions and judgments it makes are reasonable and lead to an overall methodology that is reasonable, but other market participants may use other methodologies, including, among other things, models, indices and selection of third-party pricing sources, that are based upon different assumptions and judgments, and these methodologies may generate materially different values. AIG regularly updates and analyzes the appropriateness of its valuation methodologies. Updates to or changes in AIG s methodologies or assumptions may materially change AIG s estimates of the value of its credit default swap portfolios.

For additional information regarding AIG s methodology, models and assumptions with respect to the valuation and credit-based analyses of the AIGFP super senior credit default swap portfolio, see Management s Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

The ongoing disruption in the U.S. residential mortgage and credit markets and the downgrades of residential mortgage-backed securities and CDO securities by rating agencies continue to adversely affect the fair value of the super senior credit default swap portfolio written by AIGFP. AIG expects that continuing limitations on the availability of market observable data will affect AIG s determinations of the fair value of these derivatives, including by preventing AIG, for the foreseeable future, from recognizing the beneficial effect of the differential between credit spreads used to price a credit default swap and spreads implied from prices of the CDO bonds referenced by such swap. The fair value of these derivatives is expected to continue to fluctuate, perhaps materially, in response to changing market conditions, and AIG s estimates of the value of AIGFP s super senior credit derivative portfolio at future dates could therefore be materially different from current estimates. Further declines in the fair values of these derivatives may require AIGFP to post additional collateral which may be material to AIGFP s financial condition.

Under the terms of most of these credit derivatives, losses to AIG would generally result from the credit impairment of the referenced CDO bonds that AIG would acquire in satisfying its swap obligations. Based upon its most current analyses, AIG believes that any credit impairment losses which may emerge over time at AIGFP will not be material to AIG s consolidated financial condition, but could be material to the manner in which AIG manages its liquidity. In making this assessment, AIG uses a credit-based analysis to estimate potential realized credit impairment losses from AIGFP s super senior credit default swap portfolio. This analysis makes various assumptions as to estimates of future stresses on the portfolio resulting from further downgrades by the rating agencies of the CDO collateral. In addition, during the first quarter of 2008, AIG introduced another methodology called a roll rate analysis. This methodology rolls forward current and estimated future delinquencies and defaults in underlying mortgages in the CDO collateral pools to estimate potential losses in the CDOs. Due to the dislocation in the market for CDO collateral, AIG does not use the market values of the underlying CDO collateral in estimating its potential realized credit impairment losses. The use of factors derived from market-observable prices in models used to determine the estimates for future realized credit impairment losses would result in materially higher estimates of realized credit impairment losses. AIG s credit-based analyses estimate potential realized credit impairment pre-tax losses at approximately $1.2 billion to approximately $2.4 billion. Other types of analyses or models could result in materially different estimates. AIG is aware that other market participants have used different assumptions and methodologies to estimate the potential realized credit impairment losses on AIGFP s super senior credit default swap portfolio, resulting in a significantly higher estimate than that resulting from AIG s credit-based analysis. For example, a third-party analysis provided to AIG that AIG understands uses credit and market value inputs estimates the potential realized pre-tax losses on AIGFP s super senior credit default swap portfolio at between approximately $9 billion and approximately $11 billion.

(AIG expresses no view as to the reasonableness of this third-party estimate and does not intend to seek an update of this estimate.) There can

Table of Contents

be no assurance that AIG s estimate will not change or that the ultimate realized losses on AIGFP s super senior credit default swap portfolio will not exceed any current estimates.

Approximately $335 billion of the $469 billion in notional exposure on AIGFP s super senior credit default swap portfolio as of March 31, 2008 was written to facilitate regulatory capital relief for financial institutions primarily in Europe. AIG expects that the majority of these transactions will be terminated within the next 12 to 24 months by AIGFP s counterparties as they implement models compliant with the new Basel II Accord. As of April 30, 2008, $55 billion in notional exposures have either been terminated or are in the process of being terminated at the request of counterparties. In its Annual Report on Form 10-K for the year ended December 31, 2007, AIG had previously reported that as of February 26, 2008, $54 billion in notional exposures have either been terminated or are in the process of being terminated. AIG has recently refined its approach to estimating its net notional exposures on certain of these transactions that have unique features. The notional exposures on transactions terminated or that were in the process of being terminated as of February 26, 2008 is $46 billion under the refined method. AIGFP was not required to make any payments as part of these terminations and in certain cases was paid a fee upon termination.

In light of this experience to date and after other comprehensive analyses, AIG determined that there was no unrealized market valuation adjustment to be recognized for this regulatory capital relief portfolio for the three months ended March 31, 2008. AIG will continue to assess the valuation of this portfolio and monitor developments in the marketplace. Given the significant deterioration in the global credit markets and the risk that AIGFP s expectations with respect to the termination of these transactions by its counterparties may not materialize, there can be no assurance that AIG will not recognize unrealized market valuation losses from this portfolio in future periods, and recognition of even a small percentage decline in the fair value of this portfolio could be material to an individual reporting period. These transactions contributed approximately $89 million to AIGFP s revenues in the three-months ended March 31, 2008. If AIGFP is not successful in replacing the revenues generated by these transactions, AIGFP s operating results could be materially adversely affected.

Approximately $57 billion of the $469 billion in notional exposure on AIGFP s super senior credit default swaps as of March 31, 2008 was written on investment grade corporate debt and CLOs. There is no uniform methodology to estimate the fair value of corporate super senior credit default swaps. AIG estimates the fair value of its corporate credit default swap portfolio by reference to benchmark indices, including the CDX and iTraxx, and third-party prices and collateral calls. AIG believes that its methodology to value the corporate credit default swap portfolio is reasonable, but other market participants use other methodologies and these methodologies may generate materially different fair value estimates. No assurance can be given that the fair value of AIG s corporate credit default swap portfolio would not change materially if other market indices or pricing sources were used to estimate the fair value of the portfolio.

For a description of important factors that may affect the operations and initiatives described above, see our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007.

Table of Contents

The Equity Units Offering

What are Equity Units?

Equity Units may be either Corporate Units or Treasury Units. The Equity Units offered will initially consist of Corporate Units (or Corporate Units if the underwriters exercise their over-allotment option in full), each with an initial stated amount of $75. You can create Treasury Units from the Corporate Units in the manner described below under How can I create Treasury Units from Corporate Units?

What are the components of a Corporate Unit?

Each Corporate Unit will have an initial stated amount of $75, which will reduce by $25 on each stock purchase date on which we sell to you shares of our common stock, and will initially consist of:

- a stock purchase contract under which you will agree to purchase, and we will agree to sell to you, for $25, a number of shares of our common stock equal to the applicable settlement rate (as defined under What is a stock purchase contract?) on each of February 15, 2011, May 1, 2011 and August 1, 2011, or the next business day if any such day is not a business day (each, a *stock purchase date*);

- a 1/40, or 2.5%, undivided beneficial ownership interest in each of three series of our debentures, each with a principal amount of $1,000:

  - a Series B-1 Junior Subordinated Debenture, or *Series B-1 Debenture*, initially due February 15, 2041;

  - a Series B-2 Junior Subordinated Debenture, or *Series B-2 Debenture*, initially due May 1, 2041; and

  - a Series B-3 Junior Subordinated Debenture, or *Series B-3 Debenture*, initially due August 1, 2041.

The Series B-1 Debentures, the Series B-2 Debentures and the Series B-3 Debentures are referred to collectively as the *debentures*. On the remarketing settlement date for any series of debentures, the undivided beneficial ownership interest in such debenture will be replaced by an interest in the Treasury portfolio described below under What is the Treasury portfolio? purchased with the net proceeds of the remarketing of such debenture.

Your ownership interest in a Series B-1 Debenture comprising part of each Corporate Unit owned by you initially will be pledged to the collateral agent for our benefit to secure your obligations under the stock purchase contract to purchase our common stock on the first stock purchase date, your ownership interest in a Series B-2 Debenture comprising part of each Corporate Unit owned by you initially will be pledged to the collateral agent for our benefit to secure your obligations under the stock purchase contract to purchase our common stock on the second stock purchase date, and your ownership interest in a Series B-3 Debenture comprising part of each Corporate Unit owned by you initially will be pledged to the collateral agent for our benefit to secure your obligations under the stock purchase contract to purchase our common stock on the third stock purchase date. We refer to the series of debentures comprising part of a Corporate Unit at any time as the *applicable series of debentures*. The stock purchase date with respect to which any series of debentures is initially pledged is referred to as the *applicable stock purchase date* for such series of debentures. We refer to a stock purchase contract, together with each series of debentures that are pledged to secure it, as a *Corporate Unit*. At your option, you may elect to create *Treasury Units* by substituting pledged Treasury securities for the pledged undivided beneficial ownership interests in each series of debentures comprising part of your Corporate Units. Unless otherwise indicated, the term *Equity Units* will apply to both

Corporate Units and Treasury Units.

Table of Contents

What is a stock purchase contract?

The stock purchase contract underlying an Equity Unit will obligate you to purchase, and us to sell, for $25, on each of the three stock purchase dates, a variable number of shares of our common stock per Equity Unit equal to the *settlement rate* for such stock purchase date. Each settlement rate will be calculated based on the applicable market value (as defined below) of our common stock during a specified period preceding the applicable stock purchase date, as described below.

We will pay you quarterly contract adjustment payments on the stock purchase contracts:

from and including the issue date to but excluding the first stock purchase date, at an annual rate of % on the initial stated amount of $75 per stock purchase contract;

from and including the first stock purchase date to but excluding the second stock purchase date, at the annual rate of % on the adjusted stated amount of $50 per stock purchase contract; and

from and including the second stock purchase date to but excluding the third stock purchase date, at the annual rate of % on the adjusted stated amount of $25 per stock purchase contract.

These payments are subject to deferral as described under Do we have the option to defer current payments?

Each settlement rate will be subject to adjustment under the circumstances set forth in Description of the Stock Purchase Contracts Anti-Dilution Adjustments and Description of the Stock Purchase Contracts Early Settlement upon Cash Merger and be calculated as follows:

if the applicable market value of our common stock is greater than or equal to the threshold appreciation price of $, shares of our common stock;

if the applicable market value of our common stock is less than the threshold appreciation price but greater than the reference price of $, a number of shares of our common stock equal to $25 divided by the applicable market value; and

if the applicable market value of our common stock is less than or equal to the reference price, shares of our common stock.

The *applicable market value* with respect to each stock purchase date means the average of the volume-weighted average prices of our common stock (or exchange property units, as defined under Description of the Stock Purchase Contracts Anti-Dilution Adjustments, in which the stock purchase contracts will be settled following a reorganization event) on each of the 20 consecutive trading days ending on the third trading day immediately preceding such stock purchase date. The reference price equals the price at which we initially offered our common stock to the public in the concurrent Common Stock Offering on May , 2008. If there is no Common Stock Offering, the reference price will equal the closing price of our common stock on the day prior to the date of this prospectus supplement. The threshold appreciation price represents an approximately % appreciation over the reference price.

We will not issue any fractional shares of our common stock upon settlement of a stock purchase contract. Instead of a fractional share, you will receive an amount in cash equal to the applicable fraction *multiplied by* the closing sales price of our common stock on the trading day immediately preceding the applicable stock purchase date.

You may satisfy your obligation to purchase our common stock pursuant to the stock purchase contracts as described under Besides participating in a remarketing, how else can I satisfy my obligation under the stock purchase contracts? below.

What is a Treasury Unit?

A Treasury Unit is a unit created from a Corporate Unit that consists of:

a stock purchase contract; and

the following interests in Treasury securities, each with a principal amount at maturity of $1,000 (the *qualifying treasury securities*):

- until the first stock purchase date, a 1/40, or 2.5%, undivided beneficial ownership interest in a zero-coupon U.S. Treasury security (CUSIP No. 912820GC5) that matures on such stock purchase date;
- until the second stock purchase date, a 1/40, or 2.5%, undivided beneficial ownership interest in a zero-coupon U.S. Treasury security (CUSIP No. 912820NA1) that matures on the day prior to such stock purchase date; and
- until the third stock purchase date, a 1/40, or 2.5%, undivided beneficial ownership interest in a zero-coupon U.S. Treasury security (CUSIP No. 912820NK9) that matures on the day prior to such stock purchase date.

Each Treasury Unit so created will have an initial stated amount of $75 prior to the first stock purchase date, which will reduce by $25 on each stock purchase date. If you hold Treasury Units, you will receive only the quarterly contract adjustment payments (as described under What is a stock purchase contract?). If you hold debentures separately from the Treasury Units, you will receive only the quarterly distributions on the debentures. We refer to the qualifying treasury securities comprising part of a Treasury Unit at any time as the *applicable qualifying treasury securities*.

After you have created Treasury Units, you may recreate Corporate Units, as described below under How can I recreate Corporate Units from Treasury Units? only in integral multiples of 40 Equity Units, by substituting, as pledged securities, the applicable series of debentures for the applicable qualifying treasury securities then comprising part of the Treasury Units. If you elect to create Treasury Units, or recreate Corporate Units, you will be responsible for any related fees or expenses.

How can I create Treasury Units from Corporate Units?

Each holder of 40 Corporate Units will have the right at any time other than during a blackout period as described below to create Treasury Units by substituting its interests in the applicable qualifying treasury securities for such holder s ownership interest in each series of debentures held by the collateral agent, in a principal amount equal to the principal amount of the series of debentures for which substitution is being made. Because qualifying treasury securities are issued in integral multiples of $1,000, holders of Corporate Units may make this substitution only in integral multiples of 40 Corporate Units. Accordingly, prior to the close of business on the second business day prior to the first remarketing period start date (as defined under What is remarketing?), to create Treasury Units from Corporate Units a holder must substitute a qualifying treasury security described in each of the three bullet points under What is a Treasury Unit? with a principal amount of $1,000 for each 40 Corporate Units. After the first remarketing period (or if the remarketing of the Series B-1 Debentures is successful, after the first stock purchase date) and prior to the close of business on the second business day prior to the second remarketing period start date, to create Treasury Units from Corporate Units, a holder must substitute a qualifying treasury security with a principal amount of $1,000 described in the second and third bullet points under What is a Treasury Unit? for each 40 Corporate Units. After the second remarketing period (or if the remarketing of the Series B-2 Debentures is successful, after the second stock purchase date) and prior to the close of business on the second business day prior to the third remarketing period start date, to create Treasury Units from Corporate Units a holder must substitute a qualifying treasury security with a principal amount of $1,000 described in the third bullet point under What is a Treasury Unit? for each 40 Corporate Units. Substitutions will not be permitted following the close of business on the second business day prior to a remarketing period start date and prior to the end of the applicable remarketing period or, if the applicable remarketing is successful, the applicable stock purchase date. We refer to the periods during which substitutions are not permitted as *blackout periods*.

The substitution of interests in the applicable qualifying treasury securities for interests in each applicable series of debentures will create Treasury Units, and each applicable series of debentures will be released from the pledge agreement to the holder and become separately tradable from the Treasury Units.

How can I recreate Corporate Units from Treasury Units?

Each holder of 40 Treasury Units will have the right at any time as described below to recreate Corporate Units by substituting interests in the applicable series of debentures for such holder s ownership interest in the qualifying treasury securities held by the collateral agent, in a principal amount equal to the principal amount at maturity of the qualifying treasury securities for which substitution is being made. Because qualifying treasury securities are issued in integral multiples of $1,000, holders of Treasury Units may make this substitution only in integral multiples of 40 Treasury Units. Accordingly, prior to the close of business on the second business day prior to the first remarketing period start date, to recreate Corporate Units from Treasury Units a holder must substitute debentures of each series with a principal amount of $1,000 for each 40 Treasury Units. After the first remarketing period (or if the remarketing of the Series B-1 Debentures is successful, after the first stock purchase date) and prior to the close of business on the second business day prior to the second remarketing period start date, to recreate Corporate Units from Treasury Units a holder must substitute Series B-2 Debentures and Series B-3 Debentures with a principal amount of $1,000 for each 40 Treasury Units. After the second remarketing period (or if the remarketing of the Series B-2 Debentures is successful, after the second stock purchase date) and prior to the close of business on the second business day prior to the third remarketing period start date, to recreate Corporate Units from Treasury Units a holder must substitute Series B-3 Debentures with a principal amount of $1,000 for each 40 Treasury Units. Substitutions will not be permitted during blackout periods.

Each substitution will recreate Corporate Units and the applicable qualifying treasury securities will be released from the pledge agreement to the holder and become separately tradable from the Corporate Units.

What payments am I entitled to as a holder of Corporate Units?

Each holder of Corporate Units will be entitled to receive quarterly cash distributions consisting of interest payments:

until the first stock purchase date, at the annual rate of % for the Series B-1 Debentures, *plus*

until the second stock purchase date, at the annual rate of % for the Series B-2 Debentures, *plus*

until the third stock purchase date, at the annual rate of % for the Series B-3 Debentures,

in each case on the holder s undivided beneficial ownership interest in such series of debentures; *provided* that if any series of debentures is successfully remarketed, in lieu of the interest payment that would have been payable on such series of debentures on the applicable stock purchase date had the debentures not been successfully remarketed, the holder will receive, out of the proceeds of the portfolio of U.S. Treasury securities maturing on or prior to such date, an amount equal to such interest payment. You will also receive quarterly contract adjustment payments described under What is a stock purchase contract? These contract adjustment payments are subject to deferral as described under Do we have the option to defer current payments?

What payments will I be entitled to if I convert my Corporate Units to Treasury Units?

Holders of Treasury Units will be entitled to receive quarterly contract adjustment payments payable by us as described under What is a stock purchase contract? There will be no distributions in respect of the Treasury securities that are components of the Treasury Units, but the holders of the Treasury Units will continue to receive the scheduled quarterly interest payments on the debentures that were released to them when they created the Treasury Units as long as they continue to hold the debentures.

Do we have the option to defer current payments?

We may defer contract adjustment payments in respect of the Equity Units at any time and from time to time. Deferred contract adjustment payments will accrue interest until paid, compounded on each payment date for the Equity Units, at the annual rate of %. If on the third stock purchase date we do not pay all accrued and unpaid contract adjustment payments in cash, each holder of an Equity Unit will receive (net of any required tax withholding on such contract adjustment payments, which shall be remitted to the appropriate taxing jurisdiction), in our sole discretion, either a number of shares of our common stock (in addition to the number of shares of common stock per Equity Unit equal to the applicable settlement rate) equal to the aggregate amount of deferred contract adjustment payments payable to such holder divided by the greater of the applicable market value and $, subject to anti-dilution adjustments, or additional debentures (*additional debentures*), in our sole discretion, in a principal amount equal to the aggregate amount of deferred contract adjustment payments. The additional debentures will mature on the later of August 1, 2014 and the date five years after the commencement of the deferral period, bear interest at an annual rate equal to the then market rate of interest for similar instruments (not to exceed 10%), as determined by a nationally recognized investment banking firm selected by us, rank *pari passu* with the debentures and our outstanding parity securities (as defined below) and be subject to optional deferral on the same basis as the debentures and redeemable at our option at any time at their principal amount plus accrued and unpaid interest thereon through the date of redemption.

We may also defer the payment of interest on any series of debentures on any interest payment date prior to the applicable remarketing period start date. Deferred interest will accrue interest until paid, compounded on each interest payment date, at the annual rate originally applicable to such series of debentures. We may pay deferred interest in cash or in the form of additional debentures in a principal amount equal to the aggregate amount of deferred interest at any time; *provided* that if any deferred interest has not been paid on or prior to the applicable stock purchase date, we must pay it, in cash or in the form of additional debentures in a principal amount equal to the aggregate amount of deferred interest on such date, to the holders of such series of debentures, whether or not they participate in the applicable remarketing.

Subject to certain exceptions described under Description of Our Debentures Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances, if we have given notice of our election to defer or are deferring any contract adjustment payments or interest payments or if any additional debentures are outstanding, we and our subsidiaries generally may not make payments on or redeem or purchase our capital stock or our debt securities or guarantees ranking *pari passu* with or junior to the debentures.

During any deferral period, interest will continue to accrue and holders of debentures that are outstanding will be required to accrue such deferred interest income on a constant-yield basis for U.S. federal income tax purposes prior to the receipt of cash attributable to such income, regardless of the method of accounting used by the holders.

What are the payment dates for the Equity Units?

Subject to the deferral provisions described above, the payments described above in respect of the Equity Units will be payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing August 1, 2008. If any February 1, May 1, August 1 or November 1 is not a business day, payment shall be made on the next business day, without adjustment. We will make these payments to the persons in whose name the Equity Units are registered at the close of business on the 15th day of the month prior to the month in which the relevant payment date falls.

What is remarketing?

To provide Corporate Unit holders with the proceeds necessary to settle the holder s stock purchase contract obligations on each applicable stock purchase date, the debentures of the applicable series will be remarketed, unless the holder elects not to participate in that remarketing. Each remarketing will take place during a 30-day period (a *remarketing period*) ending on the date that is not less than three business days prior to the date one month prior to the applicable stock purchase date. We refer to the first day of each remarketing period as a *remarketing period start date*.

The cash proceeds from a successful remarketing, net of a 0.25% remarketing fee payable to the remarketing agent, will be used on the remarketing settlement date to purchase a portfolio of Treasury

Table of Contents

securities maturing on or prior to the applicable stock purchase date (the *Treasury portfolio*). Any remaining proceeds (net of any remarketing fee) will be remitted to you. The *remarketing settlement date* for any successful remarketing will be the date three business days following the date of the successful remarketing. The proceeds from the Treasury portfolio will be used to satisfy your obligation to purchase common stock on such applicable stock purchase date and to pay you an amount equal to the amount of interest that would have accrued on your debenture to but excluding the applicable stock purchase date had the remarketing not been successful. If you hold debentures separately and not as part of the Corporate Unit, you may elect to participate in remarketings as described below.

For each remarketing, the remarketing agent will be required to use commercially reasonable efforts to sell the applicable series of debentures included in the remarketing at a price that results in proceeds, net of the 0.25% remarketing fee, of at least 100% of the sum of the Treasury portfolio purchase price and the purchase price of any debentures of the applicable series that are not part of Corporate Units but whose holders have elected to participate in the remarketing. To obtain that price, the remarketing agent may reset the interest rate on the applicable series of debentures, as described below. If a remarketing is successful, settlement for the remarketing will occur on the applicable remarketing settlement date. A remarketing will be considered successful and no further attempts to remarket will be made if the resulting proceeds, net of the 0.25% remarketing fee, are at least 100% of the sum of the Treasury portfolio purchase price and the purchase price of any debentures of the applicable series that are not part of Corporate Units but whose holders have elected to participate in the remarketing (as described in Description of the Stock Purchase Contracts Remarketing).

In the event of a successful remarketing of a series of debentures, the portion of the proceeds from the remarketing equal to the Treasury portfolio purchase price will be applied on the applicable remarketing settlement date to purchase the Treasury portfolio. The Corporate Unit holder s applicable ownership interest in the Treasury portfolio will be substituted for such holder s ownership interest in such debentures as a component of such holder s Corporate Units and will be pledged to us through the collateral agent to secure such holder s obligation under the stock purchase contracts that are a component of such holder s Corporate Units. On or promptly following the applicable remarketing settlement date, the remarketing agent will remit to the purchase contract agent any remaining portion of the proceeds for the benefit of the holders of the Corporate Units, the debentures component of which were included in the remarketing. On the applicable stock purchase date, a portion of the proceeds from the Treasury portfolio equal to the principal amount of the debentures that previously were a component of such holder s Corporate Units will automatically be applied to satisfy the Corporate Unit holder s obligation to purchase shares of our common stock under the stock purchase contracts that are a component of the holder s Corporate Units on such stock purchase date, and a portion of the proceeds from the Treasury portfolio equal to the interest payment (assuming no reset of the interest rate) that would have accrued on the debentures of the applicable series to but excluding the applicable stock purchase date will be paid to the holders of the Corporate Units.

In connection with the remarketing of a series of debentures, the remarketing agent may reset the rate on such series of debentures to a new fixed or floating rate. If the remarketing is successful and the rate is reset, the reset rate or the applicable index plus the reset spread will apply to all outstanding debentures of that series, whether or not the holders participated in such remarketing, and will become effective on the applicable remarketing settlement date. The interest will be payable semi-annually if the debentures are successfully remarketed at a fixed rate or quarterly if the debentures are successfully remarked at a floating rate. We have the right to postpone the remarketing in our absolute discretion on any day prior to the last five business days of a remarketing period.

The reset rate or the reset spread on each series of debentures will be the rate or spread such that the proceeds of the remarketing, net of the 0.25% remarketing fee, will be at least 100% of the sum of the Treasury portfolio purchase price and the purchase price of any debentures of the applicable series that are not part of Corporate Units but whose holders have elected to participate in the remarketing.

Table of Contents

What happens if the debentures of any series are not successfully remarketed?

If the remarketing agent is unable to remarket the debentures of any series during the applicable remarketing period, a *failed remarketing* will be deemed to have occurred with respect to such series, and the interest rate on such series of debentures will not be reset, nor will any other terms of the debentures change.

Unless a Corporate Unit holder has settled its obligations under the stock purchase contract with respect to any stock purchase date with separate cash on or prior to the second business day immediately preceding such stock purchase date, we will exercise our rights as a secured party under the pledge agreement and, subject to applicable law, retain the applicable series of debentures pledged as collateral under the pledge agreement (but not any additional debentures issued to pay deferred interest on such debentures) or sell them in one or more private sales and apply the principal amount or proceeds from the sale of such debentures to fulfill your obligations under the stock purchase contract to purchase shares of our common stock on the applicable stock purchase date. In either case, your obligation to purchase shares of our common stock on the applicable stock purchase date under the stock purchase contract will be satisfied in full.

Do I have to participate in any remarketing?

You may elect not to participate in any remarketing and to retain the debentures underlying your Corporate Units by (1) creating Treasury Units or (2) notifying the purchase contract agent of your intention to pay cash to satisfy your obligation under the related stock purchase contracts and delivering the cash payment required under the stock purchase contract to the collateral agent, in each case, at any time (other than during a blackout period) on or prior to the second business day immediately prior to the applicable remarketing period start date. Upon a successful remarketing, the interest rate on the debentures may be reset as described below under Description of Our Debentures Market Reset Rate, the subordination and optional deferral provisions will cease to apply and the maturity date and optional redemption provisions of the debentures may be modified as described below under Description of Our Debentures Modification of the Terms of the Debentures in Connection with a Successful Remarketing. Your debentures will become subject to the modified terms whether or not you participate in remarketing.

Are the debentures redeemable at our option?

The debentures of each series are redeemable at our option, in whole or in part, at any time, on or after the date two years after the applicable stock purchase date at a price equal to the greater of their principal amount, plus accrued and unpaid interest, if any, to the date of redemption and a make-whole redemption price. The make whole redemption price will be calculated based upon the present value determined in accordance with customary financial practice of the principal amount and interest that would have been payable from the redemption date to the maturity date of the relevant debentures to be redeemed. This amount will be discounted on a quarterly basis at the rate per annum equal to the yield to maturity of the Treasury security having a maturity comparable to the relevant debenture, plus %. Not later than 30 days prior to the remarketing period start date for any series of debentures, we have the right to (i) modify our right to redeem the debentures of such series so that it commences on a date later than the date two years after the applicable stock purchase date and (ii) change the formula for determining the make whole redemption price or change the redemption price to equal the principal amount of the debentures, plus accrued and unpaid interest, if any, to the date of redemption. See Description of Our Debentures Optional Redemption.

What is the Treasury portfolio?

If there is a successful remarketing of any series of debentures during the applicable remarketing period, such debentures included in the Corporate Units will be replaced by the Treasury portfolio on the applicable remarketing settlement date. The Treasury portfolio with respect to any remarketing is a portfolio of U.S. Treasury securities consisting of:

U.S. Treasury securities (or principal or interest strips thereof) that mature on or prior to the applicable stock purchase date in an aggregate amount at maturity equal to the principal amount of the debentures of such series that were formerly included in Corporate Units but that were remarketed, and

U.S. Treasury securities (or principal or interest strips thereof) that mature on or prior to the applicable stock purchase date in an aggregate amount at maturity equal to the aggregate interest that would have accrued from, and including, the immediately preceding interest payment date to, but excluding, the applicable stock purchase date (assuming no reset of the interest rate) on the principal amount of the debentures of such series that were formerly included in the Corporate Units but that were remarketed.

In the event we determine that the foregoing U.S. Treasury securities are not available, we may substitute for such U.S. Treasury securities one or more short-term discount obligations of one of our affiliates that are issued on the applicable remarketing settlement date, accrete interest at an arms -length rate, have the same aggregate principal amount at maturity as the U.S. Treasury securities for which they are substituted and mature on or prior to the applicable stock purchase date.

If I am holding a debenture as a separate security from the Corporate Unit, may I still participate in a remarketing of the debentures and will I have a put right in the event that the remarketing is not successful?

Holders of debentures that are not part of the Corporate Units may elect, in the manner described in this prospectus supplement, to have their debentures remarketed by the remarketing agent along with the debentures of the same series included in the Corporate Units. See Description of Our Debentures Optional Remarketing. Such holders may also participate in any remarketing by recreating Corporate Units from their Treasury Units at any time (other than during a blackout period) on or prior to the second business day immediately prior to the applicable remarketing period start date. In the event of a successful remarketing of debentures of any series, each holder of a separate debenture that has been remarketed will receive the remarketing price per debenture of such series (as defined in Description of the Stock Purchase Contracts Remarketing), which, for each debenture, is an amount in cash equal to the quotient of the Treasury portfolio purchase price divided by the number of debentures of such series denominated in integral multiples of $1,000 included in such remarketing that are held as components of Corporate Units.

Holders of debentures of any series that are not part of Corporate Units will have the right to put their debentures to us, but not any additional debentures issued to pay deferred interest on such debentures, at their principal amount, plus accrued and unpaid interest, if any, to the date of redemption, if a successful remarketing of such series of debentures has not occurred by providing written notice to the trustee at least two business days prior to the applicable stock purchase date. The principal amount of such debenture and accrued but unpaid interest will be paid to such holder on the applicable stock purchase date.

Besides participating in a remarketing, how else can I satisfy my obligation under the stock purchase contracts?

Holders of Corporate Units or Treasury Units may also satisfy their obligations, or their obligations will be terminated, under the stock purchase contracts as follows:

through early settlement as described below under Can I settle the stock purchase contract early? and under Description of the Stock Purchase Contracts Early Settlement upon Cash Merger ;

in the case of Corporate Units, through cash settlement as described under Description of the Stock Purchase Contracts Notice to Settle with Cash, or through exercise of our rights as a secured party under the pledge agreement as described under What happens if the debentures of any series are not successfully remarketed? ;

in the case of the Treasury Units, through the automatic application of the proceeds of qualifying treasury securities; or without any further action, upon the termination of the stock purchase contracts as a result of our bankruptcy, insolvency or reorganization.

If the holder of a Corporate Unit or Treasury Unit settles a stock purchase contract early (other than pursuant to the merger early settlement right), or if the holder s stock purchase contract is terminated as a result of our bankruptcy, insolvency or reorganization, such holder will not be entitled to any accrued and unpaid contract adjustment payments. See Description of the Stock Purchase Contracts Early Settlement and Description of the Stock Purchase Contracts Termination.

What interest payments will I receive on the debentures?

Interest on the debentures will be payable quarterly in arrears initially at the annual rate of:

% for the Series B-1 Debentures;

% for the Series B-2 Debentures; and

% for the Series B-3 Debentures;

in each case, to but excluding the applicable remarketing settlement date if that series of debentures is successfully remarketed. The interest payment dates on the debentures are February 1, May 1, August 1 and November 1 of each year, commencing on August 1, 2008 and ending on the maturity date for such series of debentures. Unless we elect that any series of debentures will bear interest at a floating rate, if successfully remarketed, interest will be payable semi-annually on each series of debentures at the reset rate from and including the applicable remarketing settlement date to the applicable maturity date, payable on May 1 and November 1 of each year in the case of the Series B-1 Debentures and the Series B-3 Debentures and on February 1 and August 1 of each year in the case of the Series B-2 Debentures. If we elect that any series of debentures will bear interest at a floating rate, if successfully remarketed, interest will be payable quarterly on such series of debentures at the applicable floating rate from and including the applicable remarketing settlement date to the applicable maturity date, payable on February 1, May 1, August 1 and November 1 of each year. If a successful remarketing of the debentures does not occur, the interest rate will not be reset and the debentures will continue to bear interest at the initial interest rate, payable quarterly.

When and how will the interest rate on the debentures be reset?

The interest rate on each series of debentures will be reset if there is a successful remarketing, and the new rate will become effective on the applicable remarketing settlement date. The reset rate or, if we elect to remarket such series of debentures at a floating rate, the reset spread will be the interest rate or spread determined by the remarketing agent, in consultation with us, as the rate or spread the debentures should bear in order for the debentures included in the remarketing to have an approximate aggregate market value on the remarketing date of 100.25% of the sum of the Treasury portfolio purchase price and the separate debentures purchase price (determined in the manner described in Description of the Stock Purchase Contracts Remarketing). The interest rate on any series of debentures will not be reset if that series of debentures is not remarketed successfully.

Which provisions will govern the debentures following a successful remarketing?

The debentures will continue to be governed by the indenture under which they were issued. However, the subordination and optional deferral provisions will cease to apply to each series of debentures after the applicable remarketing settlement date and we may modify the indenture s provisions regarding the maturity date and redemption of the debentures, in consultation with the remarketing agent, without any holder s consent. As described under Description of Our Debentures Modification of the Terms of the Debentures in Connection with a Successful Remarketing and Description of Our Debentures Optional Redemption, we may elect, in consultation with the remarketing agent no later than 30 days prior to the applicable remarketing period start date:

that such series of debentures will bear interest effective from and including the remarketing settlement date at a floating rate;

to change the stated maturity of any series of debentures to any earlier date that is not earlier than two years after the applicable stock purchase date;

to extend the earliest redemption date on which we may call such series debentures for redemption from the date two years after the applicable stock purchase date to a later date;

to provide that the redemption price of such series of debentures will be equal to their principal amount plus accrued and unpaid interest through the date of redemption; or

to eliminate the redemption provisions from such series of debentures.

Can I settle the stock purchase contract early?

You can settle a stock purchase contract at any time other than during a blackout period by paying an amount in cash equal to its stated amount, in which case for each $25 stated amount of such stock purchase contract shares of our common stock, subject to adjustment, will be issued to you pursuant to the stock purchase contract. The number of shares you receive under this circumstance will be fixed and will not be computed on the basis of the applicable market value of our common stock on the early settlement date. You will not be entitled to any accrued and unpaid contract adjustment payment on stock purchase contracts that are settled early under these circumstances. Holders of Equity Units may settle early only in integral multiples of 40 Equity Units.

What is the ranking of the debentures and the contract adjustment payments?

Each series of debentures will constitute one series of AIG s junior subordinated debentures and will be issued by AIG under the junior debt indenture, dated as of March 13, 2007, as supplemented. The debentures will rank *pari passu* with our:

$1,000,000,000 aggregate principal amount of 6.25% Series A-1 Junior Subordinated Debentures,

£750,000,000 aggregate principal amount of 5.75% Series A-2 Junior Subordinated Debentures,

1,000,000,000 aggregate principal amount of 4.875% Series A-3 Junior Subordinated Debentures,

$750,000,000 aggregate principal amount of 6.45% Series A-4 Junior Subordinated Debentures, and

$1,100,000,000 aggregate principal amount of 7.70% Series A-5 Junior Subordinated Debentures (collectively, the *outstanding parity securities*).

We may issue additional series of junior subordinated debentures that rank *pari passu* with the debentures.

The debentures and our obligations to make contract adjustment payments will be unsecured, will rank junior in payment to all of our existing and future *senior debt*, as defined under Description of Our Debentures Subordination, and will be effectively subordinated to all liabilities of our subsidiaries. Substantially all of our existing indebtedness, other than the outstanding parity securities, is senior debt. Each series of debentures will automatically cease to be subordinated and become a senior, unsecured obligation of AIG on the applicable stock purchase date.

Table of Contents

What are the U.S. federal income tax consequences related to the Corporate Units?

Although the Internal Revenue Service (the *IRS*) has issued a Revenue Ruling addressing the treatment of units similar to the Equity Units, no statutory, judicial or administrative authority directly addresses the treatment of the Equity Units or instruments substantially identical to the Equity Units for U.S. federal income tax purposes. No assurance can be given that the conclusions in the Revenue Ruling would apply to the Equity Units.

If you purchase a Corporate Unit in the offering, for U.S. federal income tax purposes we will treat you as having acquired a 1/40, or 2.5%, undivided beneficial interest in a debenture of each applicable series of debentures and in a stock purchase contract. You must allocate the purchase price of the Corporate Units among the interests in the debentures and stock purchase contract in proportion to their respective fair market values, which will establish your initial tax basis in the interests in the debentures and the stock purchase contract. We will treat the fair market value of the interests in each of the three series of debentures included in each Corporate Unit as $25 and the fair market value of the stock purchase contract as $0 at the time of purchase. This position generally will be binding on the beneficial owner of each Corporate Unit but not on the IRS.

The debentures will be treated as our indebtedness for U.S. federal income tax purposes (although this matter is not free from doubt). We intend to treat stated interest on the debentures as ordinary interest income that is includible in your gross income at the time the interest is paid or accrued, in accordance with your regular method of tax accounting, and by purchasing a Corporate Unit you agree to report income on this basis. However, because there are no regulations, rulings or other authorities that address the U.S. federal income tax treatment of debt instruments that are substantially similar to the debentures, other treatments of the debentures are possible.

For additional information, see Certain United States Federal Income Tax Consequences.

What are the U.S. federal income tax consequences related to our common stock?

Any distribution with respect to our common stock that we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will constitute a dividend and will be includible in income by you. Any such dividend will be eligible for the dividends-received deduction if you are an otherwise qualifying corporate U.S. holder that meets the holding period and other requirements for the dividends-received deduction. Subject to certain exceptions, dividends paid to certain non-corporate U.S. Holders will be subject to preferential tax rates. For additional information, see Certain United States Federal Income Tax Consequences.

Is there withholding tax on Non-U.S. Persons?

We will generally withhold tax at a 30% rate on contract adjustment payments and dividends paid on our common stock acquired under a stock purchase contract or such lower rate as may be specified by an applicable income tax treaty. However, contract adjustment payments or dividends that are effectively connected with the conduct of a trade or business by a non-U.S. holder within the United States (and where a tax treaty applies, are attributable to a United States permanent establishment of the non-U.S. holder) are not subject to the withholding tax, *provided* that the holder satisfies the relevant certification requirement, but instead are generally subject to United States federal income tax on a net income basis. For additional information, see Certain United States Federal Income Tax Consequences Non-U.S. Holders.

What are the risks relating to the Equity Units?

See Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the

Equity Units.

Table of Contents

The Offering Explanatory Diagrams

The following diagrams demonstrate some of the key features of the stock purchase contracts, debentures, Corporate Units and Treasury Units, and the transformation of Corporate Units into Treasury Units and debentures.

The following diagrams assume that the debentures are successfully remarketed and that the stock purchase contracts are settled on the applicable stock purchase date with shares of common stock.

Stock Purchase Contract

Corporate Units and Treasury Units both include a stock purchase contract under which the holder agrees to purchase, and we agree to sell, shares of our common stock on each of three stock purchase dates. In addition, this stock purchase contract entitles the holder to unsecured contract adjustment payments as shown in the diagrams on the following pages.

Notes:

(1) The reference price is the initial price at which we offered our common stock to the public in the concurrent Common Stock Offering, subject to anti-dilution adjustments under the circumstances set forth in Description of the Stock Purchase Contracts Anti-Dilution Adjustments. If there is no Common Stock Offering, the initial reference price will equal the closing price of our common stock on the day prior to the date of this prospectus supplement.

(2) The threshold appreciation price represents an approximately % appreciation over the reference price.

(3) The *applicable market value* with respect to any stock purchase date means the average of the volume-weighted average prices of our common stock (or exchange property units, as defined under Description of the Stock Purchase Contracts Anti-Dilution Adjustments, in which the stock purchase contracts will be settled following a reorganization event) on each of the 20 consecutive trading days ending on the third trading day immediately preceding such stock purchase date.

(4) If the applicable market value of our common stock with respect to a stock purchase date is less than or equal to the reference price of $, shares of our common stock will be delivered to a holder of an Equity Unit on such stock purchase date. The number of shares of common stock to be so delivered is approximately equal to the quotient obtained by dividing the stated amount of $25 by the reference price.

(5) If the applicable market value of our common stock with respect to a stock purchase date is between the reference price and the threshold appreciation price of $, the number of shares of our common stock to be delivered to a holder of an Equity Unit will be calculated by dividing the stated amount of $25 by the applicable market value.

(6) If the applicable market value of our common stock with respect to a stock purchase date is greater than or equal to the threshold appreciation price, shares of our common stock will be delivered to a holder of an Equity Unit on such stock purchase date. The number of shares of common stock to be so delivered is approximately equal to the quotient obtained by dividing the stated amount of $25 by the threshold appreciation price of $.

Corporate Units

A Corporate Unit consists of up to four components as described below:

Stock Purchase Contract	**Series B-1 Debenture**	**Series B-2 Debenture**	**Series B-3 Debenture**
(Owed to Holder)	(Owed to Holder)	(Owed to Holder)	(Owed to Holder)
Common Stock + Contract Adjustment Payments: from and including May , 2008, to but excluding February 15, 2011, at an annual rate of % on the initial stated amount of $75 per stock purchase contract; from and including February 15, 2011 to but excluding May 1, 2011, at an annual rate of % on	Interest at an annual rate of % paid quarterly(1)(2) (at reset rate or a floating rate plus reset spread and (unless remarketed as a floating-rate note) paid semi-annually following a successful remarketing)	Interest at an annual rate of % paid quarterly(1)(3) (at reset rate or a floating rate plus reset spread and (unless remarketed as a floating-rate note) paid semi-annually following a successful remarketing)	Interest at an annual rate of % paid quarterly(1)(4) (at reset rate or a floating rate plus reset spread and (unless remarketed as a floating-rate note) paid semi-annually following a successful remarketing)

the adjusted stated amount of $50 per stock purchase contract; and from and including May 1, 2011 to but excluding August 1, 2011, at an annual rate of % on the adjusted stated amount of $25 per stock purchase contract			
(Owed to American International Group, Inc.)	(Owed to Holder)	(Owed to Holder)	(Owed to Holder)
$25 at each stock purchase date	$25 at February 15, 2041(5)	$25 at May 1, 2041(6)	$25 at August 1, 2041(7)

Notes:

(1) Debentures will be issued in denominations of $1,000 and integral multiples thereof. Each undivided beneficial ownership interest in each of the three series of debentures represents a 1/40, or 2.5%, undivided beneficial ownership interest in $1,000 principal amount of debentures. Each owner of a Corporate Unit owns an undivided beneficial ownership interest in a debenture of each series and will be entitled to a 1/40, or 2.5%, of each interest payment paid in respect of $1,000 principal amount of debentures of each series until the applicable stock purchase date, but if any series of debentures is successfully remarketed, in lieu of an interest in that series of debentures, the holder will have an interest in the Treasury portfolio.

(2) Until February 15, 2011 or, if earlier, the remarketing settlement date of the first remarketing.

(3) Until May 1, 2011 or, if earlier, the remarketing settlement date of the second remarketing.

(4) Until August 1, 2011 or, if earlier, the remarketing settlement date of the third remarketing.

(5) We may elect, prior to the remarketing start date for the Series B-1 Debentures, to move up their maturity to any date on or after February 15, 2013.

(6) We may elect, prior to the remarketing start date for the Series B-2 Debentures, to move up their maturity to any date on or after May 1, 2013.

(7) We may elect, prior to the remarketing start date for the Series B-3 Debentures, to move up their maturity to any date on or after August 1, 2013.

Table of Contents

The holder of a Corporate Unit owns an undivided beneficial ownership interest in a debenture of each series that forms a part of the Corporate Unit but will pledge it to us through the collateral agent to secure its obligation under the related stock purchase contract to purchase common stock on the applicable stock purchase date. Unless a successful remarketing of the debentures of such series occurs, the stock purchase contract is terminated as a result of our bankruptcy, insolvency or reorganization or the holder settles the stock purchase contract early, settles the stock purchase contract in cash or creates a Treasury Unit prior to such stock purchase date, we will retain the holder s interest in such debenture or dispose of it in one or more public or private sales in satisfaction of the holder s obligation under the related stock purchase contract.

Following the successful remarketing of the debentures of any series, an interest in the Treasury portfolio will replace the debenture of such series as a component of the Corporate Unit and the reset rate on the debentures of such series (or if the debentures of such series are remarketed as floating-rate debentures, the applicable index and the reset spread) will be effective on the applicable remarketing settlement date. Prior to the remarketing of any series of debentures, we may elect, in consultation with the remarketing agent, to modify the maturity date and redemption provisions of the debentures, as described under Description of Our Debentures Modification of the Terms of the Debentures in Connection with a Successful Remarketing, and the remarketing agent, in consultation with us, may reset the interest rate or select a floating rate of interest and establish the reset spread. Further, the subordination and optional deferral provisions will cease to apply to each series of debentures after the applicable remarketing settlement date.

Treasury Units

A Treasury Unit consists of up to four components as described below:

Stock Purchase Contract	**Qualifying Treasury Security**	**Qualifying Treasury Security**	**Qualifying Treasury Security**
(Owed to Holder) Common Stock + Contract Adjustment Payments: from and including May , 2008, to but excluding February 15, 2011, at an annual rate of % on the initial stated amount of $75 per stock purchase contract; from and including February 15, 2011 to but excluding May 1, 2011, at an annual rate of % on the adjusted stated amount of			

$50 per stock purchase contract; and from and including May 1, 2011 to but excluding August 1, 2011, at an annual rate of % on the adjusted stated amount of $25 per stock purchase contract			
(Owed to American International Group, Inc.)	(Owed to Holder)	(Owed to Holder)	(Owed to Holder)
$25 at each stock purchase date	$25 at February 15, 2011(1)	$25 at May 1, 2011(1)	$25 at August 1, 2011(1)

Notes:

(1) Each holder of a Treasury Unit initially owns: (i) a 1/40, or 2.5%, undivided beneficial ownership interest in a qualifying treasury security with a principal amount at maturity of $1,000 that matures on February 15, 2011; (ii) a 1/40, or 2.5%, undivided beneficial ownership interest in a qualifying treasury security with a principal amount at maturity of $1,000 that matures on April 30, 2011; and (iii) a 1/40, or 2.5%, undivided beneficial ownership interest in a qualifying treasury security with a principal amount at maturity of $1,000 that matures on July 31, 2011. On each such date, the collateral agent will use the proceeds of the maturing qualifying treasury security to purchase the common stock that the holder of the stock purchase contract is obligated to purchase on such date.

The holder of a Treasury Unit owns beneficial ownership interests in one or more qualifying treasury securities but will pledge them to us through the collateral agent to secure its obligations under the stock purchase contract. Unless the stock purchase contract is terminated as a result of our bankruptcy, insolvency or reorganization or the holder elects to settle early, settles the stock purchase contract for cash or recreates a Corporate Unit, the qualifying treasury security will be used to satisfy the holder s obligation under the stock purchase contract.

Treasury Units can only be created with integral multiples of 40 Corporate Units.

Debentures

The debentures have the terms described below:

Series B-1 Debenture	**Series B-2 Debenture**	**Series B-3 Debenture**
(Owed to Holder) Interest at an annual rate of % paid quarterly (at reset rate or a floating rate plus reset spread and (unless remarketed as a floating-rate note) paid semi-annually following a successful remarketing)	(Owed to Holder) Interest at an annual rate of % paid quarterly (at reset rate or a floating rate plus reset spread and (unless remarketed as a floating-rate note) paid semi-annually following a successful remarketing)	(Owed to Holder) Interest at an annual rate of % paid quarterly (at reset rate or a floating rate plus reset spread and (unless remarketed as a floating-rate note) paid semi-annually following a successful remarketing)
(Owed to Holder) $25 at February 15, 2041(1)	(Owed to Holder) $25 at May 1, 2041(2)	(Owed to Holder) $25 at August 1, 2041(3)

Notes:

(1) We may elect, prior to the remarketing start date for the Series B-1 Debentures, to move up their maturity to any date on or after February 15, 2013.

(2) We may elect, prior to the remarketing start date for the Series B-2 Debentures, to move up their maturity to any date on or after May 1, 2013.

(3) We may elect, prior to the remarketing start date for the Series B-3 Debentures, to move up their maturity to any date on or after August 1, 2013.

Transforming Corporate Units into Treasury Units and Debentures

To create a Treasury Unit, a holder separates a Corporate Unit into its components the stock purchase contract and the debentures of each series then comprising the Corporate Unit, and then combines the stock purchase contract with the applicable qualifying treasury securities.

The qualifying treasury securities together with the stock purchase contract constitute a Treasury Unit. The debentures, which are no longer a component of the Corporate Unit, are released to the holder and are tradable as separate securities.

A holder owns beneficial interests in the applicable qualifying treasury securities that form a part of the Treasury Unit but will pledge them to us through the collateral agent to secure its obligation under the related stock purchase contract.

Notes:

(1) The debentures are initially due on February 15, 2041, May 1, 2041 and August 1, 2041, respectively, which maturity date may be modified to an earlier date in connection with a successful remarketing.

(2) Each holder of a Treasury Unit owns a 1/40, or 2.5%, undivided beneficial ownership interest in a qualifying treasury security with a principal amount at maturity of $1,000 that matures on or before each of the remaining stock purchase dates.

The holder can also transform Treasury Units and debentures into Corporate Units. Following that transformation, the qualifying treasury securities, which will no longer be components of the Treasury Unit, will be released to the holder and will be tradable as separate securities.

The transformation of Corporate Units into Treasury Units requires integral multiples of 40 Corporate Units, and the transformation of Treasury Units into Corporate Units requires integral multiples of 40 Treasury Units.

Concurrent Offering

Concurrent with this offering of our Equity Units, we are offering shares of our common stock (or shares of common stock if the underwriters exercise their over-allotment option in full) in a public offering for net proceeds of approximately $ billion (or approximately $ billion if the underwriters exercise their over-allotment option in full), which we refer to as the *Common Stock Offering*.

We intend to use the net proceeds from this offering, together with the net proceeds from the concurrent Common Stock Offering, for general corporate purposes. The Common Stock Offering will be effected pursuant to a separate prospectus supplement. This prospectus supplement shall not be deemed an offer to sell or a solicitation of an offer to buy any of our shares of common stock. There is no assurance that the Common Stock Offering will be completed or, if completed, on what terms it may be completed. The Common Stock Offering and this offering are not contingent upon each other.

We are also considering raising approximately $5 billion in additional capital in the fixed income market in the form of high equity content fixed income securities. If we issue one or more series of these securities, it will be in a public or private transaction pursuant to one or more separate offering documents. Any such offering will not be part of this offering or the Common Stock Offering.

Table of Contents

RISK FACTORS

An investment in the Equity Units involves certain risks. You should carefully consider the risks described below and under the heading Risk Factors in Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2007, as well as other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus before making a decision to purchase Equity Units.

Risks relating to the Equity Units

You will bear the entire risk that the market value of our common stock may decline.

As a holder of Equity Units, you will have an obligation to buy shares of our common stock on each of the three stock purchase dates pursuant to the stock purchase contracts that are a part of the Equity Units. On each stock purchase date, unless you have paid cash to satisfy your obligation under the stock purchase contract or the stock purchase contracts are terminated due to our bankruptcy, insolvency or reorganization or settled early, (i) in the case of Corporate Units, either (x) the proceeds at maturity of the Treasury portfolio purchased with the proceeds of the debentures derived from the successful remarketing or (y) the applicable ownership interest in the debentures retained by us or its proceeds if we sell such interest in a public or private sale, or (ii) in the case of Treasury Units, the proceeds from the applicable ownership interest in the applicable qualifying treasury securities when paid at maturity, will automatically be used to purchase a specified number of shares of our common stock on your behalf.

The number of shares of our common stock that you will receive upon the settlement of a stock purchase contract on each stock purchase date is not fixed but instead will depend on the average of the volume weighted average price per share of our common stock (or exchange property units, as defined under Description of the Stock Purchase Contracts Anti-Dilution Adjustments, in which the stock purchase contracts will be settled following a reorganization event) on each of the 20 consecutive trading days ending on the third trading day immediately preceding such stock purchase date, which we refer to as the *applicable market value*, subject to anti-dilution adjustments under the circumstances set forth in Description of the Stock Purchase Contracts Anti-Dilution Adjustments. There can be no assurance that the market value of our common stock on the three stock purchase dates will not be less than the price paid by you for the Equity Units. If the applicable market value of the common stock on any of the stock purchase dates is less than the reference price of $, the market value of the common stock issued to you pursuant to the stock purchase contract on such stock purchase date (assuming that the market value on such date is the same as the applicable market value of the common stock) will be less than the effective price per share paid by you on the date of issuance of the Corporate Units in this offering (assuming you purchased the Corporate Units for $75 each). Accordingly, you will bear the entire risk that the market value of the common stock may decline, and that the decline could be substantial and could result in a loss of all or a portion of your investment.

In addition, because the number of shares delivered to you on each stock purchase date will be based upon the applicable market value, which is in turn calculated on the basis of the average of the volume weighted average price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the applicable stock purchase date, the shares of common stock you receive on the stock purchase date may be worth less than the shares of common stock you would have received had the applicable market value been equal to the volume weighted average price per share of our common stock on the applicable stock purchase date or a different period of days. Also, to the extent that the shares of common stock are delivered after the applicable stock purchase date, you will bear the risk of a decline in the value of that common stock between the applicable stock purchase date and the date of delivery.

You will receive only a portion of any appreciation in our common stock price and only if the appreciation of common stock exceeds a specified threshold, and the opportunity for equity appreciation provided by an investment in Equity Units is less than that provided by a direct investment in our common stock.

There can be no assurance that the market price of our common stock will appreciate. Even if the price of our common stock does appreciate, the opportunity for appreciation afforded by investing in Equity Units will generally be less than if you had invested directly in our common stock. This opportunity is less because the market value of the common stock to be received by you pursuant to a stock purchase contract on any stock purchase date (assuming that the market value on that date is the same as the applicable market value of the common stock and no reorganization event has occurred) will only exceed the effective price per share paid by you for the common stock on the date of issuance of the Equity Units (assuming you purchased Equity Units for $75 each) if the applicable market value of the common stock exceeds the threshold appreciation price (which represents an appreciation of approximately % over the reference price of $). In other words, your stock purchase contract will not entitle you to participate in any appreciation in the market value of our common stock that you will purchase on such stock purchase date unless the applicable market value of our common stock with respect to such stock purchase date is greater than the threshold appreciation price of $. If the applicable market value of our common stock exceeds the reference price but falls below the threshold appreciation price, you will realize no equity appreciation on the common stock for the period during which you own the stock purchase contract, and if the applicable market value is less than the reference price, you will realize a loss on your investment (assuming you purchased Equity Units for $75 each). Furthermore, if the applicable market value of our common stock equals or exceeds the threshold appreciation price on any stock purchase date, you would receive on such stock purchase date only approximately % (the percentage equal to the reference price divided by the threshold appreciation price) of the value of the shares of common stock that you would have received had you invested $25 to purchase common stock at the reference price of $ per share on the date of issuance of the Equity Units.

Our obligations to make payments on the debentures and contract adjustment payments are subordinate to our payment obligations under our senior debt and pari passu with the outstanding parity securities.

Our obligations under the debentures and the stock purchase contracts are unsecured and rank junior in right of payment to all of our existing and future senior debt. See Description of Our Debentures Subordination for the definition of senior debt. As of March 31, 2008, there was approximately $98.02 billion of outstanding senior debt of AIG.

This means that, unless all senior debt is repaid in full, we cannot make any payments on the debentures or contract adjustment payments if our unsecured indebtedness for borrowed money with a principal amount in excess of $100 million is accelerated, in the event of our bankruptcy, insolvency or liquidation or in the event of the acceleration of the debentures.

Substantially all of our existing indebtedness, other than the outstanding parity securities, is senior debt. The outstanding parity securities will rank *pari passu* with the debentures and will not constitute senior debt. The terms of the junior debt indenture do not limit our ability to incur additional debt, including secured or unsecured debt.

The debentures and the contract adjustment payments are effectively subordinated to any indebtedness or other liabilities of our subsidiaries.

We are a holding company that conducts substantially all of our operations through subsidiaries. Our right to participate in any distribution of assets from any subsidiary upon the subsidiary s liquidation or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent that we are recognized as a creditor of that subsidiary. As a result, payments on the debentures and the contract adjustment payments will be effectively subordinated to all existing and future liabilities of our subsidiaries. You should look only to the assets of American International Group, Inc. as the source of payment for the debentures and the contract adjustment payments, and not those of our subsidiaries.

Table of Contents

We have the right to defer interest on each series of debentures until the applicable stock purchase date without causing an event of default and we have the right to defer contract adjustment payments until the third stock purchase date.

We have the right to defer interest on each series of debentures until the applicable stock purchase date. During any such deferral period, holders of debentures will receive limited or no current payments and, so long as we are otherwise in compliance with our obligations, such holders will have no remedies against us for nonpayment unless we fail to pay all previously deferred interest (including compounded interest) in cash or in additional debentures within 30 days of the stock purchase date.

We have the right to defer contract adjustment payments until the third stock purchase date. If on that date we have not paid all accrued and unpaid contract adjustment payments in cash, we will either deliver additional common stock (which will have a market value that is less than the amount of the deferred contract adjustment payments if the applicable market value of our common stock is less than $) or additional debentures in satisfaction of our obligation with respect to the unpaid contract adjustment payments.

Interest and principal payments may be made on pari passu securities even though interest has not been paid on the debentures.

We may during a deferral period be required to make payments of interest on the outstanding parity securities that are not made *pro rata* with payments of interest on the debentures. The terms of the debentures and the stock purchase contracts permit us during a deferral period:

- to make any payment of deferred interest or principal on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities; and

- to repay or redeem any security necessary to avoid a breach of the instrument governing the same.

Deferral of interest payments on the debentures will have negative U.S. federal income tax consequences and is likely to adversely affect the market price of the Corporate Units.

If we defer interest payments on the debentures, you will be required to accrue income in the form of original issue discount for U.S. federal income tax purposes with respect to the deferred interest on the debentures comprising part of the Corporate Units, even if you normally report income when received and even though you may not receive the cash attributable to that income during the deferral period. See Certain United States Federal Income Tax Consequences for a further discussion of the tax consequences of a deferral.

If we exercise our right to defer interest, the market price of the Corporate Units is likely to be adversely affected. As a result of the existence of our deferral right, the market price of the Corporate Units may be more volatile than the market prices of other securities that are not subject to optional interest deferrals.

Fluctuations in interest rates may give rise to arbitrage opportunities, which would affect the trading price of the Corporate Units, debentures and our common stock.

Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the common stock underlying the stock purchase contracts and of the other components of the Equity Units. Any such arbitrage could, in turn, affect the trading prices of the Corporate Units, Treasury Units, debentures and our common stock.

If you hold Equity Units, you will not be entitled to any rights with respect to our common stock.

If you hold Equity Units, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on the common stock), but you will be subject to all changes affecting the common stock. You will only be entitled

S-24

to exercise rights and receive any dividends or other distributions with respect to the common stock if and when we deliver shares of common stock in settlement of your stock purchase contract, or as a result of early settlement, as the case may be, and the applicable record date, if any, for the exercise of those rights or the receipt of those dividends or distributions occurs on or after that date. For example, in the event that an amendment is proposed to our certificate of incorporation or by-laws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the delivery of the common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

The delivery of make-whole shares upon a merger early settlement may not adequately compensate you, and you will not receive any make-whole shares if we have not provided an effective registration statement covering the shares of common stock and other securities, if any, to be delivered upon a merger early settlement, if a registration statement is so required under U.S. federal securities laws.

If a cash merger (as defined below under Description of the Stock Purchase Contracts Early Settlement upon Cash Merger) occurs and you exercise your merger early settlement right, you will be entitled to receive additional value in the form of make-whole shares unless the price paid per share of our common stock in the cash merger is in excess of $, subject to adjustment. A description of how the make-whole shares will be determined is set forth under Description of the Stock Purchase Contracts Early Settlement upon Cash Merger Calculation of Make-Whole Shares. Although the make-whole shares are designed to compensate you for the lost value of your Equity Units as a result of the cash merger, this feature may not adequately compensate you for such loss.

In addition, you will not be able to exercise your merger early settlement right or receive any make-whole shares to which you would otherwise be entitled, if we have not provided an effective registration statement covering the shares of common stock and other securities, if any, to be delivered upon a merger early settlement, if a registration statement is so required under U.S. federal securities laws.

The Equity Units provide limited settlement rate adjustments, and an event could occur that adversely affects the value of the Equity Units or our common stock but that does not result in an adjustment to the settlement rate.

The number of shares of common stock that you are entitled to receive on each stock purchase date, or as a result of early settlement of a stock purchase contract, is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, cash dividends and certain other acts. See Description of the Stock Purchase Contracts Anti-Dilution Adjustments. We will not adjust the number of shares of common stock that you are to receive on any stock purchase date, or as a result of early settlement of a stock purchase contract, for other events, including employee stock option grants, ordinary dividends, offerings of common stock by us for cash or in connection with acquisitions. There can be no assurance that an event that adversely affects the value of the Equity Units or our common stock, but does not result in an adjustment to the settlement rate, will not occur. Further, we are not restricted from issuing additional common stock during the term of the stock purchase contracts and have no obligation to consider your interests for any reason. If we issue additional shares of common stock, it may materially and adversely affect the trading price of our common stock and the Equity Units.

Upon a successful remarketing of the debentures of any series, the interest rate on your debentures may be reset and the redemption provisions of your debentures and the maturity date of your debentures of that series may be modified even if your debentures are not included in that remarketing.

In connection with the remarketing of any series of debentures, we and the remarketing agent may change the interest rate on and maturity date and redemption provisions of such series of debentures, as described under Description of Our Debentures Modification of the Terms of the Debentures in Connection with a Successful Remarketing and

Description of Our Debentures Market Reset Rate. Any modification of the maturity date and redemption terms will apply to all the debentures of such series, and the reset interest rate will apply to all the debentures of such series if the remarketing is successful, even if they are not included in the remarketing. The reset interest rate, modified maturity date or modified redemption provision may adversely affect the trading price of the debentures. In addition, following a successful remarketing of debentures, interest on the debentures will be either a floating rate of interest payable quarterly or will be a fixed rate of interest payable on a semi-annual and not on a quarterly basis.

Our Corporate Units, Treasury Units and debentures have no prior public market, and we cannot assure you that an active trading market will develop.

It is not possible to predict how, if at all, Corporate Units, Treasury Units or debentures will trade in the secondary market or whether the market will be liquid or illiquid. Our Corporate Units, Treasury Units and debentures are newly issued securities and there is currently no secondary market for any of them. Although we have applied for listing of the Corporate Units on the NYSE, an active trading market might not develop or continue. If the Treasury Units or the debentures of any series are separately traded to a sufficient extent that applicable exchange listing requirements are met, we may endeavor, but are not obligated, to list the Treasury Units or the debentures of such series on the same exchange as the Corporate Units. However, an active trading market in those securities also may not develop and we may not be successful in effecting any such listing. In addition, if you were to substitute qualifying treasury securities for debentures, thereby converting your Corporate Units into Treasury Units, or debentures for qualifying treasury securities, thereby converting your Treasury Units to Corporate Units, the liquidity of Corporate Units or Treasury Units could be adversely affected by the resultant reduction in the number of outstanding Corporate Units or Treasury Units, as the case may be. We cannot assure you that the Corporate Units will not be delisted or that trading in the Corporate Units will not be suspended as a result of holders elections to create Treasury Units by substituting collateral, which could cause the number of Corporate Units to fall below the requirement for listing securities on the NYSE. Likewise, if Treasury Units or debentures were listed on a securities exchange, we cannot assure you that the Treasury Units or debentures would not be delisted or that trading in the Treasury Units or debentures would not be suspended as a result of a similar election to create Corporate Units by substituting collateral, which could cause the number of Treasury Units or principal amount of debentures to fall below the requirement for listing on such exchange.

Your rights to the pledged securities will be subject to our security interest and may be affected by a bankruptcy proceeding.

Although holders of Equity Units will have a beneficial ownership interest in the related debentures, qualifying treasury securities or Treasury portfolio, as applicable, those interests will be pledged to us through the collateral agent to secure your obligations under the related purchase contracts. Thus, your rights to the pledged securities will be subject to our security interest. In addition, notwithstanding the automatic termination of the stock purchase contracts in the event that AIG becomes the subject of a case under the U.S. Bankruptcy Code, the delivery of the pledged securities to you may be delayed by the imposition of the automatic stay under Section 362 of the Bankruptcy Code or by exercise of the bankruptcy court s power under Section 105(a) of the Bankruptcy Code. Moreover, claims arising out of the debentures, like all other claims in bankruptcy proceedings, will be subject to the equitable jurisdiction and powers of the bankruptcy court. For example, a party in interest in the bankruptcy proceeding might argue that the holders of debentures should be treated as equity holders, rather than creditors, in the bankruptcy proceeding.

The purchase contract agreement will not be qualified under the Trust Indenture Act and the obligations of the purchase contract agent are limited.

The purchase contract agreement between us and the purchase contract agent will not be qualified as an indenture under the Trust Indenture Act of 1939, and the purchase contract agent will not be required to qualify as a trustee under the Trust Indenture Act. Thus, you will not have the benefit of the protection of the Trust Indenture Act with respect to the purchase contract agreement or the purchase contract agent. The debentures constituting a part of the Corporate Units will be issued pursuant to an indenture, which has been qualified under the Trust Indenture Act. Accordingly, if you hold Corporate Units, you will have the benefit of the protections of the Trust Indenture Act only to the extent applicable to the debentures included in the

Corporate Units. The protections generally afforded the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- disqualification of the indenture trustee for conflicting interests, as defined under the Trust Indenture Act;

- provisions preventing a trustee that is also a creditor of the issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under such indenture; and

- the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities.

You may have to pay taxes with respect to constructive distributions on our common stock.

The number of shares of common stock that you are entitled to receive on each stock purchase date or as a result of early settlement of a stock purchase contract is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See Description of the Stock Purchase Contracts Anti-Dilution Adjustments. If the settlement rate were adjusted as a result of a distribution that is taxable to our common stock holders, such as a quarterly cash dividend, you would be deemed to receive a constructive distribution of our common stock and could be required to include an amount in income for U.S. federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. In addition, Non-U.S. Holders of Equity Units may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax. See Certain United States Federal Income Tax Consequences Taxation of the Stock Purchase Contract Adjustment to Settlement Rate and Non-U.S. Holders.

The IRS could disagree with our U.S. federal income tax characterization of the Equity Units.

We intend to treat the debentures and the stock purchase contracts as separate securities and the debentures as our debt instruments. However, because this treatment is not binding upon the IRS or any court, the IRS may challenge such treatment and a court may sustain such a challenge. If the IRS were to challenge our characterization of the Equity Units successfully, the IRS s recharacterization could adversely affect the amount, timing or character of the income, gain or loss you recognize with respect to our Equity Units and non-U.S. holders may be subject to U.S. federal withholding tax on the interest payments on their interest in the debentures in addition to U.S. federal withholding tax on the contract adjustment payments. You are urged to consult your own tax advisors concerning the consequences of an investment in our Equity Units. See Certain United States Federal Income Tax Consequences.

Other tax treatments of the debentures are possible.

If we do not elect to defer interest income on the debentures, we intend to treat stated interest on the debentures as ordinary interest income that is includible in your gross income at the time the interest is paid or accrued, in accordance with your regular method of tax accounting, and by purchasing a Corporate Unit you agree to report income on this basis. However, because no Treasury Regulations, rulings or other authorities address the U.S. federal income tax treatment of debt instruments that are substantially similar to the debentures, other treatments of the debentures are possible. For example, the debentures could be treated as contingent payment debt instruments for U.S. federal income tax purposes, in which case you would generally be required to accrue into income original issue discount (even absent a deferral period) that might be different from the amount of the interest you receive for each period and to treat gain on the sale of the debentures as ordinary income. See Certain United States Federal Income Tax Consequences Taxation of the debentures Possible Alternative Characterizations and Treatments on page S-59.

Table of Contents

Risks relating to our common stock

Our holding company structure and certain regulatory and other constraints could affect our ability to pay dividends and make other payments.

As a holding company, we depend on dividends, distributions and other payments from our subsidiaries to fund dividend payments and to fund payments on our obligations, including debt obligations. Regulatory and other legal restrictions may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, many of our subsidiaries, including our insurance subsidiaries, are subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. Regulatory action of that kind could impede access to funds we need to make dividend payments or payments on our obligations.

We have issued securities that contain provisions that could restrict our payment of dividends.

We currently have outstanding an aggregate of approximately $6 billion of our junior subordinated debentures, and may in the future issue additional junior subordinated debentures or similar securities, that in certain circumstances, including the failure to pay current interest, limit our ability to pay dividends on our common stock. While we currently do not anticipate that any of these circumstances will occur, no assurance can be given that these circumstances will not occur in the future.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

Except as described under Underwriting, we are not restricted from issuing additional shares of our common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, our common stock. The market price of our common stock could decline as a result of sales of shares of our common stock or sales of such other securities made after this offering or the perception that such sales could occur.

The price of our common stock may fluctuate significantly.

The price of our common stock on the NYSE constantly changes. We expect that the market price of our common stock will continue to fluctuate.

Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- periodic variations in our operating results or the quality of our assets;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements of innovations, new products, strategic developments, significant contracts, acquisitions, divestitures and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;

- future sales of our equity or equity-related securities; and

- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price regardless of our operating results.

Table of Contents

Anti-takeover provisions could negatively impact our shareholders.

Provisions of state insurance law and Delaware corporation law, and provisions of our certificate of incorporation and bylaws, could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us, even if an acquisition might be in the best interest of our shareholders.

USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $ billion (or approximately $ billion if the underwriters exercise their over-allotment option in full), after expenses and underwriting discounts. We intend to use the net proceeds from this offering for general corporate purposes. We currently intend to use the proceeds from the settlement of the stock purchase contracts to repay debt as soon as practicable following such settlement, and we have agreed not to use such proceeds to repurchase common stock.

Table of Contents

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock trades on the NYSE under the symbol AIG . As of April 30, 2008, there were 2,492,061,043 shares of our common stock issued and outstanding. As of April 30, 2008, there were 55,901 shareholders of record. The following table provides the high and low closing sales price per share during the periods indicated, as reported on the NYSE, and dividends paid per share of our common stock during such periods.

	Low Sale Price	High Sale Price	Common Stock Dividends
2008:			
Second Quarter (through May 7, 2008)	$ 43.29	$ 49.04	(1)(2)
First Quarter	39.80	59.32	$ 0.200
2007:			
Fourth Quarter	51.33	70.11	0.200
Third Quarter	61.64	70.44	0.200
Second Quarter	66.49	72.65	0.165
First Quarter	66.77	72.15	0.165
2006:			
Fourth Quarter	66.30	72.81	0.165
Third Quarter	57.76	66.48	0.165
Second Quarter	58.67	66.54	0.150
First Quarter	65.35	70.83	0.150

(1) On March 12, 2008, AIG announced that its board of directors declared a cash dividend on our common stock equal to $0.200 per share, payable on June 20, 2008 to shareholders of record on June 6, 2008.

(2) On May 8, 2008, AIG announced that its board of directors declared a cash dividend on our common stock equal to $0.220 per share, payable on September 19, 2008 to shareholders of record on September 5, 2008.

The amount of future dividends will depend on earnings, financial condition, capital requirements and other factors, and will be determined by our board of directors on a quarterly basis. For a discussion of our dividend policy, see Management s Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

The last reported sale price per share of our common stock on May 7, 2008, as reported by the NYSE, was $45.08.

DESCRIPTION OF THE EQUITY UNITS

The section summarizes of some of the terms of the Equity Units. This summary does not purport to be complete and is subject to, is qualified by reference to, and should be read together with, the documents governing the terms of the Equity Units, copies of which have been or will be filed and incorporated by reference as exhibits to the registration statement of which this prospectus supplement and the accompanying prospectus form a part. This summary supplements the description of the stock purchase contracts in the accompanying prospectus, and, to the extent it is inconsistent, replaces the description in the accompanying prospectus.

We will issue the Equity Units under the purchase contract agreement and pledge agreement between us and The Bank of New York, whom we refer to as the purchase contract agent, and Wilmington Trust Company, as collateral agent, custodial agent and securities intermediary (the *collateral agent*). Equity Units may be either Corporate Units or Treasury Units. The Equity Units will initially consist of Corporate Units (or Corporate Units if the underwriters exercise their over-allotment option in full), each with a stated amount of $75, which will reduce by $25 on each stock purchase date.

Corporate Units

Each Corporate Unit will consist of a unit comprising:

(a) a stock purchase contract under which, subject to a holder s early settlement right as described under Description of the Stock Purchase Contracts Early Settlement,

(1) the holder will agree to purchase from us, and we will agree to sell to the holder, for $25, a number of shares of our common stock equal to the applicable settlement rate described below under Description of the Stock Purchase Contracts Purchase of Common Stock (which settlement rate will be subject to anti-dilution adjustments under the circumstances set forth under Description of the Stock Purchase Contracts Anti-Dilution Adjustments) on each of February 15, 2011, May 1, 2011 and August 1, 2011, or the next business day (as defined herein) if any such day is not a business day (each such date, a *stock purchase date*); and

(2) we will pay the holder quarterly contract adjustment payments:

from and including the issue date to but excluding the first stock purchase date at an annual rate of % on the initial stated amount of $75 per stock purchase contract;

from and including the first stock purchase date to but excluding the second stock purchase date at an annual rate of % on the adjusted stated amount of $50 per stock purchase contract; and

from and including the second stock purchase date to but excluding the third stock purchase date at an annual rate of % on the adjusted stated amount of $25 per stock purchase contract.

(b) a 1/40, or 2.5%, undivided beneficial ownership interest in one or more of the following debentures, each with a principal amount of $1,000:

(1) a Series B-1 Junior Subordinated Debenture, or *Series B-1 Debenture*, initially due February 15, 2041;

(2) a Series B-2 Junior Subordinated Debenture, or *Series B-2 Debenture*, initially due May 1, 2041; and

(3) a Series B-3 Junior Subordinated Debenture, or *Series B-3 Debenture*, initially due August 1, 2041.

The Series B-1 Debentures, the Series B-2 Debentures and the Series B-3 Debentures are referred to collectively as the *debentures*. On the remarketing settlement date for any series of debentures, the undivided beneficial ownership interest in such debenture will be replaced with an interest in a portfolio of U.S. Treasury securities, which we refer to as the *Treasury portfolio*.

The purchase price of each Equity Unit will be allocated between the related stock purchase contract and the related beneficial interest in each debenture in proportion to their respective fair market values at the time of issuance. We will report the fair market value of each such 1/40, or 2.5%, undivided beneficial ownership interest with a principal amount of $1,000 as $25 and the fair market value of the stock purchase contract as $0. This position generally will be binding on each beneficial owner of each Equity Unit but not on the IRS. For a discussion of the adverse consequences to holders of Equity Units if the IRS disagrees with our position, see Risk Factors Risks relating to the Equity Units The IRS could disagree with our U.S. federal income tax characterization of the Equity Units.

As long as an Equity Unit is in the form of a Corporate Unit, your beneficial interest in the debentures (or, in the case of successful remarketing after the applicable remarketing settlement date and prior to the applicable stock purchase date, the Treasury portfolio) forming a part of the Corporate Unit will be pledged to us through the collateral agent to secure your obligation to purchase shares of our common stock under the stock purchase contract forming part of such Corporate Unit. Holders of Corporate Units will receive interest paid on debentures pledged in relation to their Equity Units despite our security interest.

Creating Treasury Units

Each holder of 40 Corporate Units will have the right at any time other than during a blackout period as described below to create Treasury Units by substituting interests in the applicable qualifying treasury securities (as described below) for such holder s ownership interests in the debentures held by the collateral agent, in an amount at maturity equal to the principal amount of the debentures for which substitution is being made. Because qualifying treasury securities are issued in integral multiples of $1,000, holders of Corporate Units may make this substitution only in integral multiples of 40 Corporate Units. Accordingly, prior to the close of business on the second business day prior to the first remarketing period start date (as defined under Description of the Stock Purchase Contracts Remarketing), to create Treasury Units from Corporate Units a holder must substitute a qualifying treasury security with a principal amount of $1,000 described in each of the three bullet points below for each 40 Corporate Units. After the first remarketing period (or if the remarketing of the Series B-1 Debentures is successful, after the first stock purchase date) and prior to the close of business on the second business day prior to the second remarketing period start date, to create Treasury Units from Corporate Units a holder must substitute a qualifying treasury security described in each of the second and third bullet points below with a principal amount of $1,000 for each 40 Corporate Units. After the second remarketing period (or if the remarketing of the Series B-2 Debentures is successful, after the second stock purchase date) and prior to the close of business on the second business day prior to the third remarketing period start date, to create Treasury Units from Corporate Units a holder must substitute a qualifying treasury security described in the third bullet point below with a principal amount of $1,000 for each 40 Corporate Units. Substitutions will not be permitted following the close of business on the second business day prior to a remarketing period start date and prior to the end of the applicable remarketing period or, if the applicable remarketing is successful, the applicable stock purchase date. We refer to the periods during which substitutions are not permitted as *blackout periods*.

The interests in the applicable *qualifying treasury securities* that must be substituted in order to create each Treasury Unit consist of:

- until the first stock purchase date, a 1/40, or 2.5% undivided beneficial ownership interest in a zero-coupon U.S. Treasury security (CUSIP No. 912820GC5) that matures on such stock purchase date with a principal amount at maturity of $1,000;

until the second stock purchase date, a 1/40, or 2.5% undivided beneficial ownership interest in a zero-coupon U.S. Treasury security (CUSIP No. 921820NA1) that matures on the day prior to such stock purchase date with a principal amount at maturity of $1,000; and

until the third stock purchase date, a 1/40, or 2.5% undivided beneficial ownership interest in a zero-coupon U.S. Treasury security (CUSIP No. 912820NK9) that matures on the day prior to such stock purchase date with a principal amount at maturity of $1,000.

These substitutions will create Treasury Units, and the applicable series of debentures will be released to the holder and be separately tradable from the Treasury Units.

Each Treasury Unit will consist of a unit with an initial stated amount of $75, which will reduce by $25 on each stock purchase date, and will consist of:

(a) a stock purchase contract under which, subject to a holder s early settlement right:

(1) the holder will agree to purchase from us, and we will agree to sell to the holder, not later than on each stock purchase date, for $25 in cash, a number of shares of our common stock equal to the settlement rate described below under Description of the Stock Purchase Contracts Purchase of Common Stock (which settlement rate will be subject to anti-dilution adjustment under the circumstances set forth in Description of the Stock Purchase Contracts Anti-Dilution Adjustments), and

(2) we will pay the holder quarterly contract adjustment payments:

from and including the issue date to but excluding the first stock purchase date, at an annual rate of % on the initial stated amount of $75 per stock purchase contract;

from and including the first stock purchase date to but excluding second stock purchase date, at the annual rate of % on the adjusted stated amount of $50 per stock purchase contract; and

from and including the second stock purchase date to but excluding the third stock purchase date, at the annual rate of % on the adjusted stated amount of $25 per stock purchase contract; and

(b) a 1/40, or 2.5%, undivided beneficial ownership interest in the applicable qualifying treasury securities.

To create 40 Treasury Units, a Corporate Unit holder must:

deposit with the collateral agent $1,000 principal amount at maturity of each qualifying treasury security then constituting part of a Treasury Unit, which must be purchased in the open market at the Corporate Unit holder s expense, and

transfer 40 Corporate Units to the purchase contract agent accompanied by a notice stating that the holder has deposited each such qualifying treasury security with the collateral agent and requesting the release to the holder of the debentures relating to 40 Corporate Units.

Upon the deposit and receipt of an instruction from the purchase contract agent, the collateral agent will release the related debentures from the pledge under the pledge agreement, free and clear of our security interest, to the purchase contract agent. The purchase contract agent then will:

- cancel the 40 Corporate Units,
- transfer the related debentures to the holder, and
- deliver 40 Treasury Units to the holder.

The qualifying treasury securities will be substituted for the debentures and will be pledged to us through the collateral agent to secure the holder s obligation to purchase common stock under the related stock purchase contracts. The related debentures released to the holder thereafter will trade separately from the resulting Treasury Units.

Recreating Corporate Units

Each holder of 40 Treasury Units will have the right at any time other than during a blackout period as described below to recreate Corporate Units by substituting interests in the applicable debentures for such holder s ownership interest in the qualifying treasury securities held by the collateral agent, in an amount equal to the principal amount at maturity of the qualifying treasury securities for which substitution is being made. Because qualifying treasury securities are issued in integral multiples of $1,000, holders of Treasury Units may make this substitution only in integral multiples of 40 Treasury Units. Accordingly, prior to the close of business on the second business day prior to the first remarketing period start date, to recreate Corporate Units from Treasury Units a holder must substitute debentures of each series with a principal amount of $1,000 for each 40 Treasury Units. After the first remarketing period (or if the remarketing of the Series B-1 Debentures is successful, after the first stock purchase date) and prior to the close of business on the second business day prior to the second remarketing period start date, to recreate Corporate Units from Treasury Units a holder must substitute Series B-2 Debentures and Series B-3 Debentures with a principal amount of $1,000 for each 40 Treasury Units. After the second remarketing period (or if the remarketing of the Series B-2 Debentures is successful, after the second stock purchase date) and prior to the close of business on the second business day prior to the third remarketing period start date, to recreate Corporate Units from Treasury Units a holder must substitute Series B-3 Debentures with a principal amount of $1,000 for each 40 Treasury Units. Substitutions will not be permitted during blackout periods.

These substitutions will recreate Corporate Units, and the applicable qualifying treasury securities will be released to the holder and be separately tradable from the Corporate Units.

To recreate 40 Corporate Units, a Treasury Unit holder must:

- deposit with the collateral agent the following debentures, each with a principal amount of $1,000, which must be purchased in the open market at the Corporate Unit holder s expense:
  - a Series B-3 Debenture; and
  - if prior to the second stock purchase date, a Series B-2 Debenture, and
  - if prior to the first stock purchase date, a Series B-1 Debenture, and
- transfer 40 Treasury Units to the purchase contract agent accompanied by a notice stating that the Treasury Unit holder has deposited $1,000 principal amount of debentures with the collateral agent and requesting the release to the holder of the qualifying treasury securities relating to the Treasury Units.

Upon the deposit and receipt of an instruction from the purchase contract agent, the collateral agent will release the related qualifying treasury securities from the pledge under the pledge agreement, free and clear of our security interest, to the purchase contract agent. The purchase contract agent will then:

- cancel the 40 Treasury Units,
- transfer the related qualifying treasury securities to the holder, and
- deliver 40 Corporate Units to the holder.

The substituted debentures will be pledged to us through the collateral agent to secure the Corporate Unit holder s obligation to purchase common stock under the related stock purchase contracts.

Holders that elect to substitute pledged securities, thereby creating Treasury Units or recreating Corporate Units, will be responsible for any fees or expenses payable in connection with the substitution.

Table of Contents

Current Payments

Each holder of Corporate Units will be entitled to receive quarterly cash distributions consisting of interest payments on the holder s undivided beneficial ownership interest in each series of debentures (or *pro rata* distributions on the applicable ownership interest in the Treasury portfolio if it has replaced a series of debentures as a component of Corporate Units) and quarterly contract adjustment payments payable by us:

from and including the issue date to but excluding the first stock purchase date:

interest at the annual rate of % on your 1/40, or 2.5%, interest in a Series B-1 Debenture with a principal amount of $1,000;

interest at the annual rate of % on your 1/40, or 2.5%, interest in a Series B-2 Debenture with a principal amount of $1,000;

interest at the annual rate of % on your 1/40, or 2.5%, interest in a Series B-3 Debenture with a principal amount of $1,000, and

contract adjustment payments at the annual rate of % on the initial stated amount of $75 per stock purchase contract;

from and including the first stock purchase date to but excluding the second stock purchase date:

interest at the annual rate of % on your 1/40, or 2.5%, interest in a Series B-2 Debenture with a principal amount of $1,000;

interest at the annual rate of % on your 1/40, or 2.5%, interest in a Series B-3 Debenture with a principal amount of $1,000;

contract adjustment payments at the annual rate of % on the adjusted stated amount of $50 per stock purchase contract; and

from and including the second stock purchase date to but excluding the third stock purchase date, interest at the annual rate of % on your 1/40, or 2.5%, interest in a Series B-3 Debenture with a principal amount of $1,000, and contract adjustment payments at the annual rate of % on the adjusted stated amount of $25 per stock purchase contract.

These payments are subject to deferral as described under Deferral of Payments on Equity Units and are subordinated to our obligations as described under Ranking.

Holders of Treasury Units will be entitled to receive quarterly contract adjustment payments payable by us:

from and including the issue date to but excluding the first stock purchase date at the annual rate of % on the initial stated amount of $75 per stock purchase contract;

from and including the first stock purchase date to but excluding the second stock purchase date, at the annual rate of % on the adjusted stated amount of $50 per stock purchase contract; and from and including the second stock purchase date to but excluding the third stock purchase date, at the annual rate of % on the adjusted stated amount of $25 per stock purchase contract.

These payments are subject to deferral as described under Deferral of Payments on Equity Units and are subordinated to our obligations as described under Ranking.

If an early settlement date occurs due to a cash merger as described in Description of the Stock Purchase Contracts Early Settlement upon Cash Merger, contract adjustment payments will cease to accrue on the early settlement date. If any other early settlement of the stock purchase contracts occurs (in the case of an early settlement other than upon a cash merger), contract adjustment payments will cease to accrue on the most recent quarterly payment date on or before such other early settlement, and if the early settlement date falls after the record date for a contract adjustment payment and prior to the contract adjustment payment date, the holder electing early settlement must pay to the purchase contract agent, on the early settlement date, the amount of such contract adjustment payment, unless such payment has been deferred as described below under Deferral of Payments on Equity Units.

There will be no distributions in respect of the qualifying treasury securities that are a component of the Treasury Units but holders of the Treasury Units will continue to receive the scheduled quarterly interest payments on the debentures that were released to them when the Treasury Units were created for as long as they hold the debentures. We will make these payments on the Corporate Units and the Treasury Units quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing August 1, 2008, but if any of these days is not a business day, we will make the payment on the next business day and no interest will be payable as a result of that delay. Following a successful remarketing of any series of debentures, unless we have elected to remarket that series of debentures as floating-rate debentures, interest on such series of debentures will be payable on a semi-annual basis on May 1 and November 1 of each year in the case of the Series B-1 Debentures and Series B-3 Debentures or on February 1 and August 1 of each year, in the case of the Series B-2 Debentures, in each case commencing on the next such date following the applicable stock purchase date.

Deferral of Payments on Equity Units

We may defer contract adjustment payments in respect of the Equity Units at any time and from time to time. Deferred contract adjustment payments will accrue interest until paid, compounded on each payment date for the Equity Units, at the annual rate of %. If on the third stock purchase date we do not pay all accrued and unpaid contract payments in cash, each holder of an Equity Unit will receive (net of any required tax withholding on such contract adjustment payments, which shall be remitted to the appropriate taxing jurisdiction), in our sole discretion, either a number of shares of our common stock (in addition to the number of shares of common stock per Equity Unit equal to the applicable settlement rate) equal to the aggregate amount of deferred contract payments payable to such holder divided by the greater of the applicable market value and $, subject to anti-dilution adjustments, or additional debentures (*additional debentures*), in our sole discretion, in a principal amount equal to the aggregate amount of deferred contract payments. The additional debentures will mature on the later of August 1, 2014 and the date five years after the commencement of the deferral period, bear interest at an annual rate equal to the then market rate of interest for similar instruments (not to exceed 10%), as determined by a nationally recognized investment banking firm selected by us, rank *pari passu* with the debentures and our outstanding parity securities and be subject to deferral on the same basis as the debentures and be redeemable at our option at any time at their principal amount plus accrued and unpaid interest thereon through the date of redemption.

We may also defer the payment of interest on any series of debentures on any interest payment date prior to the applicable remarketing period start date. Deferred interest will accrue interest until paid, compounded on each interest payment date, at the annual rate originally applicable to such series of debentures. We may pay deferred interest in cash or in the form of additional debentures in a principal amount equal to the aggregate amount of deferred interest at any time; *provided* that if any deferred interest has not been paid on or prior to the applicable stock purchase date, we must pay it, in cash or in the form of additional debentures in a principal amount equal to the aggregate amount of deferred interest on such date, to the holders of such series of debentures, whether or not they participate in the applicable remarketing.

Subject to certain exceptions described under Description of Our Debentures Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances, if we have given notice of our election to defer or are deferring any contract adjustment payments or interest payments or if any additional debentures are outstanding, we and our subsidiaries generally may not make payments on or redeem or purchase our capital stock or our debt securities or guarantees ranking *pari passu* with or junior to the debentures. For further discussion of the U.S. federal tax consequences of a deferral of interest on the debentures, see Risk Factors Risks relating to the Equity Units Deferral of interest payments on the debentures will have negative U.S. federal income tax consequences and is likely to adversely affect the market price of the Corporate Units.

Table of Contents

During any deferral period, interest will continue to accrue on the debentures and holders of debentures or Corporate Units that are outstanding will be required to accrue such deferred interest income on a constant-yield basis in the form of original issue discount for U.S. federal income tax purposes prior to the receipt of cash attributable to such income, regardless of the method of accounting used by the holders. See Certain United States Federal Income Tax Consequences Taxation of the Debentures Interest on the Debentures.

Ranking

Each series of debentures will constitute one series of AIG s junior subordinated debentures and will be issued by AIG under the junior subordinated debt indenture, dated as of March 13, 2007, as supplemented (the *junior debt indenture*). The debentures will rank *pari passu* with our:

$1,000,000,000 aggregate principal amount of 6.25% Series A-1 Junior Subordinated Debentures,

£750,000,000 aggregate principal amount of 5.75% Series A-2 Junior Subordinated Debentures,

1,000,000,000 aggregate principal amount of 4.875% Series A-3 Junior Subordinated Debentures,

$750,000,000 aggregate principal amount of 6.45% Series A-4 Junior Subordinated Debentures, and

$1,100,000,000 aggregate principal amount of 7.70% Series A-5 Junior Subordinated Debentures (collectively, the *outstanding parity securities*).

We may issue additional series of junior subordinated debentures that rank *pari passu* with the debentures.

The debentures and our obligations to make contract adjustment payments will be unsecured, will rank junior in payment to all of our existing and future *senior debt*, as defined under Description of Our Debentures Subordination, and will be effectively subordinated to all liabilities of our subsidiaries. Substantially all of our existing indebtedness, other than the outstanding parity securities, is senior debt. Each series of debentures will automatically cease to be subordinated and become a senior, unsecured obligation of AIG upon the applicable remarketing settlement date.

Voting and Certain Other Rights

Holders of stock purchase contracts forming part of the Corporate Units or Treasury Units, in such capacities, will have no voting or other rights in respect of the common stock.

Listing of the Securities

We have applied for listing of the Corporate Units on the NYSE under the symbol AIG-PrA . Unless and until substitution has been made as described in Creating Treasury Units or Recreating Corporate Units, the debentures will not trade separately from the Corporate Units or Treasury Units. The debentures (or after a successful remarketing of any series of debentures and prior to the applicable stock purchase date, the interest in the Treasury portfolio) will trade as a unit with the stock purchase contract component of the Corporate Units, and the qualifying treasury security component will trade as a unit with the stock purchase contract component of the Treasury Units. If the Treasury Units or the debentures of any series are separately traded to a sufficient extent that applicable exchange listing requirements are met, we may endeavor, but are not obligated, to list the Treasury Units or the debentures of such series on the same exchange as the Corporate Units are then listed, including, if applicable, the NYSE.

Miscellaneous

We or our affiliates may from time to time purchase any of the securities offered by this prospectus supplement which are then outstanding by tender, in the open market, by private agreement or otherwise.

Table of Contents

DESCRIPTION OF THE STOCK PURCHASE CONTRACTS

This section summarizes some of the terms of the purchase contract agreement, stock purchase contracts, pledge agreement, remarketing agreement and junior debt indenture. The summary does not purport to be complete and is subject to, is qualified in its entirety by reference to, and should be read together with, the purchase contract agreement, pledge agreement, remarketing agreement and junior debt indenture, forms of which have been or will be filed and incorporated by reference as exhibits to the registration statement of which this prospectus supplement and the accompanying prospectus form a part. This summary supplements the description of the stock purchase contracts in the accompanying prospectus and, to the extent it is inconsistent with any portion of the description in the accompanying prospectus, replaces that portion of the description in the accompanying prospectus.

As used under this caption, Description of the Stock Purchase Contracts, references to we, us, our and other simila references mean American International Group, Inc., excluding, unless otherwise expressly stated or the context otherwise requires, its subsidiaries.

Purchase of Common Stock

Subject to a holder s early settlement right as described below under Early Settlement, and Early Settlement upon Cash Merger, each stock purchase contract underlying a Corporate Unit or Treasury Unit will obligate the holder of the stock purchase contract to purchase, and us to sell, on each of the three stock purchase dates, for $25 in cash, a number of newly issued shares of our common stock equal to the settlement rate. The settlement rate will, subject to adjustment under the circumstances described in Anti-Dilution Adjustments and Early Settlement upon Cash Merger, be as follows:

If the applicable market value of our common stock is equal to or greater than the threshold appreciation price of $, shares of our common stock, which is approximately equal to $25 divided by the threshold appreciation price, and which we refer to as the *minimum settlement rate*.

Accordingly, if the market value for the common stock increases between the date of this prospectus supplement and the period during which the applicable market value is measured and the applicable market value is greater than $25, the aggregate market value of the shares of common stock issued upon settlement of a stock purchase contract on the applicable stock purchase date will be higher than $25, assuming that the market price of the common stock on the stock purchase date is the same as the applicable market value of the common stock. However, you will only participate in % of the appreciation of our common stock in excess of the threshold appreciation price. In other words, for every dollar of appreciation of our common stock in excess of the threshold appreciation price, you will receive $ of that appreciation. If the applicable market value is the same as the threshold appreciation price, the aggregate market value of the shares issued upon settlement will be equal to $25, assuming that the market price of the common stock on the applicable stock purchase date is the same as the applicable market value of the common stock.

If the applicable market value of our common stock is less than the threshold appreciation price but greater than the reference price of $, a number of shares of our common stock equal to $25 divided by the applicable market value.

Accordingly, if the market value for the common stock remains above the reference price between the date of this prospectus supplement and the period during which the applicable market value is measured, but the applicable market value is less than the threshold appreciation price and greater than the reference price, the aggregate market value of the shares of common stock issued upon settlement of a stock purchase contract on the stock purchase date will be equal to $25, assuming that the market price of the common stock on the applicable stock purchase date is the same as the applicable market value of the common stock.

Table of Contents

If the applicable market value of our common stock is less than or equal to the reference price, the settlement rate will be shares of our common stock, which is approximately equal to $25 divided by the reference price, and which we refer to as the *maximum settlement rate* and together with the minimum settlement rate as the *fixed settlement rates*.

Accordingly, if the market value for the common stock decreases below the reference price between the date of this prospectus supplement and the period during which the applicable market value is measured and the applicable market value is less than the reference price, the aggregate market value of the shares of common stock issued upon settlement of a stock purchase contract on the applicable stock purchase date will be less than $25, assuming that the market price on the applicable stock purchase date is the same as the applicable market value of the common stock. If the applicable market value is the same as the reference price, the aggregate market value of the shares issued upon settlement will be equal to $25, assuming that the market price of the common stock on the applicable stock purchase date is the same as the applicable market value of the common stock.

If you elect to settle your stock purchase contract early in the manner described under Early Settlement, the number of shares of our common stock issuable upon settlement of each $25 portion of the stated amount of such stock purchase contract will be equal to the minimum settlement rate, subject to adjustment as described under Anti-Dilution Adjustments.

The *applicable market value* with respect to any stock purchase contract date means the average of the volume weighted average price per share of our common stock (or exchange property units, as defined under Anti-Dilution Adjustments, in which the stock purchase contracts will be settled following a reorganization event) on each of the 20 consecutive trading days ending on the third trading day immediately preceding such stock purchase date, which 20 trading day period we refer to as the *observation period*, subject to anti-dilution adjustments under the circumstances set forth under Anti-Dilution Adjustments below. Following a reorganization event, references to the purchase or issuance of shares of our common stock pursuant to stock purchase contracts will be construed to be references to settlement into exchange property units, and references to the purchase or issuance of any specified number of shares of common stock upon the settlement of stock purchase contracts will be construed to be references to settlements into the same number of exchange property units. For purposes of calculating the exchange property unit value, (x) the value of any common stock included in the exchange property unit will be determined using the average of the volume weighted average price per share of such common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the applicable stock purchase date and (y) the value of any other property, including securities other than common stock, included in the exchange property unit will be the value of such property on the first trading day of the applicable observation period (as determined in good faith by our board of directors, whose determination shall be conclusive and described in a board resolution). The reference price equals the price at which we initially offered our common stock to the public in the concurrent Common Stock Offering. If there is no Common Stock Offering, the reference price will equal the closing price of our common stock on the day prior to the date of this prospectus supplement.

The threshold appreciation price represents an approximately % appreciation over the reference price.

Volume weighted average price or *VWAP* per share of our common stock on any trading day means such price as displayed on Bloomberg (or any successor service) page AIG UN <Equity> AQR in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such trading day; or, if such price is not available, the volume weighted average price means the market value per share of our common stock on such day as determined by a nationally recognized independent investment banking firm retained by us for this purpose.

A *trading day* means a day on which the common stock:

at the close of regular way trading (not including extended or after hours trading) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business, and

has traded at least once regular way on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of our common stock.

We will not issue any fractional shares of common stock pursuant to the stock purchase contracts. In lieu of fractional shares otherwise issuable (calculated on an aggregate basis) in respect of stock purchase contracts being settled by a holder of Equity Units on each stock purchase date, the holder will be entitled to receive an amount in cash equal to the fraction of a share *multiplied by* the closing sales price of our common stock on the trading day immediately preceding the applicable stock purchase date.

On the business day immediately preceding each stock purchase date, unless:

a holder of Corporate Units or Treasury Units has settled or provided for the settlement of the related stock purchase contracts prior to such stock purchase date through the early delivery of cash to the purchase contract agent in the manner described under Early Settlement, Early Settlement upon Cash Merger or Notice to Settle with Cash, or

an event described under Termination has occurred,

then,

in the case of Corporate Units where the Treasury portfolio has replaced the applicable series of debentures as a component of the Corporate Units, a portion of the proceeds equal to the stated amount of $25 per Corporate Unit of the applicable ownership interest in the Treasury portfolio, when paid at maturity, will automatically be applied to satisfy in full the holder s obligation to purchase common stock under the related stock purchase contracts on such stock purchase date,

in the case of Corporate Units where the Treasury portfolio has not replaced the debentures as a component of the Corporate Units, we will exercise our rights as a secured creditor in compliance with applicable law, including, without limitation, disposition of that series of debentures or applying that series of debentures (but not any additional debentures issued to pay deferred interest on such debentures) against your obligation to purchase shares of our common stock under the related stock purchase contracts on such stock purchase date, and

in the case of Treasury Units, the principal amount of the applicable qualifying treasury securities, when paid at maturity, will automatically be applied to satisfy in full the holder s obligation to purchase common stock under the related stock purchase contracts on such stock purchase date.

The common stock will then be issued and delivered to the holder or the holder s designee, upon presentation and (on or after the third stock purchase date) surrender of the Corporate Units or Treasury Units (which, in the case of Equity Units evidenced by physical certificates, must be made by presentation and surrender of such certificates) and payment by the holder of any transfer or similar taxes payable in connection with the issuance of the common stock to any person other than the holder. Until the delivery of the shares of our common stock, the holder of an Equity Unit will have no rights as a shareholder of AIG; holders of Equity Units will become record holders of our common stock at the close of business on the delivery date of the shares of our common stock. For a discussion of the lack of rights of holders of Equity Units as shareholders of AIG, see Risk Factors Risks relating to the Equity Units If you hold Equity Units, you will not be entitled to any rights with respect to our common stock.

Each holder of Corporate Units or Treasury Units, by acceptance of these securities, will be deemed to have:

irrevocably agreed to be bound by the terms and provisions of the related stock purchase contracts and the pledge agreement and to have agreed to perform its obligations thereunder for so long as the holder remains a holder of the Corporate Units or Treasury Units, and

duly appointed the purchase contract agent as the holder s attorney-in-fact to enter into and perform the related stock purchase contracts and pledge agreement on behalf of and in the name of the holder.

In addition, each beneficial owner of Corporate Units or Treasury Units, by acceptance of the beneficial interest therein, will be deemed to have agreed to treat:

itself as the owner of the applicable ownership interests in the related debentures, Treasury portfolio or qualifying treasury securities, as the case may be, and

the debentures as indebtedness for all U.S. federal income tax purposes.

Remarketing

Pursuant to a remarketing agreement among us, the purchase contract agent and the remarketing agent to be appointed thereunder, the remarketing agent will attempt to remarket the debentures of each series held by Corporate Unit holders as part of Corporate Units during the applicable remarketing period and debentures of such series that are not part of Corporate Units but whose holders have elected to participate in the remarketing as described under Description of Our Debentures Optional Remarketing. Each remarketing will take place during a 30-day period (a *remarketing period*) ending on the date that is not less than three business days prior to the date one month prior to the applicable stock purchase date. We refer to the first day of each remarketing period as a *remarketing period start date*. If a successful remarketing occurs, settlement will take place on the third business day following the date of the successful remarketing, or the *remarketing settlement date*.

For each remarketing, the remarketing agent will be required to use commercially reasonable efforts to obtain a price for the remarketed debentures that results in proceeds, net of the 0.25% remarketing fee, of at least 100% of the sum of the Treasury portfolio purchase price and the separate debentures purchase price, as defined below. To obtain that price, the remarketing agent, in consultation with us, may reset the interest rate on the series of debentures being remarketed at a new fixed or floating rate as described below. We have the right to postpone the remarketing in our absolute discretion on any day prior to the last five business days of a remarketing period. A remarketing will be considered successful and no further attempts to remarket will be made if the resulting proceeds, net of the 0.25% remarketing fee, are at least 100% of the sum of the Treasury portfolio purchase price and the separate debentures purchase price.

The *separate debentures purchase price* means the amount in cash equal to the product of (A) the remarketing price per debenture (as defined below) and (B) the number of debentures included in such remarketing that are not part of Corporate Units, which we refer to as *separate debentures.*

In the event of a successful remarketing, each holder of a separate debenture will receive the *remarketing price per debenture*, which, for each $1,000 principal amount of debentures, is an amount in cash equal to the quotient of the Treasury portfolio purchase price divided by the number of debentures included in such remarketing that are held as components of Corporate Units. Each holder of a Corporate Unit whose debenture of the applicable series is included in a successful remarketing will receive an applicable ownership interest in the Treasury portfolio equal to the remarketing price per debenture.

In the event of a successful remarketing of the debentures of any series, on the applicable remarketing settlement date, the portion of the proceeds from the remarketing equal to the separate debentures purchase price will be paid to holders of separate debentures remarketed in a remarketing, and the portion of the

Table of Contents

proceeds from the remarketing equal to the Treasury portfolio purchase price will be applied to purchase the Treasury portfolio consisting of:

U.S. Treasury securities (or principal or interest strips thereof) that mature on or prior to the applicable stock purchase date in an aggregate amount equal to the principal amount of the debentures that were formerly included in Corporate Units but that were remarketed, and

U.S. Treasury securities (or principal or interest strips thereof) that mature on or prior to the applicable stock purchase date in an aggregate amount at maturity equal to the aggregate interest that would have accrued from and including the immediately preceding interest payment date to but excluding the applicable stock purchase date (assuming no reset of the interest rate) on the aggregate principal amount of the debentures that were formerly included in the Corporate Units but that were remarketed.

In the event we determine that the foregoing U.S. Treasury securities are not available, we may substitute for such U.S. Treasury securities one or more short-term discount obligations of one of our affiliates that are issued on the applicable remarketing settlement date, accrete interest at an arms -length rate, have the same aggregate principal amount at maturity as the U.S. Treasury securities for which they are substituted and mature on or prior to the applicable stock purchase date.

The Treasury portfolio will be substituted for the debentures of the applicable series as a component of the Corporate Units and will be pledged to us through the collateral agent to secure the Corporate Unit holders obligation under the stock purchase contracts to purchase shares of our common stock on the applicable stock purchase date. On or promptly following the applicable remarketing settlement date, the remarketing agent will remit to the purchase contract agent any remaining portion of the proceeds for the benefit of the holders of the Corporate Units, the debentures component of which were included in the remarketing. On the applicable stock purchase date, a portion of the proceeds from the Treasury portfolio equal to the principal amount of the debentures previously included in the Corporate Units will automatically be applied to satisfy the Corporate Unit holders obligation to purchase common stock under the stock purchase contracts on such stock purchase date and proceeds from the Treasury portfolio equal to the interest payment (assuming no reset of the interest rate) that would have accrued to the holders of Corporate Units on the debentures (to but excluding the applicable stock purchase date) previously included in the Corporate Units on the applicable stock purchase date will be paid to the holders of the Corporate Units.

As used in this context, *Treasury portfolio purchase price* means the lowest aggregate ask-side price quoted by a primary U.S. government securities dealer to the quotation agent between 9:00 a.m. and 11:00 a.m., New York City time, on the date of a successful remarketing for the purchase of the Treasury portfolio described above for settlement the third business day immediately following such date. *Quotation agent* means any primary U.S. government securities dealer in New York City selected by us.

In connection with an attempted remarketing of a series of debentures, the remarketing agent may reset the rate on such series of debentures at a new fixed or floating rate. If the remarketing is successful and the rate is reset, the reset rate will apply to all outstanding debentures of that series, whether or not the holders participated in such remarketing, and will become effective on the applicable remarketing settlement date. The interest rate on each series of debentures will be the reset rate or, if we have elected to remarket such series of debentures as floating-rate debentures, the applicable index plus the reset spread determined by the remarketing agent, in consultation with us, such that the proceeds from such remarketing, net of the 0.25% remarketing fee, will be at least equal to 100% of the sum of the Treasury portfolio purchase price and the separate debentures purchase price. The interest will be payable semi-annually if the debentures will be successfully remarketed at a fixed rate or quarterly if the debentures will be successfully remarked at a floating rate.

We will cause a notice of any failed remarketing to be published on the business day immediately following the end of the remarketing period, by publication in a daily newspaper in the English language of general circulation in New York City, which is expected to be *The Wall Street Journal*. In addition, we will request, not later than seven nor more than 15 calendar days prior to each remarketing period start date, that the depositary notify its participants holding debentures, Corporate Units and Treasury Units of the remarketing.

If the debentures have not been successfully remarketed during the remarketing period, the interest rate on the debentures will not be reset.

Early Settlement

Subject to the conditions described below, a holder of Corporate Units or Treasury Units may settle the related stock purchase contracts in cash at any time, other than during a blackout period, on or prior to the second business day immediately preceding any stock purchase date by delivering the related Corporate Unit or Treasury Units (which, if they are in certificated form, must be surrendered at the offices of the purchase contract agent) and an Election to Settle Early form duly completed in accordance with the applicable procedures of the depositary (or, if the Equity Units are certificated, by completing the form of Election to Settle Early on the reverse side of such certificate completed and executed as indicated), accompanied by payment to us in immediately available funds of an amount equal to:

- the initial or adjusted stated amount per stock purchase contract multiplied by the number of stock purchase contracts being settled, plus

- if the delivery is made with respect to any stock purchase contract during the period after the close of business on any record date next preceding any quarterly payment date and prior to the opening of business on such payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to all such stock purchase contracts.

If a holder of a Corporate Unit or Treasury Unit settles a stock purchase contract early (other than pursuant to the merger early settlement right as described below), such holder will not be entitled to any accrued contract adjustment payments, and if the early settlement date falls after the record date for a contract adjustment payment and prior to the contract adjustment payment date, the holder electing early settlement must pay to the purchase contract agent, on the early settlement date, the amount of such contract adjustment payment, unless such payment has been deferred as described below under Description of the Equity Units Deferral of Payments on Equity Units.

Holders of Equity Units may settle early only in integral multiples of 40 Equity Units.

So long as the Equity Units are evidenced by one or more global security certificates deposited with the depositary, procedures for early settlement will also be governed by standing arrangements between the depositary and the purchase contract agent. The early settlement right is also subject to the condition that, if required under the U.S. federal securities laws, we have a registration statement under the Securities Act in effect and a prospectus available covering the shares of common stock and other securities, if any, deliverable upon settlement of a stock purchase contract. We have agreed that, if required under the U.S. federal securities laws, we will use our commercially reasonable efforts to have a registration statement in effect and a prospectus available covering those shares of common stock and other securities to be delivered in respect of the stock purchase contracts being settled, in each case in a form that may be used in connection with the early settlement right.

Upon early settlement of the stock purchase contracts related to any Corporate Units or Treasury Units:

- except as described below in Early Settlement upon Cash Merger, the holder will receive the minimum settlement rate per $25 stated amount of each Corporate Unit or Treasury Unit, subject to adjustment under the circumstances described under Anti-Dilution Adjustments, accompanied by an appropriate prospectus if required by law, the debentures or the qualifying treasury securities, as the case may be, related to the Corporate Units or Treasury Units will be transferred to the holder free and clear of our security interest,

the holder s right to receive future contract adjustment payments and any accrued and unpaid contract adjustment payments for the period since the most recent quarterly payment date will terminate (unless such early settlement occurs after the close of business on a record date and on or prior to the next succeeding payment date, in which case the contract adjustment payment due and payable on such payment date will be paid, on such payment date, to the person who was the record holder of the applicable Equity Units on the applicable record date), and

no adjustment will be made to or for the holder on account of any accrued and unpaid contract adjustment payments, except as referred to in the previous bullet.

If the purchase contract agent receives a Corporate Unit or Treasury Unit as described above accompanied by the completed Election to Settle Early (as described above) and required immediately available funds, from a holder of Corporate Units or Treasury Units by 5:00 p.m., New York City time, on a business day and all conditions to early settlement have been satisfied, that day will be considered the settlement date.

If the purchase contract agent receives the above after 5:00 p.m., New York City time, on a business day or at any time on a day that is not a business day, the next business day will be considered the settlement date. Upon early settlement of stock purchase contracts in the manner described above, surrender of the related Corporate Units or Treasury Units and payment of any transfer or similar taxes payable by the holder in connection with the issuance of the related common stock to any person other than the holder of the Corporate Units or Treasury Units, we will cause the shares of common stock being purchased to be issued, and the related debentures or qualifying treasury securities, as the case may be, securing the stock purchase contracts to be released from the pledge under the pledge agreement described in Pledged Securities and Pledge Agreement and transferred, within three business days following the settlement date, to the purchasing holder or the holder s designee.

Notice to Settle with Cash

A holder of an Equity Unit (other than a Corporate Unit as to which an interest in the Treasury portfolio has replaced an interest in a series of debentures) may settle the obligation to purchase shares of our common stock on any stock purchase date with separate cash. A holder of an Equity Unit wishing to settle this obligation with separate cash must notify the purchase contract agent by presenting and surrendering the certificate evidencing the Corporate Unit or Treasury Unit, as the case may be, at the offices of the purchase contract agent with the form of Notice to Settle by Separate Cash on the reverse side of the certificate completed and executed as indicated on or prior to 11:00 a.m., New York City time, on the second business day immediately preceding the applicable stock purchase date and, on or prior to 11:00 a.m., New York City time, on the business day immediately preceding the applicable stock purchase date deliver to the collateral agent $25 in cash for each stock purchase contract.

Holders of Equity Units may settle early only in integral multiples of 40 Equity Units.

If a holder of a Corporate Unit with respect to which an interest in the Treasury portfolio has not replaced an interest in a series of debentures as a component of the Corporate Unit has given notice of its intention to settle the obligation to purchase shares of our common stock on any stock purchase date with separate cash and such holder fails to deliver the cash to the collateral agent on the business day immediately preceding the applicable stock purchase date, its Notice to Settle by Separate Cash shall automatically be deemed withdrawn and without effect.

If a holder of a Treasury Unit has given notice of its intention to settle the obligation to purchase shares of our common stock on any stock purchase date under the related stock purchase contract with separate cash fails to deliver the cash to the collateral agent on the business day immediately preceding any stock purchase date, the proceeds from the applicable qualifying treasury securities will automatically be applied to satisfy such holder s obligation to purchase common stock under the related stock purchase contract on such stock purchase date.

Table of Contents

Early Settlement upon Cash Merger

If we are involved in an event described in the first or second bullet point in the definition of reorganization events under Anti-Dilution Adjustments Reorganization Events below, in each case in which at least 10% of the consideration received by holders of our common stock consists of cash or cash equivalents, which we refer to as a *cash merger*, then following the cash merger, each holder of a stock purchase contract will have the right to accelerate and settle such contract early at the settlement rate determined as if the applicable market value equaled the stock price (as defined below), and receive, under certain circumstances, an additional make-whole number of shares, which we refer to as the *make-whole shares*. Our obligation to deliver make-whole shares is subject to the condition that at the time of settlement, if so required under the U.S. federal securities laws, there is in effect a registration statement and a prospectus available covering the common stock and other securities, if any, to be delivered in respect of the stock purchase contracts being settled. We refer to this right as the *merger early settlement right*.

The definition of reorganization events under Anti-Dilution Adjustments Reorganization Events below includes a phrase relating to a sale of all or substantially all of our assets. There is no precise, established definition of the phrase substantially all under applicable law. Accordingly, your right to accelerate and settle such contract early as a result of a sale of substantially all of our assets may be uncertain.

We will provide each of the holders with a notice of the completion of a cash merger within five business days thereof. The notice will specify a date, which we refer to as the *cash merger early settlement date*, which shall be at least ten days after the date of the notice but no later than the earlier of (i) 20 days after the date of such notice and (ii) two business days prior to the next stock purchase date, by which each holder s merger early settlement right must be exercised. The notice will set forth, among other things, the applicable settlement rate and the amount of the cash, securities and other consideration receivable by the holder upon settlement. To exercise the merger early settlement right, you must deliver to the purchase contract agent, three business days before the cash merger early settlement date, your Corporate Units or Treasury Units (by delivery of certificates if they are held in certificated form), and payment of a purchase price in immediately available funds equal to the initial or adjusted stated amount per stock purchase contract multiplied by the number of stock purchase contracts being settled, less the amount of any accrued and unpaid contract adjustment payments (unless such cash merger early settlement date occurs after the related record date for such contract adjustment payments and before the related payment date, in which case the applicable purchase price shall not be reduced by the amount of any accrued and unpaid contract adjustment payments).

If you exercise the merger early settlement right, we will deliver to you on the cash merger early settlement date, in respect of each such Equity Unit so settled the kind and amount of securities, cash or other property that you would have been entitled to receive in the cash merger as a holder of a number of shares of our common stock at the settlement rate described above, for each $25 stated amount of each Corporate Unit or Treasury Unit, and the make-whole shares, calculated as described below for each stock purchase contract being settled. You will also receive the debentures or qualifying treasury securities underlying the Corporate Units or Treasury Units, as the case may be. If you do not elect to exercise your merger early settlement right, or if your exercise is not effective because the required registration statement is not effective (as described below), your Corporate Units or Treasury Units will remain outstanding and subject to normal settlement, without the make-whole shares, on the stock purchase date with the securities, cash or other property holders of our common stock were entitled to receive in the cash merger. If required under the U.S. federal securities laws, there will be a registration statement in effect and a prospectus available covering the common stock and other securities, if any, to be delivered in respect of the stock purchase contracts being settled, in each case in a form that may be used in connection with the early settlement upon a cash merger.

Holders of the Equity Units may exercise the merger early settlement right only in integral multiples of 40 Equity Units. If an interest in the Treasury portfolio has replaced the debentures of any series as a component of Corporate

Units, holders of the Corporate Units will receive, on the next stock purchase date, $1,000 in cash for each 40 Corporate Units as to which they have exercised their merger early settlement right, representing their interest in the Treasury portfolio.

Table of Contents

Calculation of Make-Whole Shares

The number of make-whole shares applicable to a merger early settlement will be determined for each stock purchase contract being settled by reference to the table below, based on the date on which the cash merger becomes effective, which we refer to as the *effective date*, and the price, which we refer to as the *stock price*, paid per share for our common stock in such cash merger. If holders of our common stock receive only cash in such transaction, the stock price will be the cash amount paid per share. Otherwise, the stock price will be the average of the closing prices per share of our common stock on each of the 20 consecutive trading days ending on the trading day immediately preceding the effective date of such cash merger.

	Stock Prices											
Effective Date	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
May , 2008												
May 1, 2009												
May 1, 2010												
February 15, 2011												
February 16, 2011												
May 1, 2011												
May 2, 2011												
August 1, 2011												

The stock prices and make-whole share amounts set forth in the table will be adjusted upon the occurrence of certain events requiring anti-dilution adjustments to the fixed settlement rates as set forth under Anti-Dilution Adjustments.

The exact stock price and effective date applicable to a cash merger may not be set forth on the table, in which case:

if the stock price is between two stock price amounts on the table or the effective date is between two dates on the table, the amount of make-whole shares will be determined by straight line interpolation between the make-whole share amounts set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 360-day year;

if the stock price is in excess of $ per share (subject to adjustment as described above), then the make-whole share amount will be zero; and

if the stock price is less than $ per share (subject to adjustment as described above), which we refer to as the minimum stock price, then the make-whole share amount will be determined as if the stock price equaled the minimum stock price, using straight line interpolation, as described above, if the effective date is between two dates on the table.

Contract Adjustment Payments

Contract adjustment payments in respect of Corporate Units and Treasury Units will be set:

from and including the issue date to the first stock purchase date at an annual rate of % on the initial stated amount of $75 per stock purchase contract;

from and including the first stock purchase date to but excluding the second stock purchase date, at the annual rate of % on the adjusted stated amount of $50 per stock purchase contract; and

from and including the second stock purchase date to but excluding the third stock purchase date, at the annual rate of % on the adjusted stated amount of $25 per stock purchase contract.

Contract adjustment payments payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Contract adjustment payments will accrue from the date of issuance of the stock purchase contracts and will be payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year.

Table of Contents

Contract adjustment payments will be payable to the holders of stock purchase contracts as they appear on the books and records of the purchase contract agent at the close of business on the relevant record dates, which (unless otherwise specified) will be on the 15th day of the month prior to the month in which the relevant payment date falls. These distributions will be paid through the purchase contract agent, who will hold amounts received in respect of the contract adjustment payments for the benefit of the holders of the stock purchase contracts relating to the Corporate Units. Subject to any applicable laws and regulations and so long as the Equity Units are in book-entry form, each such payment will be made as described under Book-Entry System.

We have the right to defer contract adjustment payments as described under Description of the Equity Units Deferral of Payments on Equity Units. We will be subject to the restrictions described under Description of Our Debentures Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances at any time we have given notice of such a deferral or a deferral period is continuing or additional debentures are outstanding.

If any date on which contract adjustment payments are to be made on the stock purchase contracts related to the Corporate Units or Treasury Units is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day which is a business day, with the same force and effect as if made on that payment date, and no interest or payment will be paid in respect of the delay. A business day means any day other than a Saturday, Sunday or any other day on which banking institutions or trust companies in New York City are permitted or required by any applicable law to close.

Our obligations with respect to contract adjustment payments will be subordinated and junior in right of payment to the same extent as the debentures are subordinated to our other obligations. For a discussion of this subordination, see Risk Factors Risks relating to the Equity Units Our obligations to make payments on the debentures and contract adjustment payments are subordinate to our payment obligations under our senior debt and pari passu with the outstanding parity securities. and Description of the Equity Units Ranking.

Anti-Dilution Adjustments

Each fixed settlement rate will be adjusted, without duplication, if certain events occur:

(1) the issuance of our common stock as a dividend or distribution to all holders of our common stock, or a subdivision or combination of our common stock, in which event each fixed settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_1 / OS_0)$$

where,

SR_0 = the fixed settlement rate in effect at the close of business on the record date

SR_1 = the fixed settlement rate in effect immediately after the record date

OS_0 = the number of shares of our common stock outstanding at the close of business on the record date prior to giving effect to such event

OS_1 = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such event

(2) the issuance to all holders of our common stock of certain rights, options or warrants entitling them for a period expiring 60 days or less from the date of issuance of such rights, options or warrants to purchase shares of our common stock at less than the current market price of our common stock as of the record date, in which event each fixed settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_0 + X) / (OS_0 + Y)$$

where,

Table of Contents

SR_0 = the fixed settlement rate in effect at the close of business on the record date

SR_1 = the fixed settlement rate in effect immediately after the record date

OS_0 = the number of shares of our common stock outstanding at the close of business on the record date

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants

Y = the aggregate price payable to exercise such rights divided by the average of the VWAP of our common stock over each of the ten consecutive trading days prior to the business day immediately preceding the announcement of the issuance of such rights

However, each fixed settlement rate will be readjusted to the extent that any such rights or warrants are not exercised prior to their expiration.

(3) the dividend or other distribution to all holders of our common stock of shares of our capital stock (other than common stock), rights to acquire our capital stock or evidences of our indebtedness or our assets (excluding any dividend, distribution or issuance covered by clauses (1) or (2) above or (4) or (5) below) in which event each fixed settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \, x \, SP_0 / (SP_0 - FMV)$$

where,

SR_0 = the fixed settlement rate in effect at the close of business on the record date

SR_1 = the fixed settlement rate in effect immediately after the record date

SP_0 = the current market price as of the record date

FMV = the fair market value (as determined in good faith by our board of directors, whose good faith determination will be conclusive), on the record date, of the shares of capital stock, rights to acquire capital stock, evidences of indebtedness or assets so distributed, expressed as an amount per share of our common stock

However, if the transaction that gives rise to an adjustment pursuant to this clause (3) is one pursuant to which the payment of a dividend or other distribution on our common stock consist of shares of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, (i.e., a spin-off) that are, or, when issued, will be, traded on a U.S. securities exchange, then each fixed settlement rate will instead be adjusted based on the following formula:

$$SR_1 = SR_0 \, x \, (FMV_0 + MP_0) / MP_0$$

where,

SR_0 = the fixed settlement rate in effect at the close of business on the record date

SR_1 = the fixed settlement rate in effect immediately after the record date

FMV_0 = the average of the VWAP of the capital stock or similar equity interests distributed to holders of our common stock applicable to one share of our common stock over each of the 10 consecutive trading days commencing on and including the third trading day after the date on which ex-distribution trading commences for such dividend or distribution with respect to our common stock on the NYSE or such other national or regional exchange or market that is at that time the principal market for our common stock

Table of Contents

MP_0 = the average of the VWAP of our common stock over each of the 10 consecutive trading days commencing on and including the third trading day after the date on which ex-distribution trading commences for such dividend or distribution with respect to our common stock on the NYSE or such other national or regional exchange or market that is at that time the principal market for our common stock

(4) we make a distribution consisting exclusively of cash to all holders of our common stock, excluding (a) any cash dividend on our common stock to the extent that the aggregate cash dividend per share of our common stock does not exceed (i) \$0.22 in the then current fiscal quarter in the case of a regular quarterly dividend or (ii) \$0.88 in the prior twelve months in the case of a regular annual dividend (each such number, the *dividend threshold amount*), (b) any cash that is distributed as part of a distribution referred to in clause (3) above, and (c) any consideration payable in connection with a tender or exchange offer made by us or any of our subsidiaries referred to in clause (5) below, in which event, each fixed settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times SP_0 / (SP_0 - C)$$

where,

SR_0 = the fixed settlement rate in effect at the close of business on the record date

SR_1 = the fixed settlement rate in effect immediately after the record date

SP_0 = the current market price as of the record date

C = the excess of the amount in cash per share we distribute to holders of our common stock over the dividend threshold amount

The dividend threshold amount is subject to adjustment on an inversely proportional basis whenever the fixed settlement rates are adjusted, but no adjustment will be made to the dividend threshold amount for any adjustment made to the fixed settlement rates pursuant to this clause (4).

(5) we or one or more of our subsidiaries make purchases of our common stock pursuant to a tender offer or exchange offer by us or one of our subsidiaries for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock validly tendered or exchanged exceeds the VWAP per share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the *expiration date*), in which event each fixed settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times [(FMV + (SP_1 \times OS_1))] / (SP_1 \times OS_0)$$

where,

SR_0 = the fixed settlement rate in effect at the close of business on the expiration date

SR_1 = the fixed settlement rate in effect immediately after the expiration date

FMV =	the fair market value (as determined in good faith by our board of directors, whose good faith determination will be conclusive), on the expiration date, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date (the *purchased shares*)
OS_1 =	the number of shares of our common stock outstanding as of the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the *expiration time*) less any purchased shares

OS_0 = the number of shares of our common stock outstanding at the expiration time, including any purchased shares

SP_1 = the average of the VWAP of our common stock over each of the ten consecutive trading days commencing with the trading day immediately after the expiration date.

In addition, in no event will we adjust the fixed settlement rate to the extent that the adjustment would reduce the conversion price below the par value per share of our common stock.

Current market price of our common stock on any day, means the average of the VWAP of our common stock over each of the 10 consecutive trading days ending on the earlier of the day in question and the day before the ex-date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, *ex-date* means the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution.

Record date means, for purpose of this section, with respect to any dividend, distribution or other transaction or event in which the holders of our common stock have the right to receive any cash, securities or other property or in which our common stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of our common stock entitled to receive such cash, securities or other property (whether such date is fixed by our board of directors or by statute, contract or otherwise).

In addition, we may make such increases in each fixed settlement rate as we deem advisable. We may only make such a discretionary adjustment if we make the same proportionate adjustment to each fixed settlement rate. No adjustment in the settlement rate will be required unless such adjustment would require an increase or decrease of at least one percent; *provided* that any such minor adjustments that are not required to be made will be carried forward and taken into account in any subsequent adjustment, and *provided*, *further*, that any such adjustment of less than one percent that has not been made shall be made (x) upon the end of the issuer s fiscal year and (y) upon the stock purchase date or any early settlement date.

Reorganization Events

The following events, in each case as a result of which holders of our common stock are entitled to receive stock, other securities, other property or assets (including cash or any combination thereof) with respect to or in exchange for our common stock, are defined as *reorganization events* :

any consolidation or merger of AIG with or into another person or of another person with or into AIG (other than a consolidation or merger in which AIG is the continuing corporation and in which its shares of common stock outstanding immediately prior to the consolidation or merger are not exchanged for cash, securities or other property of another person); or

any sale, transfer, lease or conveyance to another person of all or substantially all of the assets of AIG; or

any statutory share exchange of shares of common stock of AIG with another person (other than in connection with a merger or acquisition); or

any liquidation, dissolution or winding-up of AIG (other than as a result of or after the occurrence of a termination event (as defined below under Termination)).

The foregoing paragraph includes a phrase relating to a sale of all or substantially all of our assets. There is no precise, established definition of the phrase substantially all under applicable law. Accordingly, your right to accelerate and settle such contract early as a result of a sale of substantially all of our assets may be uncertain.

Following the effective date of a reorganization event, the settlement rate relating to the Equity Units shall thereafter be determined by reference to, and settled in lieu of the applicable number of shares of our common stock through the delivery of a corresponding number of, exchange property units. An *exchange*

Table of Contents

property unit means the kind and amount of securities, cash and other property receivable in such reorganization event (without any interest thereon, and without any right to dividends or distribution thereon which have a record date that is prior to the applicable stock purchase date, cash merger early settlement date or early settlement date) per share of our common stock by a holder of common stock that is not a person with which we are consolidated or into which we are merged or which merged into us or to which such sale, transfer, lease or conveyance was made, or with whom shares were exchanged pursuant to any such statutory share exchange, as the case may be, which person we refer to as a constituent person, or an affiliate of a constituent person, to the extent such reorganization event provides for different treatment of common stock held by our affiliates and non-affiliates. In the event holders of our common stock have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the Corporate Units or Treasury Units will be entitled to receive will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make an election.

In the event of such a reorganization event, the person formed by such consolidation or merger or the person to whom such sale, transfer, lease or conveyance was made or with whom such statutory share exchange was made shall execute and deliver to the purchase contract agent an agreement, providing that the holder of each Equity Unit that remains outstanding after the reorganization event, if any, shall have the rights described in the preceding paragraph. Such supplemental agreement shall provide for adjustments to the amount of any securities constituting all or a portion of an exchange property unit which, for events subsequent to the effective date of such reorganization event, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Anti-Dilution Adjustments section. The provisions described in the preceding three paragraphs shall similarly apply to successive reorganization events.

Holders have the right to settle their obligations under the Equity Units early in the event of certain cash mergers as described above under Early Settlement upon Cash Merger.

General Provisions with Respect to Adjustments

Adjustments to the settlement rate will be calculated to the nearest 1/10,000th of a share. No adjustment in the settlement rate will be required unless the adjustment would require an increase or decrease of at least one percent in the settlement rate. If any adjustment is not required to be made because it would not change the settlement rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment, provided that effect shall be given to all anti-dilution adjustments not later than the applicable stock purchase date, cash merger early settlement date or an early settlement date for Equity Units.

The fixed settlement rates will not be adjusted:

upon the issuance of shares of our common stock or securities convertible into, or exercisable or exchangeable for, common stock in public or private transactions at any price we deem appropriate;

upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan of that type;

upon the issuance of any shares of our common stock or options or rights to purchase those shares or any other award that relates to, or has a value derived from the value of, our common stock, in each case issued pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries;