

AMERICAN INTERNATIONAL GROUP INC

Form S-4/A

June 30, 2009

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As filed with the Securities and Exchange Commission on June 29, 2009

Registration No. 333-158019

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**Amendment No. 2
to
Form S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

American International Group, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

6331

*(Primary Standard Industrial
Classification Code Number)*

13-2592361

*(I.R.S. Employer
Identification No.)*

70 Pine Street

New York, New York 10270

(212) 770-7000

*(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)*

Kathleen E. Shannon, Esq.

**Senior Vice President, Secretary and Deputy General Counsel
American International Group, Inc.**

70 Pine Street

New York, New York 10270

(212) 770-7000

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

Copies To:

**Robert W. Reeder III, Esq.
Ann Bailen Fisher, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
(212) 558-4000**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus may change. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer is not permitted.

American International Group, Inc.

Offer to Exchange

\$4,000,000,000 8.175% Series A-6 Junior Subordinated Debentures

For Any and All Outstanding

8.175% Series A-6 Junior Subordinated Debentures

**THIS EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON JULY 2, 2009, UNLESS
EXTENDED BY US**

The terms of the new junior subordinated debentures are substantially identical to the terms of the old junior subordinated debentures, except that the new junior subordinated debentures are registered under the Securities Act of 1933 (the *Securities Act*), and the transfer restrictions, registration rights and additional interest provisions currently applicable to the old junior subordinated debentures do not apply to the new junior subordinated debentures.

AIG is also making a concurrent offer to exchange up to \$3,250,000,000 of its 8.250% Notes due 2018 for any and all of its outstanding 8.250% Notes due 2018. That offering is being made pursuant to a separate prospectus and is not part of the exchange offer to which this prospectus relates. The offer to exchange 8.250% Notes due 2018 and this offer are not contingent upon or related to one another.

See Risk Factors on page 4 for a discussion of factors you should consider before tendering your old junior subordinated debentures for new junior subordinated debentures.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2009

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

You should rely only on the information contained in this prospectus or information contained in documents incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. This prospectus is an offer to exchange only the junior subordinated debentures offered by this prospectus and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is accurate only as of its date.

CAUTIONARY STATEMENT REGARDING PROJECTIONS AND OTHER INFORMATION ABOUT FUTURE EVENTS

This prospectus and other publicly available documents, including the documents incorporated herein by reference, 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 the recently completed and proposed transactions with the Federal Reserve Bank of New York and the United States Department of the Treasury, asset dispositions, liquidity, collateral posting requirements, 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 outcome of the recently completed and proposed transactions with the Federal Reserve Bank of New York and the United States Department of the Treasury, the number, size, terms, cost and timing of dispositions and their potential effect on AIG's businesses, financial condition, results of operations, cash flows and liquidity (and AIG at any time and from time to time may change its plans with respect to the sale of one or more businesses), AIG's exposures to subprime mortgages, monoline insurers and the residential and commercial real estate markets, the separation of AIG's

businesses from AIG parent company, AIG's ability to retain and motivate its employees 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 will 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 include a failure of the completed transactions with the Federal Reserve Bank of New York or the United States Department of the Treasury to achieve their desired objectives or a failure to complete the proposed transactions with the Federal Reserve Bank of New York, developments in global credit markets and such other factors as discussed throughout Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations of, and in Part II, Item 1A. Risk Factors of, AIG's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, in Part I, Item 1A. Risk Factors of AIG's Annual Report on Form 10-K for the year

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ended December 31, 2008 (including Amendment No. 1 on Form 10-K/A filed on April 30, 2009, the *2008 Annual Report on Form 10-K*) and in AIG's Current Report on Form 8-K filed on June 29, 2009. AIG is not under any obligation (and expressly disclaims any 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.

WHERE YOU CAN FIND MORE INFORMATION

AIG is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the *Exchange Act*), and files with the Securities and Exchange Commission (the *SEC*) proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as required of a U.S. listed company. You may read and copy any document AIG files at the SEC's public reference room in Washington, D.C. at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. AIG's SEC filings are also available to the public from the SEC's website at www.sec.gov.

AIG's common stock is listed on the NYSE and trades under the symbol **AIG** .

AIG has filed with the SEC a registration statement on Form S-4 relating to the exchange of old junior subordinated debentures for new junior subordinated debentures. This prospectus is part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document, please be aware that the reference is not necessarily complete and that you should refer to the exhibits that are part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C. as well as through the SEC's internet site noted above.

The SEC allows AIG to *incorporate by reference* the information AIG files with the SEC (other than information that is deemed *furnished* to the SEC) which means that AIG can disclose important information to you by referring to those documents, and later information that AIG files with the SEC will automatically update and supersede that information as well as the information contained in this prospectus. AIG incorporates by reference the documents listed below and any filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Exchange Act after the time of initial filing of the registration statement (or post-effective amendment) and before effectiveness of the registration statement (or post-effective amendment), and after the date of this prospectus and until the exchange offer is completed (except for information in these documents or filings that is deemed *furnished* to the SEC).

- (1) Annual Report on Form 10-K for the year ended December 31, 2008 and Amendment No. 1 on Form 10-K/A filed on April 30, 2009.
- (2) Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009.
- (3) Current Reports on Form 8-K, filed on January 7, 2009, January 23, 2009, January 23, 2009, February 12, 2009, March 2, 2009, March 5, 2009, March 25, 2009, March 31, 2009, April 20, 2009, April 20, 2009, April 20, 2009, May 7, 2009, May 21, 2009, June 25, 2009 and June 29, 2009 and the amendments on Form 8-K/A filed on January 14, 2009, March 13, 2009, March 16, 2009, March 16, 2009, May 15, 2009 and May 15, 2009.

AIG will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all of the reports or documents referred to above that have been incorporated by reference into this prospectus excluding exhibits to those documents unless they are specifically

incorporated by reference into those documents. You can request those documents from AIG's Director of Investor Relations, 70 Pine Street, New York, New York 10270, telephone 212-770-6293, or you may obtain them from AIG's corporate website at www.aigcorporate.com. You can also request from AIG's Director of Investor Relations, or obtain from AIG's corporate website, a copy of AIG's Current Report on Form 8-K, filed on May 20, 2008, which contains the replacement capital covenant discussed under "Replacement Capital Covenant". Except for the documents specifically incorporated by reference into this prospectus, information contained on AIG's website or that can be accessed through its website does not constitute a part of this prospectus. 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.

In order to ensure timely delivery of the requested documents, requests should be made no later than June 25, 2009. In the event that we extend the exchange offer, you must submit your request at least five business days before the expiration date, as extended.

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PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus and does not contain all of the information that you should consider before participating in this exchange offer. You should read the entire prospectus, the accompanying letter of transmittal and the documents incorporated by reference carefully.

American International Group, Inc.

AIG, a Delaware corporation, is a holding company which, 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" which are specifically incorporated by reference into this prospectus, information contained on AIG's website or that can be accessed through its website does not constitute a part of this prospectus. 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.

The Exchange Offer

The Exchange Offer

AIG is offering to exchange up to \$4,000,000,000 principal amount of its new 8.175% Series A-6 junior subordinated debentures (the *new junior subordinated debentures*) which have been registered under the Securities Act for a like principal amount of its old 8.175% Series A-6 junior subordinated debentures (the *old junior subordinated debentures*). You may tender old junior subordinated debentures only in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. You should read the discussion under the heading "The Exchange Offer" below for further information about the exchange offer and resale of the new junior subordinated debentures.

AIG has filed a registration statement to register the new junior subordinated debentures under the Securities Act. AIG will not accept for exchange any old junior subordinated debentures until the registration statement has become effective under the Securities Act.

Expiration Date

5:00 p.m., New York City time, on July 2, 2009, unless AIG extends the exchange offer.

Resale of New Junior Subordinated Debentures

Based on interpretive letters of the SEC staff to third parties, AIG believes that you may resell and transfer the new junior subordinated debentures issued pursuant to the exchange offer in exchange for old junior subordinated debentures without compliance with the registration and prospectus delivery provisions of the Securities Act, if you:

are not a broker-dealer that acquired the old junior subordinated debentures from AIG or in market-making transactions or other trading activities;

acquire the new junior subordinated debentures in the ordinary course of your business;

do not have an arrangement or understanding with any person to participate in the distribution of the new junior subordinated debentures; and

are not AIG's affiliate as defined in Rule 405 under the Securities Act.

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If you fail to satisfy any of these conditions, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new junior subordinated debentures.

Broker-dealers that acquired old junior subordinated debentures directly from AIG, but not as a result of market-making activities or other trading activities, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new junior subordinated debentures.

Each broker-dealer that receives new junior subordinated debentures for its own account pursuant to the exchange offer in exchange for old junior subordinated debentures that it acquired as a result of market-making or other trading activities must comply with its prospectus delivery obligations in connection with any resale of the new junior subordinated debentures and provide AIG with a signed acknowledgment of compliance.

**Consequences If You Do Not Exchange
Your Old Junior Subordinated Debentures**

Old junior subordinated debentures that are not tendered in the exchange offer or are not accepted for exchange will remain outstanding and continue to bear legends restricting their transfer. You will not be able to offer or sell the old junior subordinated debentures unless:

an exemption from the requirements of the Securities Act is available to you; or

you sell the old junior subordinated debentures outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act.

Conditions to the Exchange Offer

The exchange offer is subject to certain conditions, which AIG may waive, as described below under **The Exchange Offer** **Conditions to the Exchange Offer**.

**Procedures for Tendering Old Junior
Subordinated Debentures**

If you wish to accept the exchange offer, the following must be delivered to the exchange agent:

an agent's message from The Depository Trust Company, which we refer to as DTC, stating that the tendering participant agrees to be bound by the letter of transmittal and the terms of the exchange offer;

your old junior subordinated debentures by timely confirmation of book-entry transfer through DTC; and

all other documents required by the letter of transmittal.

These actions must be completed before the expiration of the exchange offer.

You must comply with DTC's standard procedures for electronic tenders, by which you will agree to be bound by the letter of transmittal.

Guaranteed Delivery Procedures for
Tendering Old Junior Subordinated
Debentures

If you cannot meet the expiration deadline, deliver any necessary documentation or comply with the applicable procedures under DTC

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standard operating procedures for electronic tenders in a timely fashion, you may tender your old junior subordinated debentures according to the guaranteed delivery procedures set forth under The Exchange Offer Guaranteed Delivery Procedures.

Withdrawal Rights

You may withdraw your tender of old junior subordinated debentures any time before the exchange offer expires. You may also withdraw tenders of any old junior subordinated debentures that have not yet been accepted for exchange after the expiration of forty business days from the commencement of the exchange offer.

Tax Consequences

The exchange pursuant to the exchange offer generally will not be a taxable event for U.S. federal income tax purposes. See Certain United States Federal Income Tax Considerations.

Use of Proceeds

AIG will not receive any proceeds from the exchange or the issuance of new junior subordinated debentures in connection with the exchange offer.

Exchange Agent

The Bank of New York Mellon is serving as exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are set forth under The Exchange Offer Exchange Agent.

The New Junior Subordinated Debentures

Issuer

The new junior subordinated debentures will be the obligations of AIG.

The New Junior Subordinated Debentures

\$4,000,000,000 of 8.175% Series A-6 Junior Subordinated Debentures.

The form and terms of the new junior subordinated debentures are the same as the form and terms of the old junior subordinated debentures, except that:

the new junior subordinated debentures will be registered under the Securities Act and will therefore not bear legends restricting their transfer; and

the new junior subordinated debentures will not contain provisions for payment of additional interest in case of non-registration.

The same junior subordinated debt indenture, dated March 13, 2007, as supplemented on May 20, 2008 by the ninth supplemental indenture, will govern both the old junior subordinated debentures and the new junior subordinated debentures. You should read the discussion under the heading Description of Terms of the New Junior Subordinated Debentures below for further information about the new junior subordinated debentures.

Trustee

The Bank of New York Mellon

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RISK FACTORS

Before tendering old junior subordinated debentures in the exchange offer, you should consider carefully each of the following risk factors, as well as the risk factors set forth in Item 1A of Part II of AIG's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, in Item 1A of Part I of AIG's 2008 Annual Report on Form 10-K and in AIG's Current Report on Form 8-K filed on June 29, 2009 (see "Where You Can Find More Information" in this prospectus).

If you fail to exchange the old junior subordinated debentures, they will remain subject to transfer restrictions.

Any old junior subordinated debentures that remain outstanding after this exchange offer will continue to be subject to restrictions on their transfer. After this exchange offer, holders of old junior subordinated debentures will not have any further rights to have their old junior subordinated debentures exchanged for new junior subordinated debentures registered under the Securities Act. The liquidity of the market for old junior subordinated debentures that are not exchanged could be adversely affected by this exchange offer and you may be unable to sell your old junior subordinated debentures.

Late deliveries of old junior subordinated debentures and other required documents could prevent a holder from exchanging its old junior subordinated debentures.

Holders are responsible for complying with all exchange offer procedures. The issuance of new junior subordinated debentures in exchange for old junior subordinated debentures will only occur upon completion of the procedures described in this prospectus under "The Exchange Offer." Therefore, holders of old junior subordinated debentures who wish to exchange them for new junior subordinated debentures should allow sufficient time for timely completion of the exchange procedure. Neither we nor the exchange agent are obligated to extend the offer or notify you of any failure to follow the proper procedure.

If you are a broker-dealer, your ability to transfer the new junior subordinated debentures may be restricted.

A broker-dealer that purchased old junior subordinated debentures for its own account as part of market-making or trading activities must comply with the prospectus delivery requirements of the Securities Act when it sells the new junior subordinated debentures. Our obligation to make this prospectus available to broker-dealers is limited. Consequently, we cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their new junior subordinated debentures.

There has not been, and there may not be, a public market for the new junior subordinated debentures.

Prior to this exchange offer, there was no public market for the new junior subordinated debentures, and if an active trading market does not develop for the new junior subordinated debentures, you may not be able to resell them. We do not intend to apply to list the new junior subordinated debentures on any national securities exchange or any automated quotation system. The lack of a trading market could adversely affect your ability to sell the new junior subordinated debentures and the price at which you may be able to sell the new junior subordinated debentures. The liquidity of the trading market, if any, and future trading prices of the new junior subordinated debentures will depend on many factors, including, among other things, the market price of the other series of junior subordinated debentures issued by AIG, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. In consideration for issuing the new junior subordinated debentures, we will receive old junior subordinated debentures from you in the same principal amount. The old junior subordinated debentures surrendered in exchange for the new junior subordinated

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debentures will be retired and canceled and cannot be reissued. Accordingly, issuance of the new junior subordinated debentures will not result in any change in our indebtedness.

CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the historical ratios of earnings to fixed charges of AIG and its consolidated subsidiaries for the periods indicated. For more information on our consolidated ratios of earnings to fixed charges, see our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, each of which is incorporated by reference into this prospectus as described under [Where You Can Find More Information](#).

Three Months Ended March 31, 2009	2008	2007	Year Ended December 31, 2006	2005	2004
(a)	(b)	1.78	3.39	2.98	3.44

(a) Earnings were inadequate to cover total fixed charges by \$6,400 million for the three-month period ended March 31, 2009.

(b) Earnings were inadequate to cover total fixed charges by \$108,788 million for the year ended December 31, 2008.

Earnings represent:

Income from operations before income taxes and adjustments for minority interest

Plus

Fixed charges other than capitalized interest

Amortization of capitalized interest

The distributed income of equity investees

Less

The minority interest in pre-tax income of subsidiaries that do not have fixed charges.

Fixed charges include:

Interest, whether expensed or capitalized

Amortization of debt issuance costs

The proportion of rental expense deemed representative of the interest factor by the management of AIG.

THE EXCHANGE OFFER

The following is a summary of the exchange and registration rights agreement and letter of transmittal. The exchange and registration rights agreement and the letter of transmittal contain the full legal text of the matters described in this section, and each is filed as an exhibit to the registration statement of which this prospectus is a part. You should refer to these documents for more information.

Purpose and Effect of Exchange Offer; Registration Rights

We are offering to exchange our 8.175% Series A-6 Junior Subordinated Debentures, which have been registered under the Securities Act and which we refer to as the new junior subordinated debentures, for our outstanding 8.175% Series A-6 Junior Subordinated Debentures, which have not been so registered and which we refer to as the old junior subordinated debentures. We refer to this exchange offer as the exchange offer.

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We will not accept for exchange any old junior subordinated debentures until the registration statement registering the new junior subordinated debentures has become effective under the Securities Act.

The old junior subordinated debentures were purchased by Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Banc of America Securities LLC, Barclays Capital Inc., Lehman Brothers Inc., Mitsubishi UFJ Securities International plc, Mizuho Securities USA Inc., Daiwa Securities America Inc., RBC Capital Markets Corporation, Santander Investment Securities Inc., KeyBanc Capital Markets, Inc., Scotia Capital (USA) Inc., Wells Fargo Securities, LLC, ANZ Securities, Inc., nabCapital Securities, LLC, BMO Capital Markets Corp., TD Securities (USA) LLC, ING Bank N.V., Calyon Securities, SunTrust Robinson Humphrey, Inc., NatCity Investments, Inc., BBVA Securities, Inc. and CIBC World Markets Corp., whom we collectively refer to as the initial purchasers, on May 20, 2008 for resale to qualified institutional buyers in compliance with Rule 144A under the Securities Act and outside of the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. In connection with the sale of the old junior subordinated debentures, we and the initial purchasers entered into an exchange and registration rights agreement, dated May 20, 2008, which requires us, among other things,

to file with the SEC an exchange offer registration statement under the Securities Act with respect to new junior subordinated debentures identical in all material respects to the old junior subordinated debentures, to use commercially reasonable efforts to cause this registration statement to be declared effective under the Securities Act and to make an exchange offer for the old junior subordinated debentures as discussed below, or

in very limited circumstances to register the old junior subordinated debentures on a shelf registration statement under the Securities Act.

We are obligated, upon the effectiveness of the exchange offer registration statement referred to above, to offer the holders of the old junior subordinated debentures the opportunity to exchange their old junior subordinated debentures for a like principal amount of new junior subordinated debentures which will be issued without a restrictive legend and may be reoffered and resold by the holder generally without restrictions or limitations under the Securities Act. The exchange offer is being made pursuant to the exchange and registration rights agreement to satisfy our obligations under that agreement.

The old junior subordinated debentures and the exchange and registration rights agreement provide, among other things, that if we default in our obligations to take certain steps to make the exchange offer within the time periods specified in the registration rights agreement, the interest rate on the old junior subordinated debentures will initially increase by .125% and after 90 days (if the default continues) by .125%, the maximum additional annual interest rate, until the default is remedied.

Under the terms of the old junior subordinated debentures and the exchange and registration rights agreement, additional interest accrues on the old junior subordinated debentures until the exchange offer is completed or May 20, 2010. However, once the exchange offer is completed or after May 20, 2010, no additional interest will accrue on any old junior subordinated debenture.

Terms of the Exchange Offer

For each of the old junior subordinated debentures properly surrendered and not withdrawn before the expiration date of the exchange offer or as otherwise described in the section **Withdrawal of Tender** below, a new junior subordinated debenture having a principal amount equal to that of the surrendered old junior subordinated debenture will be issued.

The form and terms of the new junior subordinated debentures will be the same as the form and terms of the old junior subordinated debentures except that:

the new junior subordinated debentures will be registered under the Securities Act and, therefore, the global securities representing the new junior subordinated debentures will not bear legends restricting the transfer of interests in the new junior subordinated debentures; and

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the new junior subordinated debentures will not contain provisions for payment of additional interest in case of non-registration.

You may tender old junior subordinated debentures only in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

The new junior subordinated debentures will evidence the same indebtedness as the old junior subordinated debentures they replace, and will be issued under, and be entitled to the benefits of, the same indenture that authorized the issuance of the old junior subordinated debentures. As a result, the old junior subordinated debentures and the respective replacement new junior subordinated debentures will be treated as a single series of junior subordinated debentures under the indenture.

No interest will be paid in connection with the exchange. The new junior subordinated debentures will bear interest from and including the last interest payment date on which interest has been paid on the old junior subordinated debentures. Accordingly, the holders of old junior subordinated debentures that are accepted for exchange will not receive accrued but unpaid interest on old junior subordinated debentures at the time of tender. Rather, that interest will be payable on the new junior subordinated debentures delivered in exchange for the old junior subordinated debentures on the first interest payment date after the expiration date.

Under existing SEC interpretations, the new junior subordinated debentures would generally be freely transferable after the exchange offer without further registration under the Securities Act, except that broker-dealers receiving the new junior subordinated debentures in the exchange offer will be subject to a prospectus delivery requirement with respect to their resale. This view is based on interpretations by the staff of the SEC in no-action letters issued to other issuers in exchange offers like this one. We have not, however, asked the SEC to consider this particular exchange offer in the context of a no-action letter. Therefore, the SEC might not treat it in the same way it has treated other exchange offers in the past. You will be relying on the no-action letters that the SEC has issued to third parties in circumstances that we believe are similar to ours. Based on these no-action letters, the following conditions must be met in order to receive freely transferable new junior subordinated debentures:

you must not be a broker-dealer that acquired the old junior subordinated debentures from us or in market-making transactions or other trading activities;

you must acquire the new junior subordinated debentures in the ordinary course of your business;

you must have no arrangements or understandings with any person to participate in the distribution of the new junior subordinated debentures within the meaning of the Securities Act; and

you must not be an affiliate of ours, as defined under Rule 405 of the Securities Act.

If you wish to exchange old junior subordinated debentures for new junior subordinated debentures in the exchange offer you must represent to us that you satisfy all of the above listed conditions. If you do not satisfy all of the above listed conditions:

you cannot rely on the position of the SEC set forth in the no-action letters referred to above; and

you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new junior subordinated debentures.

The SEC considers broker-dealers that acquired old junior subordinated debentures directly from us, but not as a result of market-making activities or other trading activities, to be making a distribution of the new junior subordinated debentures if they participate in the exchange offer. Consequently, these broker-dealers must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new junior subordinated debentures.

A broker-dealer that has bought old junior subordinated debentures for market-making or other trading activities must comply with the prospectus delivery requirements of the Securities Act in order to resell any new junior subordinated debentures it receives for its own account in the exchange offer. The SEC has taken the position that broker-dealers may use this prospectus to fulfill their prospectus delivery requirements with respect to the new junior subordinated debentures. We have agreed in the exchange and registration rights agreement to send a prospectus to any broker-dealer that requests copies in the notice and questionnaire included in the letter of

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transmittal accompanying the prospectus for a period of up to 30 days after the date of expiration of this exchange offer.

Unless you are required to do so because you are a broker-dealer, you may not use this prospectus for an offer to resell, resale or other retransfer of new junior subordinated debentures. We are not making this exchange offer to, nor will we accept tenders for exchange from, holders of old junior subordinated debentures in any jurisdiction in which the exchange offer or the acceptance of it would not be in compliance with the securities or blue sky laws of that jurisdiction.

Expiration Date; Extensions; Amendments

The expiration date for the exchange offer is 5:00 p.m., New York City time, on July 2, 2009. We may extend this expiration date in our sole discretion, and we will extend the expiration date to the extent required by Rule 13e-4 under the Exchange Act. If we so extend the expiration date, the term *expiration date* shall mean the latest date and time to which we extend the exchange offer.

We reserve the right, in our sole discretion:

to, prior to the expiration date, delay accepting any old junior subordinated debentures;

to extend the exchange offer;

to terminate the exchange offer if, in our sole judgment, any of the conditions described below under *Conditions to the Exchange Offer* shall not have been satisfied; or

to amend the terms of the exchange offer in any way we determine.

We will give oral or written notice of any delay, extension or termination to the exchange agent. In addition, we will give, as promptly as practicable, oral or written notice regarding any delay in acceptance, extension or termination of the offer to the registered holders of old junior subordinated debentures. If we amend the exchange offer in a manner that constitutes a material change, or if we waive a material condition, or if a material change occurs in any information included or incorporated by reference in this prospectus prior to the expiration date, we will promptly disclose the amendment, waiver or material change in a manner reasonably calculated to inform the holders of old junior subordinated debentures of the amendment, waiver or material change, and extend the offer to the extent required by Rule 13e-4 under the Exchange Act.

We intend to make public announcements of any delay in acceptance, extension, termination, amendment or waiver regarding the exchange offer through a timely release to a financial news service.

Conditions to the Exchange Offer

We will not be required to accept for exchange, or to exchange new junior subordinated debentures for, any old junior subordinated debentures, and we may terminate the exchange offer as provided in this prospectus before the expiration date, if:

any law, rule or regulation shall have been proposed, adopted or enacted, or interpreted in a manner, which, in our reasonable judgment, would impair our ability to proceed with the exchange offer;

any action or proceeding is instituted or threatened in any court or by the SEC or any other governmental agency with respect to the exchange offer which, in our reasonable judgment, would impair our ability to proceed with the exchange offer;

we have not obtained any governmental approval which we, in our reasonable judgment, consider necessary for the completion of the exchange offer as contemplated by this prospectus;

any change, or any condition, event or development involving a prospective change, shall have occurred or be threatened in the general economic, financial, currency exchange or market conditions in the United States or elsewhere that, in our reasonable judgment, would impair our ability to proceed with the exchange offer;

any other change or development, including a prospective change or development, that, in our reasonable judgment, has or may have a material adverse effect on us, the market price of the new junior subordinated debentures or the old junior subordinated debentures or the value of the exchange offer to us; or

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there shall have occurred (i) any suspension or limitation of trading in securities generally on the New York Stock Exchange or the over-the-counter market; (ii) a declaration of a banking moratorium by United States Federal or New York authorities; or (iii) a commencement or escalation of a war or armed hostilities involving or relating to a country where we do business or other international or national emergency or crisis directly or indirectly involving the United States.

The conditions listed above are for our sole benefit and we may assert them regardless of the circumstances giving rise to any of these conditions. We may waive these conditions in our sole discretion in whole or in part at any time and from time to time. A failure on our part to exercise any of the above rights shall not constitute a waiver of that right, and that right shall be considered an ongoing right which we may assert at any time and from time to time.

If we determine in our reasonable judgment that any of the events listed above has occurred, we may, subject to applicable law:

refuse to accept any old junior subordinated debentures and return all tendered old junior subordinated debentures to the tendering holders;

extend the exchange offer and retain all old junior subordinated debentures tendered before the expiration of the exchange offer, subject, however, to the rights of holders to withdraw these old junior subordinated debentures; or

waive unsatisfied conditions relating to the exchange offer and accept all properly tendered old junior subordinated debentures which have not been withdrawn.

Any determination by us concerning the above events will be final and binding.

In addition, we reserve the right in our sole discretion to:

purchase or make offers for any old junior subordinated debentures that remain outstanding subsequent to the expiration date; and

purchase old junior subordinated debentures in the open market, in privately negotiated transactions or otherwise.

The terms of any such purchases or offers may differ from the terms of the exchange offer.

Procedures For Tendering

Except in limited circumstances, only a DTC participant listed on a DTC securities position listing with respect to the old junior subordinated debentures may tender old junior subordinated debentures in the exchange offer. To tender old junior subordinated debentures in the exchange offer:

you must instruct DTC and a DTC participant by completing the form *Instruction to Registered Holder From Beneficial Owner* accompanying this prospectus of your intention whether or not you wish to tender your old junior subordinated debentures for new junior subordinated debentures; or

you must comply with the guaranteed delivery procedures described below; and

DTC participants in turn need to follow the procedures for book-entry transfer as set forth below under Book-Entry Transfer and in the letter of transmittal.

By tendering, you will make the representations described below under Representations on Tendering Old Junior Subordinated Debentures. In addition, each participating broker-dealer must acknowledge that it will comply with the prospectus delivery obligations under the Securities Act in connection with any resale of the new junior subordinated debentures. See Plan of Distribution. The tender by a holder of old junior subordinated debentures will constitute an agreement between that holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of old junior subordinated debentures, the letter of transmittal and all other required documents or transmission of an agent's message, as described under Book-Entry Transfer, to the exchange agent is at the election and risk of the tendering holder of old junior subordinated debentures. Instead of delivery by mail, we recommend that holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery to the exchange agent prior to the expiration of the exchange offer. No letter of

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transmittal or old junior subordinated debentures should be sent to us or DTC. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent.

Signatures on a letter of transmittal or a notice of withdrawal, as described in **Withdrawal of Tenders** below, must be guaranteed by a member of the New York Stock Exchange Medallion Signature Program or an eligible guarantor institution, within the meaning of Rule 17Ad-15 under the Exchange Act, which we refer to together as eligible institutions, unless the old junior subordinated debentures are tendered for the account of an eligible institution.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, and acceptance and withdrawal of tendered old junior subordinated debentures. We reserve the absolute right to reject any and all old junior subordinated debentures not properly tendered or any old junior subordinated debentures whose acceptance by us would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to any particular old junior subordinated debentures either before or after the expiration date. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, holders must cure any defects or irregularities in connection with tenders of old junior subordinated debentures within a period we determine. Although we intend to request the exchange agent to notify holders of defects or irregularities relating to tenders of old junior subordinated debentures, neither we, the exchange agent nor any other person will have any duty or incur any liability for failure to give this notification. We will not consider tenders of old junior subordinated debentures to have been made until these defects or irregularities have been cured or waived. The exchange agent will return any old junior subordinated debentures that are not properly tendered and as to which the defects or irregularities have not been cured or waived to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

Book-Entry Transfer

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the old junior subordinated debentures at DTC for the purpose of facilitating the exchange offer. Any financial institution that is a participant in DTC's system may make book-entry delivery of old junior subordinated debentures by causing DTC to transfer such old junior subordinated debentures into the exchange agent's DTC account in accordance with DTC's electronic Automated Tender Offer Program procedures for such transfer. The exchange of new junior subordinated debentures for tendered old junior subordinated debentures will only be made after timely:

confirmation of book-entry transfer of the old junior subordinated debentures into the exchange agent's account; and

receipt by the exchange agent of an executed and properly completed letter of transmittal or an agent's message and all other required documents specified in the letter of transmittal.

The confirmation, letter of transmittal or agent's message and any other required documents must be received at the exchange agent's address listed below under **Exchange Agent** on or before 5:00 p.m., New York City time, on the expiration date of the exchange offer, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under those procedures.

As indicated above, delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent.

The term *agent s message* means a message, transmitted by DTC and received by the exchange agent and forming part of the confirmation of a book-entry transfer, which states that DTC has received an express acknowledgment from a participant in DTC tendering old junior subordinated debentures stating:

the aggregate principal amount of old junior subordinated debentures which have been tendered by the participant;

that such participant has received an appropriate letter of transmittal and agrees to be bound by the terms of the letter of transmittal and the terms of the exchange offer; and

that we may enforce such agreement against the participant.

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Delivery of an agent's message will also constitute an acknowledgment from the tendering DTC participant that the representations contained in the letter of transmittal and described below under Representations on Tendering Old Junior Subordinated Debentures are true and correct.

Guaranteed Delivery Procedures

The following guaranteed delivery procedures are intended for holders who wish to tender their old junior subordinated debentures but:

the holders cannot deliver the letter of transmittal or any required documents specified in the letter of transmittal before the expiration date of the exchange offer; or

the holders cannot complete the procedure under DTC's standard operating procedures for electronic tenders before expiration of the exchange offer.

The conditions that must be met to tender old junior subordinated debentures through the guaranteed delivery procedures are as follows:

the tender must be made through an eligible institution;

before expiration of the exchange offer, the exchange agent must receive from the eligible institution either a properly completed and duly executed notice of guaranteed delivery in the form accompanying this prospectus, by facsimile transmission, mail or hand delivery, or a properly transmitted agent's message in lieu of notice of guaranteed delivery:

setting forth the name and number of the account at DTC and the principal amount of old junior subordinated debentures tendered;

stating that the tender is being made by guaranteed delivery;

guaranteeing that, within three business days after expiration of the exchange offer, the letter of transmittal, or facsimile of the letter of transmittal, or an agent's message and a confirmation of a book-entry transfer of the old junior subordinated debentures into the exchange agent's account at DTC, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and

the exchange agent must receive the properly completed and executed letter of transmittal, or facsimile of the letter of transmittal or an agent's message in the case of a book-entry transfer, as well as a confirmation of book-entry transfer of the old junior subordinated debentures into the exchange agent's account, and any other documents required by the letter of transmittal, within three business days after expiration of the exchange offer.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old junior subordinated debentures according to the guaranteed delivery procedures set forth above.

Representations on Tendering Old Junior Subordinated Debentures

By surrendering old junior subordinated debentures in the exchange offer, you will be representing that, among other things:

you are acquiring the new junior subordinated debentures issued in the exchange offer in the ordinary course of your business;

you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate, in the distribution of the new junior subordinated debentures issued to you in the exchange offer;

you are not an affiliate, as defined in Rule 405 under the Securities Act, of AIG;

you have full power and authority to tender, exchange, assign and transfer the old junior subordinated debentures tendered;

we will acquire good, marketable and unencumbered title to the old junior subordinated debentures being tendered, free and clear of all security interests, liens, restrictions, charges, encumbrances, or other

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obligations relating to their sale or transfer, and not subject to any adverse claim, when the old junior subordinated debentures are accepted by us; and

you acknowledge and agree that if you are a broker-dealer registered under the Exchange Act or you are participating in the exchange offer for the purposes of distributing the new junior subordinated debentures, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale of the new junior subordinated debentures, and you cannot rely on the position of the SEC's staff in their no-action letters.

If you are a broker-dealer and you will receive new junior subordinated debentures for your own account in exchange for old junior subordinated debentures that were acquired as a result of market-making activities or other trading activities, you will be required to acknowledge in the letter of transmittal that you will comply with the prospectus delivery requirements of the Securities Act in connection with any resale of the new junior subordinated debentures. The letter of transmittal states that, by complying with their obligations, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. See also Plan of Distribution.

Withdrawal of Tenders

Your tender of old junior subordinated debentures pursuant to the exchange offer is irrevocable except as otherwise provided in this section. You may withdraw tenders of old junior subordinated debentures at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective for DTC participants, holders must comply with their respective standard operating procedures for electronic tenders and the exchange agent must receive an electronic notice of withdrawal from DTC.

Any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old junior subordinated debentures and otherwise comply with the procedures of DTC. We will determine in our sole discretion all questions as to the validity, form and eligibility, including time of receipt, for such withdrawal notices, and our determination shall be final and binding on all parties. Any old junior subordinated debentures so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no new junior subordinated debentures will be issued with respect to them unless the old junior subordinated debentures so withdrawn are validly re-tendered. Any old junior subordinated debentures which have been tendered but which are not accepted for exchange will be returned to the holder without cost to such holder as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old junior subordinated debentures may be re-tendered by following the procedures described above under Procedures For Tendering at any time prior to the expiration date.

You may withdraw tenders of any old junior subordinated debentures that have not yet been accepted for exchange after the expiration of forty business days from the commencement of the exchange offer. You must make any such withdrawal in the manner described above in this section.

Exchange Agent

We have appointed The Bank of New York Mellon as exchange agent in connection with the exchange offer. Holders should direct questions, requests for assistance and for additional copies of this prospectus, the letter of transmittal or notices of guaranteed delivery to the exchange agent addressed as follows:

Edgar Filing: AMERICAN INTERNATIONAL GROUP INC - Form S-4/A

By Mail, Hand Delivery or Overnight Courier:

The Bank of New York Mellon
Corporate Trust Operations
Reorganization Unit

101 Barclay Street 7 East
New York, NY 10286

Attention: Ms. Carolle Montreuil

Telephone: (212) 815-5092

By Facsimile Transmission:

(212) 298-1915

Attention: Ms. Carolle Montreuil

Confirm by telephone:

(212) 815-5092

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Delivery of a letter of transmittal to any address or facsimile number other than the one set forth above will not constitute a valid delivery.

Fees and Expenses

We will not make any payments to brokers, dealers or other persons soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for its related reasonable out-of-pocket expenses. We may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the old junior subordinated debentures and in handling or forwarding tenders for exchange.

Holders who tender their old junior subordinated debentures for exchange will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of old junior subordinated debentures in connection with the exchange offer, then the tendering holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the tendering holder does not submit satisfactory evidence of payment of these taxes or exemption from them with the letter of transmittal, the amount of these transfer taxes will be billed directly to the tendering holder.

Consequences of Failure to Properly Tender Old Junior Subordinated Debentures in the Exchange

We will issue the new junior subordinated debentures in exchange for old junior subordinated debentures under the exchange offer only after timely receipt by the exchange agent of the old junior subordinated debentures, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, holders of the old junior subordinated debentures desiring to tender old junior subordinated debentures in exchange for new junior subordinated debentures should allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities of tenders of old junior subordinated debentures for exchange. Old junior subordinated debentures that are not tendered or that are tendered but not accepted by us will, following completion of the exchange offer, continue to be subject to the existing restrictions upon transfer under the Securities Act.

Participation in the exchange offer is voluntary. In the event the exchange offer is completed, we will not be required to register the remaining old junior subordinated debentures. Remaining old junior subordinated debentures will continue to be subject to the following restrictions on transfer:

holders may resell old junior subordinated debentures only if an exemption from registration is available or, outside the United States, to non-U.S. persons in accordance with the requirements of Regulation S under the Securities Act; and

the remaining old junior subordinated debentures will bear a legend restricting transfer in the absence of registration or an exemption.

To the extent that old junior subordinated debentures are tendered and accepted in connection with the exchange offer, any trading market for remaining old junior subordinated debentures could be adversely affected.

DESCRIPTION OF THE NEW JUNIOR SUBORDINATED DEBENTURES

We have summarized below certain terms of new junior subordinated debentures. This summary is not complete. You should refer to the junior subordinated indenture dated as of March 13, 2007, as supplemented by the ninth supplemental indenture, dated as of May 20, 2008. References herein to the *junior subordinated debt indenture* are to

that junior subordinated indenture, as so supplemented. The Bank of New York Mellon acts as indenture trustee under the junior subordinated debt indenture. We urge you to read the junior subordinated debt indenture in its entirety because it, and not this description, defines your rights as holders of the new junior subordinated debentures. The junior subordinated debt indenture is filed as an exhibit to the registration statement of which this prospectus is a part and you can obtain a copy of the junior subordinated debt indenture as described under [Where You Can Find More Information](#).

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All references to new junior subordinated debentures below include the old junior subordinated debentures that are not exchanged for new junior subordinated debentures in the exchange offer, except the old junior subordinated debentures will continue to be subject to certain transfer restrictions as described under Risk Factors. If you fail to exchange the old junior subordinated debentures, they will remain subject to transfer restrictions. The new junior subordinated debentures and the old junior subordinated debentures that are not exchanged constitute a single series of junior subordinated debentures under the junior subordinated debt indenture.

The new junior subordinated debentures will be unsecured and junior in right of payment to all of our senior debt, as defined below under Subordination, and *pari passu* with the following outstanding parity securities:

\$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,

\$1,100,000,000 aggregate principal amount of 7.70% Series A-5 Junior Subordinated Debentures,

750,000,000 aggregate principal amount of 8.000% Series A-7 Junior Subordinated Debentures,

£900,000,000 aggregate principal amount of 8.625% Series A-8 Junior Subordinated Debentures,

\$1,960,000,000 aggregate principal amount of 5.67% Series B-1 Junior Subordinated Debentures (the *Series B-1 Junior Subordinated Debentures*),

\$1,960,000,000 aggregate principal amount of 5.82% Series B-2 Junior Subordinated Debentures (the *Series B-2 Junior Subordinated Debentures*), and

\$1,960,000,000 aggregate principal amount of 5.89% Series B-3 Junior Subordinated Debentures (the *Series B-3 Junior Subordinated Debentures*).

We refer to these junior subordinated debt securities as the *outstanding parity securities*. In addition, the new junior subordinated debentures will rank *pari passu* with any additional series of junior subordinated debentures that we may issue in the future.

Interest Rate and Interest Payment Dates

The new junior subordinated debentures will bear interest from and including the most recent interest payment date for which interest has been paid or duly provided for on the old junior subordinated debentures to but excluding May 15, 2038, at the annual rate of 8.175%, payable semi-annually in arrears on May 15 and November 15 of each year, and thereafter at a rate equal to three-month LIBOR plus 4.195%, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2038. We refer to these dates as *interest payment dates* and we refer to the period beginning on and including an interest payment date and ending on but excluding the next interest payment date as an *interest period*. The amount of interest payable for any interest period ending on or prior to May 15, 2038 will be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of interest payable for any interest period commencing on or after May 15, 2038 will be computed on the basis of a 360-day year and the actual number of days elapsed. In the event that any interest payment

date on or before May 15, 2038 would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day and no interest will accrue as a result of that postponement. In the event that any interest payment date after May 15, 2038 would otherwise fall on a day that is not a business day, that interest payment date will be postponed to the next day that is a business day and interest will accrue to the actual interest payment date; however, if the postponement would cause the day to fall in the next calendar month, the interest payment date will instead be brought forward to the immediately preceding business day.

Accrued interest that is not paid on the applicable interest payment date will bear additional interest, to the extent permitted by law, at the interest rate in effect from time to time, from the relevant interest payment date, compounded on each subsequent interest payment date. When we use the term *interest*, we are referring not only

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to regularly scheduled interest payments but also interest on interest payments not paid on the applicable interest payment date.

Interest is payable on each interest payment date to the person in whose name a new junior subordinated debenture is registered at the close of business on the business day next preceding that interest payment date or, in the event the new junior subordinated debentures cease to be held in book-entry form, at the close of business on the date fifteen days prior to that interest payment date, whether or not a business day.

For the purposes of calculating interest due on the new junior subordinated debentures after May 15, 2038:

Three-month LIBOR means, with respect to any quarterly interest period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that interest period that appears on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the LIBOR determination date for that interest period. If such rate does not appear on Reuters Screen LIBOR01, three-month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that interest period are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent (after consultation with us), at approximately 11:00 a.m., London time, on the LIBOR determination date for that interest period, in an amount that, in the calculation agent's judgment, is representative of a single transaction in that market at that time. The calculation agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, three-month LIBOR with respect to that interest period will be the arithmetic mean of such quotations. If fewer than two quotations are provided, three-month LIBOR with respect to that interest period will be the arithmetic mean of the rates quoted by three major banks in New York City selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of that interest period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that interest period and in an amount that, in the calculation agent's judgment, is representative of a single transaction in that market at that time. However, if fewer than three banks selected by the calculation agent to provide quotations are quoting as described above, three-month LIBOR for that interest period will be the same as three-month LIBOR as determined for the previous interest period or, in the case of the quarterly interest period beginning on May 15, 2038, three-month LIBOR will be 2.676%.

Calculation agent means AIG Financial Products Corp., or any other firm appointed by us, acting as calculation agent.

London banking day means any day on which dealings in dollars are transacted in the London interbank market.

LIBOR determination date means the second London banking day immediately preceding the first day of the relevant interest period.

Reuters Screen LIBOR01 means the display designated on Reuters Screen LIBOR01 or any successor service or page for the purpose of displaying LIBOR offered rates of major banks, as determined by the calculation agent.

All percentages resulting from any calculation of three-month LIBOR will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point (for example, 9.876541% (or .09876541) would be rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) would be rounded up to 9.87655% (or .0987655)). All amounts used in or resulting from any calculation will be rounded upward or

downward, as appropriate, to the nearest cent, with one-half cent or more being rounded upward. The establishment of three-month LIBOR for each interest period by the calculation agent shall (in the absence of manifest error) be final and binding.

In determining three-month LIBOR during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market. Those reference banks and dealers may include the calculation agent itself and our other affiliates.

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Option to Defer Interest Payments

We may elect at one or more times to defer payment of interest on the new junior subordinated debentures for one or more consecutive interest periods that do not exceed 10 years. We may defer payment of interest prior to, on or after the scheduled maturity date. We may not defer interest beyond the final maturity date or the earlier redemption date of any new junior subordinated debentures being redeemed.

Deferred interest on the new junior subordinated debentures will bear interest at the then applicable interest rate, compounded on each interest payment date, subject to applicable law. As used in this prospectus, a *deferral period* refers to the period beginning on an interest payment date with respect to which we elect to defer interest and ending on the earlier of (i) the tenth anniversary of that interest payment date and (ii) the next interest payment date on which we have paid all accrued and previously unpaid interest on the new junior subordinated debentures.

We have agreed in the junior subordinated debt indenture that:

immediately following the first interest payment date during the deferral period on which we elect to pay current interest or, if earlier, the fifth anniversary of the beginning of the deferral period, we will be required to use commercially reasonable efforts to sell common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock pursuant to the alternative payment mechanism, unless we have delivered notice of a market disruption event, and apply the eligible proceeds, as these terms are defined under Market Disruption Events and Alternative Payment Mechanism below, to the payment of any deferred interest (and compounded interest) on the next interest payment date, and this requirement will continue in effect until the end of the deferral period;

we will not pay deferred interest on the new junior subordinated debentures (and compounded interest thereon) prior to the final maturity date from any source other than eligible proceeds, unless otherwise required by an applicable regulatory authority, the deferral period is terminated on the interest payment date following certain business combinations described below or an event of default has occurred and is continuing; and

the sale of mandatorily convertible preferred stock to pay deferred interest is an option that may be exercised at our sole discretion, and we will not be obligated to sell mandatorily convertible preferred stock or to apply the proceeds of any such sale to pay deferred interest on the new junior subordinated debentures, and no class of investors of our securities or other obligations, or any other party, may require us to issue mandatorily convertible preferred stock.

We may pay current interest at all times from any available funds.

If we are involved in a merger, consolidation, amalgamation, binding share exchange or conveyance, transfer or lease of assets substantially as an entirety to any other person or a similar transaction (a *business combination*) where immediately after the consummation of the business combination more than 50% of the surviving or resulting entity's voting stock is owned by the shareholders of the other party to the business combination or continuing directors cease for any reason to constitute a majority of the directors of the surviving or resulting entity, then the foregoing rules will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination. *Continuing director* means a director who was a director of AIG at the time the definitive agreement relating to the transaction was approved by the AIG board of directors.

Although our failure to comply with the foregoing rules with respect to the alternative payment mechanism and payment of interest during a deferral period will be a breach of the junior subordinated debt indenture, it will not constitute an event of default under the junior subordinated debt indenture or give rise to a right of acceleration or

similar remedy.

We will give the holders of the new junior subordinated debentures and the indenture trustee written notice of our election to begin a deferral period at least one business day before the record date for the next interest payment date. However, our failure to pay interest on any interest payment date will itself constitute the commencement of a deferral period unless we pay such interest within five business days after the interest payment date, whether or not we provide a notice of deferral. A failure to pay interest will not give rise to an event of default unless we fail to pay

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interest, including compounded interest, in full for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period.

If we have paid all deferred interest on the new junior subordinated debentures, we can again defer interest payments on the new junior subordinated debentures as described above. The junior subordinated debt indenture does not limit the number or frequency of interest deferral periods.

Dividend and Other Payment Stoppages During Interest Deferral and Under Certain Other Circumstances

We have agreed that, so long as any new junior subordinated debentures remain outstanding, if an event of default has occurred and is continuing or we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing, then we will not, and will not permit any of our subsidiaries to:

declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock;

make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of our debt securities that upon our liquidation rank *pari passu* with, or junior to, the new junior subordinated debentures; or

make any guarantee payments regarding any guarantee by us of securities of any of our subsidiaries if the guarantee ranks *pari passu* with, or junior in interest to, the new junior subordinated debentures.

The restrictions listed above do not apply to:

purchases, redemptions or other acquisitions of shares of our capital stock in connection with:

any employment benefit plan or other compensatory contract or arrangement; or the Assurance Agreement, dated as of June 27, 2005, by AIG in favor of eligible employees and relating to specified obligations of Starr International Company, Inc. (as such agreement may be amended, supplemented, extended, modified or replaced from time to time); or

a dividend reinvestment, stock purchase plan or other similar plan;

any exchange or conversion of any class or series of our capital stock (or any capital stock of a subsidiary of AIG) for any class or series of our capital stock or of any class or series of our indebtedness for any class or series of our capital stock; or

the purchase of fractional interests in shares of our capital stock in accordance with the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or

any declaration of a dividend in connection with any stockholders' rights plan, or the issuance of rights, equity securities or other property under any stockholders' rights plan, or the redemption or repurchase of rights in accordance with any stockholders' rights plan; or

any dividend in the form of equity securities, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of the warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks on a parity with or junior to such equity securities; or

any payment during a deferral period of current or deferred interest in respect of *pari passu* securities that is made *pro rata* to the amounts due on *pari passu* securities and the new junior subordinated debentures, *provided* that such payments are made in accordance with the last paragraph under Description of Terms of the New Junior Subordinated Debentures Alternative Payment Mechanism Remedies and Market Disruptions to the extent that it applies, and any payments of deferred interest on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities. The outstanding parity securities constitute *pari passu* securities and will require AIG to make interest payments on these securities while interest is being deferred on the new junior subordinated debentures only pursuant to an alternative payment mechanism substantially the same as the alternative payment mechanism for the

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new junior subordinated debentures. While interest is being deferred on the new junior subordinated debentures, we may also repurchase any parity securities in exchange for common stock in connection with a failed remarketing or similar event, pay deferred interest on any parity securities (including such junior subordinated debentures) in the form of additional debentures that will rank *pari passu* with the new junior subordinated debentures and repay any such additional debentures at maturity; or

any payment of principal in respect of any *pari passu* securities having an earlier scheduled maturity date than the new junior subordinated debentures, as required under a provision of such *pari passu* securities that is substantially the same as the provision described below under Repayment of Principal Scheduled Maturity Date, or any such payment in respect of *pari passu* securities having the same scheduled maturity date as the new junior subordinated debentures that is made on a *pro rata* basis among one or more series of such securities and the new junior subordinated debentures; or

any repayment or redemption of a security necessary to avoid a breach of the instrument governing the same.

In addition, if any deferral period lasts longer than one year, neither we nor any of our subsidiaries will be permitted to purchase, redeem or otherwise acquire any securities ranking junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period until the first anniversary of the date on which all deferred interest has been paid, subject to the exceptions listed above. However, if we are involved in a business combination where immediately after its consummation more than 50% of the surviving or resulting entity's voting stock is owned by the shareholders of the other party to the business combination or continuing directors cease for any reason to constitute a majority of the surviving or resulting entity's board of directors, then the one-year restriction on repurchases described in the previous sentence will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.

Alternative Payment Mechanism

Obligations and Limitations Applicable to All Deferral Periods

Subject to the conditions described in Option to Defer Interest Payments above and to the exclusions described in Market Disruption Events below, if we defer interest on the new junior subordinated debentures, we will be required, commencing not later than (i) the first interest payment date on which we elect to pay current interest or (ii) if earlier, the business day following the fifth anniversary of the commencement of the deferral period, to issue APM qualifying securities, as defined below, subject to the limits described below, until we have raised an amount of eligible proceeds, as defined below, at least equal to the aggregate amount of accrued and unpaid deferred interest on the new junior subordinated debentures. We refer to this method of funding the payment of accrued and unpaid interest as the *alternative payment mechanism*.

We have agreed to apply eligible proceeds raised during any deferral period pursuant to the alternative payment mechanism to pay deferred interest on the new junior subordinated debentures.

Eligible proceeds, for each relevant interest payment date, means the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuance or sale) that AIG has received during the 180 days prior to the related interest payment date from the issuance of APM qualifying securities to persons that are not subsidiaries of AIG, up to the maximum share number in the case of APM qualifying securities that are common stock or mandatorily convertible preferred stock, up to the maximum warrant number in the case of APM qualifying securities that are qualifying warrants, and up to the preferred stock issuance cap in the case of APM qualifying securities that are qualifying non-cumulative preferred stock or mandatorily convertible preferred stock, as

these terms are defined below.

APM qualifying securities means common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock; *provided* that we may amend the definition of *APM qualifying securities* to eliminate common stock, qualifying warrants or mandatorily convertible preferred stock (but not both common stock and qualifying warrants) from the definition if, after May 13, 2008, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an

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insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes. We will not be permitted to amend the definition of APM qualifying securities to eliminate common stock prior to such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares, as described below. We will promptly notify the holders of the new junior subordinated debentures, in the manner contemplated in the junior subordinated debt indenture, of such change.

Common stock, under the alternative payment mechanism, means shares of AIG common stock, including treasury stock and shares of common stock sold pursuant to AIG's dividend reinvestment plan and employee benefit plans.

Qualifying warrants means net share settled warrants to purchase shares of common stock that:

have an exercise price greater than the current stock market price of our common stock as of their date of pricing; and

we are not entitled to redeem for cash and the holders are not entitled to require us to repurchase for cash in any circumstances.

If we eliminate our common stock from the definition of APM qualifying securities, we will be required to use commercially reasonable efforts, subject to the maximum warrant number (as defined below), to set the terms of any qualifying warrants we issue pursuant to the alternative payment mechanism so that the proceeds from the issuances of qualifying warrants, together with the proceeds from the sale of any other APM qualifying securities, are sufficient proceeds to pay all deferred interest on the new junior subordinated debentures in accordance with the alternative payment mechanism.

We intend to issue qualifying warrants with exercise prices at least 10% above the current stock market price of our common stock on the date of pricing of the warrants. The *current stock market price* of our common stock on any date is the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if our common stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which our common stock is traded. If our common stock is not listed on any U.S. securities exchange on the relevant date, the *current stock market price* will be the average of the midpoint of the bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Qualifying non-cumulative preferred stock means our non-cumulative perpetual preferred stock that (i) contains no remedies other than permitted remedies and (ii)(a) is redeemable, but is subject to intent based replacement disclosure, as such terms are defined under Replacement Capital Covenant below, and has a provision that provides for mandatory suspension of distributions upon its failure to satisfy one or more financial tests set forth therein or (b) is subject to a replacement capital covenant substantially similar to the replacement capital covenant applicable to the new junior subordinated debentures.

Mandatorily convertible preferred stock means cumulative preferred stock with (a) no prepayment obligation on the part of AIG, whether at the election of the holders or otherwise, and (b) a requirement that the preferred stock converts into our common stock within three years from the date of its issuance at a conversion ratio within a range established at the time of issuance of the preferred stock, subject to customary anti-dilution adjustments.

We are not permitted to issue qualifying non-cumulative preferred stock or mandatorily convertible preferred stock for the purpose of paying deferred interest to the extent the net proceeds of such issuance applied to pay interest on the new junior subordinated debentures pursuant to the alternative payment mechanism, together with the net proceeds of

all prior issuances of qualifying non-cumulative preferred stock and still-outstanding mandatorily convertible preferred stock applied during the current and all prior deferral periods, would exceed 25% of the aggregate principal amount of the new junior subordinated debentures issued under the junior subordinated debt indenture (the *preferred stock issuance cap*).

The *maximum share number* will equal 400 million and the *maximum warrant number* will equal 400 million (or 800 million if we amend the definition of APM qualifying securities to eliminate common stock) if

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our shareholders approve an increase in the number of our authorized shares of common stock, which we will propose for shareholder vote at our annual meeting of shareholders to take place in 2009. Unless and until such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares, the maximum share number will equal 185 million shares and the maximum warrant number will equal zero and, to the extent permitted by law, we will be required to use commercially reasonable efforts to increase our authorized shares of common stock if approval is not obtained at the 2009 annual meeting. We will not be permitted to amend the definition of APM qualifying securities to eliminate common stock prior to such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares. On each interest payment date during a deferral period, we will increase the maximum share number, as necessary, for so long as such deferral period is continuing, such that it is at least equal to the number of shares of common stock that we would need to issue to raise sufficient proceeds to pay, assuming a price per share equal to the average of the current market price of shares of our common stock over the ten-trading day period preceding such date, three times the then outstanding deferred interest on the new junior subordinated debentures (including compounded interest thereon) up to a maximum of 10 years of interest (including compounded interest thereon); *provided* that we will only be required to increase the maximum share number to the extent that such increase does not result in a maximum share number that is greater than the number of *available shares*. We will calculate the number of available shares by subtracting from the number of authorized and unissued shares of common stock on such date the maximum number of shares of common stock that can be issued under existing options, warrants, convertible securities, equity-linked contracts, equity compensation plans and other agreements of any type that require us to issue a determinable maximum number of shares of common stock, including without limitation for the purpose of funding deferred distributions (such maximum number the *fixed commitments*). The available shares will be allocated on a *pro rata* basis to our obligations under any similar commitments of ours under which we are required to increase our maximum obligation to issue shares of common stock in comparable circumstances. If the increase in the maximum share number is limited by the number of available shares, to the extent permitted by law, we will use commercially reasonable efforts to obtain shareholder consent at the next annual meeting of our shareholders to increase the number of shares of our authorized common stock so that it is no longer limited. Our failure consistent with applicable law to use commercially reasonable efforts to seek shareholder approval to increase the number of authorized shares would constitute a breach under the junior subordinated debt indenture, but would not constitute an event of default under the junior subordinated debt indenture or give rise to a right of acceleration or similar remedy. If we amend the definition of APM qualifying securities to eliminate common stock, the foregoing obligations shall apply to the maximum warrant number, assuming a price per qualifying warrant equal to 50% of the average of the current market price of our common stock over the relevant period.

For purposes of determining the amounts accruing during any period after May 15, 2038, the interest will be computed by reference to three-month LIBOR on the calculation date plus a margin equal to 4.195%. We will provide notice to the trustee if we increase the maximum share number or maximum warrant number.

If, as of a date no more than 15 and no less than 10 business days in advance of any interest payment date, we have not raised sufficient eligible proceeds to pay all deferred interest (including compounded interest thereon) on the new junior subordinated debentures in accordance with the alternative payment mechanism on such interest payment date as a result of the foregoing limitation, we will provide written certification to the trustee (which the trustee will promptly forward upon receipt to each holder of record of the new junior subordinated debentures) of our calculation of the maximum share number or maximum warrant number, as the case may be, the number of authorized and unissued shares of our common stock, the fixed commitments and the number of shares of our common stock issued (or issuable upon exercise of such qualifying warrants) that we have sold pursuant to the alternative payment mechanism during the 180-day period preceding the date of such notice.

Additional Limitations Applicable to the First Five Years of Any Deferral Period

We may become subject to the alternative payment mechanism prior to the fifth anniversary of the commencement of a deferral period if we elect to pay current interest prior to such date. In such event, we are not required to issue shares of common stock or qualifying warrants under the alternative payment mechanism for the purpose of paying deferred interest during the first five years of that deferral period to the extent the number of shares of common stock issued and the number of shares of common stock subject to such qualifying warrants,

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together with the number of shares of common stock previously issued and the number of shares of common stock subject to qualifying warrants previously issued during such deferral period to pay interest on the new junior subordinated debentures pursuant to the alternative payment mechanism would, in the aggregate, exceed 2% of the total number of issued and outstanding shares of our common stock as of the date of our then most recent publicly available consolidated financial statements (the *stock and warrant issuance cap*).

Once we reach the stock and warrant issuance cap for a deferral period, we will not be required to issue more shares of common stock or qualifying warrants under the alternative payment mechanism during the first five years of such deferral period even if the stock and warrant issuance cap subsequently increases because of a subsequent increase in the number of outstanding shares of our common stock. The stock and warrant issuance cap will cease to apply after the fifth anniversary of the commencement of any deferral period, at which point we must pay any deferred interest regardless of the time at which it was deferred, using the alternative payment mechanism, subject to the limitations described under *Obligations and Limitations Applicable to All Deferral Periods* above and any market disruption event. In addition, if the stock and warrant issuance cap is reached during a deferral period and we subsequently pay all deferred interest, the stock and warrant issuance cap will cease to apply at the termination of such deferral period, reset to zero and will not apply again unless and until we start a new deferral period. The preferred stock issuance cap, however, does not reset to zero even if we pay all deferred interest, and the net proceeds from sales of qualifying non-cumulative preferred stock and then outstanding mandatorily convertible preferred stock applied pursuant to the alternative payment mechanism during such deferral period and all prior deferral periods cumulate as qualifying non-cumulative preferred stock is issued, or so long as mandatorily convertible preferred stock is outstanding, to pay deferred interest.

Remedies and Market Disruptions

Although our failure to comply with our obligations with respect to the alternative payment mechanism will breach a covenant under the junior subordinated debt indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy.

If, due to a market disruption event or otherwise, we were able to raise some, but not all, eligible proceeds necessary to pay all deferred interest on the new junior subordinated debentures on any interest payment date, we will apply any available eligible proceeds to pay accrued and unpaid interest on the applicable interest payment date in chronological order based on the date each payment was first deferred, and you will be entitled to receive your *pro rata* share of any amounts so paid. If, in addition to the new junior subordinated debentures, other *pari passu* securities (including the outstanding parity securities) are outstanding under which we are obligated to sell common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock and apply the net proceeds to the payment of deferred interest or distributions, then on any date and for any period the amount of net proceeds received by us from those sales and available for payment of the deferred interest and distributions shall be applied to the new junior subordinated debentures and those other *pari passu* securities on a *pro rata* basis up to, in the case of common stock, the stock and warrant issuance cap and the maximum share number, in the case of qualifying warrants, the stock and warrant issuance cap and the maximum warrant number, in the case of mandatorily convertible preferred stock, the maximum share number and the preferred stock issuance cap, and, in the case of qualifying non-cumulative preferred stock, the preferred stock issuance cap (or comparable provisions in the instruments governing those *pari passu* securities) in proportion to the total amounts that are due on the new junior subordinated debentures and such *pari passu* securities. The new junior subordinated debentures and the outstanding parity securities all permit *pro rata* payments to be made on any other series so long as we deposit with our paying agent or segregate and hold in trust for payment the *pro rata* proceeds applicable to such series that we have not paid.

Market Disruption Events

A *market disruption event* means, for purposes of sales of APM qualifying securities pursuant to the alternative payment mechanism or sales of qualifying capital securities pursuant to Repayment of Principal

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Scheduled Maturity Date below, as applicable (collectively, the *permitted securities*), the occurrence or existence of any of the following events or sets of circumstances:

trading in securities generally (or in our shares specifically) on the New York Stock Exchange or any other national securities exchange, or in the over-the-counter market, on which our capital stock is then listed or traded shall have been suspended or its settlement generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or market by the relevant regulatory body or governmental agency having jurisdiction that materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, permitted securities;

we would be required to obtain the consent or approval of our stockholders or a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue permitted securities and we fail to obtain that consent or approval notwithstanding our commercially reasonable efforts to obtain that consent or approval;

an event occurs and is continuing as a result of which the offering document for the offer and sale of permitted securities would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading, *provided* that (1) one or more events described under this bullet point shall not constitute a market disruption event with respect to a period of more than 90 days in any 180-day period and (2) multiple suspension periods contemplated by this bullet point shall not exceed an aggregate of 180 days in any 360-day period;

we reasonably believe that the offering document for the offer and the sale of permitted securities would not be in compliance with a rule or regulation of the SEC (for reasons other than those referred to in the immediately preceding bullet point) and we are unable to comply with such rule or regulation or such compliance is unduly burdensome, *provided* that (1) one or more events described under this bullet point shall not constitute a market disruption event with respect to a period of more than 90 days in any 180-day period and (2) multiple suspension periods contemplated by this bullet point shall not exceed an aggregate of 180 days in any 360-day period;

a banking moratorium shall have been declared by the federal or state authorities of the United States that results in a material disruption of any of the markets on which our permitted securities are trading;

a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States;

the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that market trading in our capital stock has been materially disrupted; or

there shall have occurred such a material adverse change in general domestic or international economic, political or financial conditions, including, without limitation, as a result of terrorist activities, or the effect of international conditions on the financial markets in the United States, that materially disrupts the capital markets such as to make it, in our judgment, impracticable or inadvisable to proceed with the offer and sale of the permitted securities.

We will be excused from our obligations under the alternative payment mechanism in respect of any interest payment date if we provide written certification to the indenture trustee (which the indenture trustee will promptly forward upon receipt to each holder of record of new junior subordinated debentures) no more than 30 and no less than 10 business days in advance of that interest payment date certifying that:

a market disruption event occurred after the immediately preceding interest payment date; and

either (a) the market disruption event continued for the entire period from the business day immediately following the preceding interest payment date to the business day immediately preceding the date on which that certification is provided or (b) the market disruption event continued for only part of this period, but we

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were unable after commercially reasonable efforts to raise sufficient eligible proceeds during the rest of that period to pay all accrued and unpaid interest.

We will not be excused from our obligations under the alternative payment mechanism or our obligations in connection with the repayment of principal described under **Repayment of Principal** **Scheduled Maturity Date** below if we determine not to pursue or complete the sale of permitted securities due to pricing, dividend rate or dilution considerations.

Repayment of Principal

Scheduled Maturity Date

We must repay the principal amount of the new junior subordinated debentures, together with accrued and unpaid interest, on May 15, 2058, or if that date is not a business day, the next business day (*scheduled maturity date*), subject to the limitations described below.

Our obligation to repay the new junior subordinated debentures on the scheduled maturity date is limited. We are required to repay the new junior subordinated debentures on the scheduled maturity date only to the extent of the **applicable percentage** of the net proceeds we have received from the issuance of **qualifying capital securities**, as these terms are defined under **Replacement Capital Covenant**, that we have sold during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If we have not sold sufficient qualifying capital securities to permit repayment of all principal and accrued and unpaid interest on the new junior subordinated debentures on the scheduled maturity date, the unpaid amount will remain outstanding from interest payment date to interest payment date until we have raised sufficient proceeds to permit repayment in full in accordance with this obligation, an event of default which results in acceleration of the new junior subordinated debentures occurs or the final maturity date on May 15, 2068.

We agree in the junior subordinated debt indenture to use our commercially reasonable efforts (except as described below) to sell sufficient qualifying capital securities in a 180-day period ending on a notice date not more than 30 and not less than 10 business days prior to the scheduled maturity date to permit repayment of the new junior subordinated debentures in full on this date in accordance with the above requirement. We further agree in the junior subordinated debt indenture that if we are unable for any reason to sell sufficient qualifying capital securities to permit payment in full on the scheduled maturity date, we will use our commercially reasonable efforts (except as described below) to sell sufficient qualifying capital securities to permit repayment on the next interest payment date, and on each interest payment date thereafter until the new junior subordinated debentures are repaid in full or redeemed, an event of default resulting in their acceleration occurs or the final maturity date occurs. Our failure to use our commercially reasonable efforts to sell a sufficient amount of qualifying capital securities would be a breach of covenant under the junior subordinated debt indenture; however, such breach will not be an event of default thereunder.

We are not required under the junior subordinated debt indenture to use commercially reasonable efforts to issue any securities other than qualifying capital securities in connection with the above obligation.

We will give to DTC a notice of repayment at least 10 but not more than 15 days before the scheduled repayment date. If any new junior subordinated debentures are to be repaid in part only, the notice of repayment will state the portion of the principal amount thereof to be repaid.

We may amend or supplement the replacement capital covenant from time to time with the consent of the holders of the specified series of indebtedness benefiting from the replacement capital covenant, *provided* that no such consent shall be required if any of the following apply (it being understood that any such amendment or supplement may fall

into one or more of the following): (i) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate certain of, the types of securities qualifying as replacement capital securities, as described under Replacement Capital Covenant below, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate to that effect, (ii) such amendment or supplement is not materially adverse to the covered debtholders, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate stating that, in his or her determination, such amendment or supplement is not materially adverse to the covered debtholders, or (iii) such amendment or

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supplement eliminates common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities if, after May 13, 2008, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to eliminate common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States. For this purpose, an amendment or supplement that adds new types of securities qualifying as replacement capital securities or modifies the requirements of securities qualifying as replacement capital securities will not be deemed materially adverse to the covered debtholders if, following such amendment or supplement, the replacement capital covenant would constitute a qualifying replacement capital covenant, as described under **Replacement Capital Covenant** below.

We generally may amend or supplement the replacement capital covenant without the consent of the holders of the new junior subordinated debentures. With respect to qualifying capital securities, on the other hand, we have agreed in the junior subordinated debt indenture that we will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining when repayment, redemption or purchase of the new junior subordinated debentures is permitted, except with the consent of holders of a majority by principal amount of the new junior subordinated debentures.

Any unpaid amounts on the new junior subordinated debentures that remain outstanding beyond the scheduled maturity date will continue to bear interest at a rate equal to three-month LIBOR plus 4.195% and we will continue to pay quarterly interest on the new junior subordinated debentures after the scheduled maturity date, subject to our rights and obligations under **Option to Defer Interest Payments** and **Alternative Payment Mechanism** above.

Commercially reasonable efforts to sell our qualifying capital securities means commercially reasonable efforts to complete the offer and sale of our qualifying capital securities to third parties that are not subsidiaries of ours in public offerings or private placements. We will not be considered to have made commercially reasonable efforts to effect a sale of qualifying capital securities if we determine to not pursue or complete such sale due to pricing, coupon, dividend rate or dilution considerations.

We will be excused from our obligation under the junior subordinated debt indenture to use commercially reasonable efforts to sell qualifying capital securities to permit repayment of the new junior subordinated debentures if we provide written certification to the indenture trustee (which certification will be forwarded to each holder of record of new junior subordinated debentures) no more than 30 and no less than 10 business days in advance of the required repayment date certifying that:

a market disruption event was existing at any time during the period commencing 180 days prior to the date on which certification is provided or, in the case of any required repayment date after the scheduled maturity date, commencing on the immediately preceding interest payment date and ending on the business day immediately preceding the date on which the certification is provided; and

either (a) the market disruption event continued for the entire 180-day period or the period since the most recent interest payment date, as the case may be, or (b) the market disruption event continued for only part of the period, but we were unable after commercially reasonable efforts to raise sufficient net proceeds during the rest of that period to permit repayment of the new junior subordinated debentures in full.

Payments in respect of the new junior subordinated debentures on and after the scheduled maturity date will be applied, first, to deferred interest to the extent of eligible proceeds under the alternative payment mechanism, second,

to current interest and, third, to repay the principal of the new junior subordinated debentures; *provided* that if we are obligated to sell qualifying capital securities and repay any outstanding *pari passu* securities in addition to the new junior subordinated debentures, then on any date and for any period such payments shall be applied:

first, to any *pari passu* securities having an earlier scheduled maturity date than the new junior subordinated debentures, until the principal of and all accrued and unpaid interest on those securities has been paid in full; and

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second, to the new junior subordinated debentures and any other *pari passu* securities having the same scheduled maturity date as the new junior subordinated debentures *pro rata* in accordance with their respective outstanding principal amounts.

None of such payments shall be applied to any other *pari passu* securities having a later scheduled maturity date until the principal of and all accrued and unpaid interest on the new junior subordinated debentures has been paid in full (except to the extent permitted under Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances and the last paragraph under Alternative Payment Mechanism Remedies and Market Disruptions above). If we raise less than \$5 million of net proceeds from the sale of qualifying capital securities during the relevant 180-day or three-month period, we will not be required to repay any new junior subordinated debentures on the scheduled maturity date or the next quarterly interest payment date, as applicable. On the next interest payment date as of which we have raised at least \$5 million of net proceeds during the 180-day period preceding the applicable notice date (or, if shorter, the period since we last repaid any principal amount of new junior subordinated debentures), we will be required to repay a principal amount of new junior subordinated debentures equal to the applicable percentage of the net proceeds from the sale of qualifying capital securities during such 180-day or shorter period.

Final Maturity Date

Any principal amount of the new junior subordinated debentures, together with accrued and unpaid interest, will be due and payable on May 15, 2068 (or, if such day is not a business day, the following business day), which is the final maturity date for the new junior subordinated debentures, regardless of the amount of qualifying capital securities we have issued and sold by that time. At that time, we may repay the new junior subordinated debentures with any monies available to us. If we repay the new junior subordinated debentures prior to the final maturity date when any deferred interest remains unpaid, the unpaid deferred interest (including compounded interest thereon) may only be paid pursuant to the alternative payment mechanism described above under Alternative Payment Mechanism.

Limitation on Claims in the Event of Our Bankruptcy, Insolvency or Receivership

The junior subordinated debt inde