SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

/x/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the Transition period from________to____________

Commission file number 1-8787

AMERICAN INTERNATIONAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-2592361
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
70 Pine Street, New York, New York	10270
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 770-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $2.50 Per Share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /.

The aggregate market value of the shares of all classes of voting stock of the registrant held by non-affiliates of the registrant on January 31, 1995 was approximately $23,460,599,000 computed upon the basis of the closing sales price of the Common Stock on that date.

As of January 31, 1995, there were outstanding 315,892,792 shares of Common Stock, $2.50 par value, of the registrant.

Documents Incorporated by Reference:

The registrant's definitive proxy statement filed or to be filed with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors at the annual meeting of the shareholders of the registrant scheduled to be held on May 24, 1995 is incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

American International Group, Inc. ("AIG"), a Delaware corporation, is a holding company which through its subsidiaries is primarily engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIG's primary activities include both general and life insurance operations. The principal insurance company subsidiaries are American Home Assurance Company ("American Home"), National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union"), New Hampshire Insurance Company ("New Hampshire"), Lexington Insurance Company ("Lexington"), American International Underwriters Overseas, Ltd. ("AIUO"), American Life Insurance Company ("ALICO"), American International Assurance Company, Limited ("AIA"), Nan Shan Life Insurance Company, Ltd. ("Nan Shan"), The Philippine American Life Insurance Company ("PHILAM"), American International Reinsurance Company, Ltd. and United Guaranty Residential Insurance Company. Other significant activities are financial services and agency and service fee operations. For information on AIG's business segments, see Note 19 of Notes to Financial Statements.

All per share information herein gives retroactive effect to all stock dividends and stock splits. As of January 31, 1995, beneficial ownership of approximately 16.0 percent, 3.6 percent and 2.4 percent of AIG's Common Stock, $2.50 par value ("Common Stock"), was held by Starr International Company, Inc. ("SICO"), The Starr Foundation and C. V. Starr & Co., Inc. ("Starr"), respectively.

At December 31, 1994, AIG and its subsidiaries had approximately 32,000 employees.

The following table shows the general development of the business of AIG on a consolidated basis, the contributions made to AIG's consolidated revenues and operating income and the assets held, in the periods indicated by its general insurance, life insurance, agency and service fee and financial services operations, equity in income of minority-owned insurance companies and realized capital gains. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1 and 19 of Notes to Financial Statements.)

(dollars in thousands)

Years Ended December 31,	1994	1993	1992	1991	1990

General insurance operations:					
Gross premiums written	$ 16,392,409	$ 14,901,255	$ 13,615,715	$ 13,336,248	$ 11,926,850
Net premiums written	10,865,753	10,025,903	9,138,528	9,146,394	9,267,201
Net premiums earned	10,286,831	9,566,640	9,209,390	9,104,632	9,149,414
Adjusted underwriting profit (loss)(a)	147,517	10,391	(195,084)	(4,809)	75,184
Net investment income	1,435,092	1,340,480	1,252,086	1,163,461	1,059,161
Realized capital gains	52,487	65,264	67,134	89,275	120,000
Operating income	1,635,096	1,416,135	1,124,136	1,247,927	1,254,345
Identifiable assets(b)	51,372,100	46,981,720	42,416,509(b)	29,278,641	27,993,993
Loss ratio	77.8	79.2	81.5	78.9	78.2
Expense ratio	20.9	20.9	20.9	21.5	21.4
Combined ratio	98.7	100.1	102.4	100.4	99.6
Life insurance operations:					
Premium income	6,724,321	5,746,046	4,853,087	4,059,354	3,477,598
Net investment income	1,748,428	1,499,714	1,313,838	1,139,793	977,343
Realized capital gains (losses)	86,706	54,576	43,257	23,219	(6,347)
Operating income	952,484	781,611	667,453	561,839	462,862
Identifiable assets(b)	34,496,652	28,381,164	23,472,687(b)	19,986,909	16,319,156
Insurance in-force at end of year	333,378,811	257,162,102	210,605,862	193,226,288	160,373,296
Agency and service fee operations:					
Commissions, management and other fees	236,778	237,738	225,686	211,210	205,679
Net investment income	1,162	1,903	2,611	4,754	5,226
Operating income	54,129	60,247	52,570	46,202	36,663
Identifiable assets	184,310	179,297	157,280	188,638	168,846
Financial services operations:					
Commissions, transaction and other fees	1,866,253	1,595,449	1,404,902	1,073,553	704,201
Operating income	404,853	390,038	346,442	222,156	132,505
Identifiable assets	30,660,776	25,514,258	27,138,230	20,485,838	14,472,483
Equity in income of minority-owned insurance operations	56,005	39,589	27,929	28,806	24,050
Other realized capital losses	(52,340)	(12,742)	(11,293)	(14,144)	(14,258)
Revenues(c)	22,441,723	20,134,657	18,388,627	16,883,913	15,702,067
Total assets	114,346,117	101,014,848	92,722,182	69,389,468	58,201,835

(a) Adjusted underwriting profit (loss) is statutory underwriting income (loss) adjusted primarily for changes in deferral of acquisition costs. This adjustment is necessary to present the financial statements in accordance with generally accepted accounting principles.

(b) The insurance assets with respect to December 31, 1992 and subsequent years conform to the requirements of FASB 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts".

(c) Represents the sum of general net premiums earned, life premium income, agency commissions, management and other fees, net investment income, financial services commissions, transaction and other fees, equity in income of minority-owned insurance operations and realized capital gains.

The following table shows identifiable assets, revenues and income derived from operations in the United States and Canada and from operations in other countries for the year ended December 31, 1994. (See also Note 19 of Notes to Financial Statements.)

(dollars in thousands)

				PERCENT OF TOTAL	
	TOTAL	UNITED STATES AND CANADA	OTHER COUNTRIES	UNITED STATES AND CANADA	OTHER COUNTRIES
General insurance operations:					
Net premiums earned	$ 10,286,831	$ 6,827,708	$ 3,459,123	66.4%	33.6%
Adjusted underwriting profit (loss)	147,517	(91,524)	239,041	--	--
Net investment income	1,435,092	1,147,595	287,497	80.0	20.0
Realized capital gains (losses)	52,487	62,676	(10,189)	--	--
Operating income	1,635,096	1,118,747	516,349	68.4	31.6
Identifiable assets	51,372,100	40,799,419	10,572,681	79.4	20.6
Life insurance operations:					
Premium income	6,724,321	370,112	6,354,209	5.5	94.5
Net investment income	1,748,428	600,616	1,147,812	34.4	65.6
Realized capital gains	86,706	4,028	82,678	4.6	95.4
Operating income	952,484	42,271	910,213	4.4	95.6
Identifiable assets	34,496,652	8,563,247	25,933,405	24.8	75.2
Agency and service fee operations:					

Commissions, management and other fees	236,778	234,479	2,299	99.0	1.0
Net investment income	1,162	1,149	13	98.9	1.1
Operating income	54,129	52,764	1,365	97.5	2.5
Identifiable assets	184,310	162,566	21,744	88.2	11.8
Financial services operations:					
Commissions, transaction and other fees	1,866,253	1,554,701	311,552	83.3	16.7
Operating income	404,853	277,992	126,861	68.7	31.3
Identifiable assets	30,660,776	24,757,029	5,903,747	80.7	19.3
Equity in income of minority-owned insurance operations	56,005	42,719	13,286	76.3	23.7
Other realized capital losses	(52,340)	(39,878)	(12,462)	--	--
Income before income taxes and cumulative effect of accounting changes	2,951,979	1,420,399	1,531,580	48.1	51.9
Revenues	22,441,723	10,805,905	11,635,818	48.2	51.8
Total Assets	114,346,117	71,838,459	42,507,658	62.8	37.2

GENERAL INSURANCE OPERATIONS

AIG's general insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance. One or more of these companies is licensed to write substantially all of these lines in all states of the United States and in more than 100 foreign countries.

AIG's business derived from brokers in the United States and Canada is conducted through its domestic brokerage division, consisting of American Home, National Union, Lexington and certain other insurance company subsidiaries of AIG. Also included are the operations of New Hampshire and its subsidiaries, which were restructured in 1992, thus completing the withdrawal of these companies from an agency production system. New Hampshire is now integrated into this division as the AIG company focusing specifically on providing AIG products and services through brokers to middle market companies.

The domestic brokerage division accepts business mainly from insurance brokers, enabling selection of specialized markets and retention of underwriting control. Any licensed broker is able to submit business to these companies without the traditional agent-company contractual relationship, but such broker usually has no authority to commit the companies to accept a risk.

In addition to writing substantially all classes of business insurance, including large commercial or industrial property insurance, excess liability, inland marine, workers' compensation and excess and umbrella coverages, the domestic brokerage division offers many specialized forms of insurance such as directors and officers liability, difference-in-conditions, kidnap-ransom, export credit and political risk, and various types of professional errors and omissions coverages. Lexington writes surplus lines, those risks for which conventional insurance companies do not readily provide insurance coverage, either because of complexity or because the coverage does not lend itself to conventional contracts.

Audubon Insurance Company and its subsidiaries ("Audubon") conduct agency marketing of personal and small commercial coverages in certain Southern and Western States.

American International Insurance Company ("AIIC") engages in mass marketing of personal lines coverages. Since 1992, AIIC increased its participation in non-standard auto business in urban markets.

The business of United Guaranty Corporation ("UGC") and its subsidiaries is also included in the domestic operations

of AIG. The principal business of the UGC subsidiaries is the writing of residential mortgage loan insurance, which is guaranty insurance on conventional first mortgage loans on single-family dwellings and condominiums. Such insurance protects lenders against loss if borrowers default. UGC subsidiaries also write commercial mortgage loan insurance covering first mortgage loans on commercial real estate, home equity and property improvement loan insurance on loans to finance residential property improvements, alterations and repairs and for other purposes not necessarily related to real estate, and rent guaranty insurance on commercial and industrial real estate. UGC had approximately $10 billion of mortgage guarantee risk in-force at December 31, 1994.

AIG's foreign general insurance business comprises primarily risks underwritten through American International Underwriters ("AIU"), a marketing unit consisting of wholly owned agencies and insurance companies. It also includes business written by foreign-based insurance subsidiaries of AIUO for their own accounts. In general, the same types of policies and marketing methods, with certain refinements for local laws, customs and needs, are used in these foreign operations as have been described above in connection with the domestic operations.

During 1994 domestic general and foreign general insurance business accounted for 67.0 percent and 33.0 percent, respectively, of AIG's net premiums written.

AIG's general insurance company subsidiaries worldwide operate primarily by underwriting and accepting any size risk for their direct account and securing reinsurance on that portion of the risk in excess of the limit which they wish to retain. This operating policy differs from that of many insurance companies which will underwrite only up to their net retention limit, thereby requiring the broker or agent to secure commitments from other underwriters for the remainder of the gross risk amount.

The following table summarizes general insurance premiums written and earned:

(in thousands)

YEARS ENDED DECEMBER 31,	WRITTEN	EARNED
1994		
Gross premiums	$16,392,409	$15,665,787
Ceded premiums	(5,526,656)	(5,378,956)
Net premiums	$10,865,753	$10,286,831
1993		
Gross premiums	$14,901,255	$14,405,992
Ceded premiums	(4,875,352)	(4,839,352)
Net premiums	$10,025,903	$ 9,566,640
1992		
Gross premiums	$13,615,715	$13,616,700
Ceded premiums	(4,477,187)	(4,407,310)
Net premiums	$ 9,138,528	$ 9,209,390

The utilization of reinsurance is closely monitored by an internal reinsurance security committee, consisting of members of AIG's Senior Management. No single reinsurer is a material reinsurer to AIG nor is AIG's business substantially dependent upon any reinsurance contract. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 5 of Notes to Financial Statements.)

AIG is well diversified both in terms of lines of business and geographic locations. Of the general insurance lines of business, workers' compensation was approximately 16 percent of AIG's net premiums written. This line is well diversified geographically and is generally written on a retrospectively rated basis which reduces its exposure to material uncertainty or risks.

Notwithstanding the above, the majority of AIG's insurance business is in the casualty classes, which tend to involve longer periods of time for the reporting and settling of claims. This may increase the risk and uncertainty with respect to AIG's loss reserve development. (See also the Discussion and Analysis of Consolidated Net Loss and Loss Expense Reserve Development and Management's Discussion and Analysis of Financial Condition and Results of Operations.)

The following table is a summary of the general insurance operations, including ratios, by major operating category for the year ended December 31, 1994. (See also Note 19(b) of Notes to Financial Statements.)

(dollars in thousands)

	NET PREMIUMS		RATIO OF LOSSES AND LOSS EXPENSES INCURRED TO NET PREMIUMS EARNED	RATIO OF UNDERWRITING EXPENSES INCURRED TO NET PREMIUMS WRITTEN	COMBINED RATIO
	WRITTEN	EARNED			
Foreign	$ 3,588,608	$ 3,459,123	59.7	33.2	92.9
Commercial casualty(a)	5,718,053	5,329,215	82.6	13.1	95.7
Commercial property	309,802	294,944	102.0	23.9	125.9
Pools and associations(b)	552,975	533,632	145.9	17.3	163.2
Personal lines(c)	492,122	464,120	82.7	21.8	104.5
Mortgage guaranty	204,193	205,797	37.2	26.6	63.8
Total	$10,865,753	$10,286,831	77.8	20.9	98.7

(a) Including workers' compensation and retrospectively rated risks.

(b) Including involuntary pools.

(c) Including mass marketing and specialty programs.

Loss and expense ratios of AIG's consolidated general insurance operations are set forth in the following table. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

(dollars in thousands)

YEARS ENDED DECEMBER 31,	NET PREMIUMS		RATIO OF LOSSES AND LOSS EXPENSES INCURRED TO NET PREMIUMS EARNED	RATIO OF UNDERWRITING EXPENSES INCURRED TO NET PREMIUMS WRITTEN	COMBINED RATIO	UNDERWRITING MARGIN	INDUSTRY COMBINED RATIO*
	WRITTEN	EARNED					
1994	$10,865,753	$10,286,831	77.8	20.9	98.7	1.3	109.7
1993	10,025,903	9,566,640	79.2	20.9	100.1	(0.1)	107.9
1992	9,138,528	9,209,390	81.5	20.9	102.4	(2.4)	119.1
1991	9,146,394	9,104,632	78.9	21.5	100.4	(0.4)	109.5
1990	9,267,201	9,149,414	78.2	21.4	99.6	0.4	109.4

* Source: Best's Aggregates & Averages (Stock insurance companies, after

dividends to policyholders).

The ratio for 1994 reflects estimated results provided by Conning & Company.

During 1994, of the direct general insurance premiums written (gross premiums less return premiums and cancellations, excluding reinsurance assumed and before deducting reinsurance ceded), 9.7 percent and 10.2 percent were written in California and New York, respectively (no other state accounted for more than 5 percent of such premiums).

There was no significant adverse effect on AIG's results of operations from the economic environments in any one state, country or geographic region for the year ended December 31, 1994.

DISCUSSION AND ANALYSIS OF CONSOLIDATED NET LOSS AND LOSS EXPENSE RESERVE DEVELOPMENT

The reserve for net losses and loss expenses is exclusive of applicable reinsurance and represents the accumulation of estimates for reported losses ("case basis reserves") and provisions for losses incurred but not reported ("IBNR"). AIG does not discount its loss reserves other than for minor amounts related to certain workers' compensation claims.

Loss reserves established with respect to foreign business are set and monitored in terms of the respective local or functional currency. Therefore, no assumption is included for changes in currency rates. (See also Note 1(t) of Notes to Financial Statements.) Losses and loss expenses are charged to income as incurred.

Management continually reviews the adequacy of established loss reserves through the utilization of a number of analytical reserve development techniques (discussed below). Through the use of these techniques, management is able to monitor the adequacy of its established reserves, including the appropriate assumptions for inflation. Also, through reactions to the emergence of specific development patterns, such as case reserve redundancies or deficiencies and IBNR emergence, management is able to currently determine any required adjustments. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

The "Analysis of Consolidated Net Loss and Loss Expense Reserve Development", which follows, presents the development of net loss and loss expense reserves for calendar years 1984 through 1994. The upper half of the table shows the cumulative amounts paid during successive years related to the opening loss reserves. For example, with respect to the net loss and loss expense reserve of $3,132.7 million as of December 31, 1984, by the end of 1994 (ten years later) $3,772.9 million

had actually been paid in settlement of these net loss reserves. In addition, as reflected in the lower section of the table, the original reserve of $3,132.7 million was reestimated to be $4,119.7 million at December 31, 1994. This increase from the original estimate would generally be a combination of a number of factors, including reserves being settled for larger amounts than originally estimated. The original estimates will also be increased or decreased as more information becomes known about the individual claims and overall claim frequency and severity patterns. The redundancy (deficiency) depicted in the table, for any particular calendar year, shows the aggregate change in estimates over the period of years subsequent to the calendar year reflected at the top of the respective column heading. For example, the redundancy of $122.7 million at December 31, 1994 related to December 31, 1993 net losses and loss expense reserves of $17,557.0 million represents the cumulative amount by which reserves for 1993 and prior years have developed redundantly during 1994.

ANALYSIS OF CONSOLIDATED NET LOSSES AND
LOSS EXPENSE RESERVE DEVELOPMENT

(in millions)

	1984	1985	1986	1987	1988	1989
Reserve for Net Losses and Loss Expenses, December 31,	$3,132.7	$4,034.9	$6,199.3	$8,670.7	$11,086.1	$12,958.5
Paid (Cumulative) as of:						
One Year Later	1,288.8	1,576.1	2,300.1	2,619.2	3,266.9	3,940.3
Two Years Later	2,183.9	2,823.2	3,676.4	4,315.9	5,451.5	6,476.6
Three Years Later	2,723.9	3,321.1	4,340.7	5,496.6	6,904.5	8,350.8
Four Years Later	2,934.6	3,589.5	4,919.1	6,207.5	7,966.2	9,721.3
Five Years Later	3,072.9	3,886.5	5,260.3	6,757.2	8,792.1	10,764.8
Six Years Later	3,235.6	4,055.3	5,593.1	7,246.1	9,449.6	
Seven Years Later	3,329.8	4,267.7	5,902.7	7,616.7		
Eight Years Later	3,496.2	4,464.7	6,113.2			
Nine Years Later	3,640.0	4,629.6				
Ten Years Later	3,772.9					
Net Liability Reestimated as of:						
End of Year	3,132.7	4,034.9	6,199.3	8,670.7	11,086.1	12,958.5
One Year Later	3,269.9	4,164.2	6,268.3	8,523.6	10,923.8	12,844.5
Two Years Later	3,447.0	4,404.2	6,354.3	8,492.4	10,856.9	12,843.9
Three Years Later	3,638.8	4,502.0	6,397.5	8,488.1	10,811.9	12,809.2
Four Years Later	3,669.6	4,573.4	6,491.1	8,472.3	10,774.9	12,896.4
Five Years Later	3,744.2	4,672.4	6,531.2	8,472.0	10,805.1	13,064.6
Six Years Later	3,819.0	4,728.9	6,598.0	8,470.0	10,953.6	
Seven Years Later	3,861.2	4,824.5	6,681.0	8,577.4		
Eight Years Later	3,953.3	4,925.6	6,770.0			
Nine Years Later	3,970.4	5,052.0				
Ten Years Later	4,119.7					
Redundancy/(Deficiency)	(987.0)	(1,017.1)	(570.7)	93.3	132.5	(106.1)

(in millions)

	1990	1991	1992	1993	1994
Reserve for Net Losses and Loss Expenses, December 31,	$14,699.2	$15,839.9	$16,756.8	$17,557.0	$18,418.9
Paid (Cumulative) as of:					
One Year Later	4,315.2	4,747.8	4,882.7	5,146.3	
Two Years Later	7,349.7	8,015.4	8,289.4		
Three Years Later	9,561.0	10,436.2			
Four Years Later	10,223.5				
Five Years Later					
Six Years Later					
Seven Years Later					
Eight Years Later					
Nine Years Later					
Ten Years Later					
Net Liability Reestimated as of:					
End of Year	14,699.2	15,839.9	16,756.8	17,557.0	18,418.9
One Year Later	14,596.2	15,828.1	16,807.0	17,434.3	
Two Years Later	14,595.4	15,902.9	16,603.4		
Three Years Later	14,723.7	15,989.7			
Four Years Later	14,965.4				
Five Years Later					
Six Years Later					
Seven Years Later					
Eight Years Later					
Nine Years Later					
Ten Years Later					
Redundancy/(Deficiency)	(266.2)	(149.8)	153.4	122.7	

The trend depicted in the latest development year in the reestimated liability portion of the "Analysis of Consolidated Net Losses and Loss Expense

Reserve Development" table indicates that the overall position of AIG's 1993 and prior reserves one year later is fairly comparable to the trends reflected in recent years. The variations in development from original reserves in the later years of the table are relatively insignificant both in terms of aggregate amounts and as a percentage of the initial reserve balances.

RECONCILIATION OF NET RESERVE FOR LOSSES AND LOSS EXPENSES

(in millions)

	1994	1993	1992
Net reserve for losses and loss expenses at beginning of year	$17,557.0	$16,756.8	$15,839.9
Losses and loss expenses incurred:			
Current year	8,158.4	7,530.7	7,497.1
Prior years*	(152.8)	45.3	6.4
	8,005.6	7,576.0	7,503.5
Losses and loss expenses paid:			
Current year	1,997.4	1,893.1	1,838.8
Prior years	5,146.3	4,882.7	4,747.8
	7,143.7	6,775.8	6,586.6
Net reserve for losses and loss expenses at end of year	$18,418.9	$17,557.0	$16,756.8

* Does not include the effects of foreign exchange adjustments as described above, which are reflected in the above table.

Approximately 50 percent of the net losses and loss expense reserves are paid out within two years of the date incurred. The remaining net losses and loss expense reserves, particularly those associated with the casualty lines of business, may extend to 20 years or more.

For further discussion regarding net reserves for losses and loss expenses, see Management's Discussion and Analysis of Financial Condition and Results of Operations.

The reserve for losses and loss expenses as reported in AIG's Consolidated Balance Sheet at December 31, 1994, differs from the total reserve reported in the Annual Statements filed with state insurance departments and, where appropriate, with foreign regulatory authorities. The difference at December 31, 1994 is primarily because of minor discounting on certain workers' compensation claims, estimates for unrecoverable reinsurance and additional reserves relating to certain foreign operations. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

The reserve for gross losses and loss expenses is prior to reinsurance and represents the accumulation for reported losses and IBNR. Management reviews the adequacy of established gross losses reserves in the manner previously described for net losses reserves.

The "Analysis of Consolidated Gross Losses and Loss Expense Reserve Development", which follows, presents the development of gross losses and loss expense reserves for calendar years 1994, 1993 and 1992. As with the net losses and loss expense reserve development, the redundancies of $180.3 million and $332.0 million for 1993 and 1992, respectively, are relatively insignificant both in terms of an aggregate amount and as a percentage of the initial reserve balance.

ANALYSIS OF CONSOLIDATED GROSS LOSSES AND
LOSS EXPENSE RESERVE DEVELOPMENT

(in millions)

	1992	1993	1994
Gross losses and loss expenses, December 31,	$28,156.8	$30,046.2	$31,435.4
Paid (cumulative) as of:			
One Year Later	7,280.9	8,807.1	
Two Years Later	13,006.0		
Gross Liability Reestimated as of:			
End of Year	28,156.8	30,046.2	31,435.4
One Year Later	28,253.4	29,865.9	
Two Years Later	27,824.8		
Redundancy	332.0	180.3	

LIFE INSURANCE OPERATIONS

AIG's life insurance subsidiaries offer a wide range of traditional insurance and financial and investment products. One or more of these subsidiaries is licensed to write life insurance in all states in the United States and in over 70 foreign countries. Traditional products consist of individual and group life, annuity, and accident and health policies. Financial and investment products consist of single premium annuity, variable annuities, guaranteed investment contracts and universal life. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

In the United States, AIG has four domestic life subsidiaries: American International Life Assurance Company of New York, AIG Life Insurance Company, Delaware American Life Insurance Company, and Pacific Union Assurance Company. These companies utilize multiple distribution channels including brokerage and career and general agents to offer primarily financial and investment products and specialty forms of accident and health coverage for individuals and groups, including employee benefit plans. The domestic life business comprised 5.5 percent of total life premium income in 1994.

Life insurance operations in foreign countries comprised 94.5 percent of life premium income and 95.6 percent of operating income in 1994. AIG operates overseas through four main subsidiary companies, ALICO, AIA , Nan Shan and PHILAM. Although ALICO is incorporated in Delaware, all of its business is written outside of the United States. ALICO has operations either directly or through subsidiaries in approximately 50 countries located in Europe, Africa, Latin America, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates primarily in Taiwan while PHILAM in the Philippines.

Traditional life insurance products such as whole life and endowment continue to be significant in the overseas companies, especially in Southeast Asia, while a mixture of traditional, accident and health and financial products are sold in Japan.

In addition to the above, AIG also has subsidiary operations in Switzerland (Ticino Societa d'Assicurazioni Sulla Vita), Puerto Rico (AIG Life Insurance Company of Puerto Rico) and conducts life insurance business through AIUO subsidiary companies in certain countries in Central and South America.

The foreign life companies have approximately 100,000 career agents and sell their products largely to indigenous persons in local currencies. In addition to the agency outlets, these companies also distribute their products through direct marketing channels, such as mass marketing, and through brokers and other distribution outlets such as financial institutions.

The following table summarizes the life insurance operating results for the year ended December 31, 1994. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

(dollars in thousands)

	PREMIUM INCOME	NET INVESTMENT INCOME	OPERATING INCOME(a)	DIRECT INSURANCE IN-FORCE	AVERAGE TERMINATION RATE LAPSE	AVERAGE TERMINATION RATE OTHER
Individual:						
Life	$5,037,032	$1,126,290	$517,235	$260,187,171(b)	7.1%	1.9%
Annuity	60,981	344,087	22,788	(c)		
Accident and health	931,620	62,822	268,627	(c)		
Group:						
Life	331,140	20,413	27,158	73,191,640	8.3%	7.2%
Pension	8,905	181,078	15,107	(c)		
Accident and health	354,643	18,932	22,344	(c)		
Realized capital gains	--	--	86,706	(c)		
Consolidation adjustments	--	(5,194)	(7,481)	(c)		
TOTAL	$6,724,321	$1,748,428	$952,484	$333,378,811		

(a) Including income related to investment type products.

(b) Including $160.13 billion of whole life insurance and endowments.

(c) Not applicable.

INSURANCE INVESTMENT OPERATIONS

A significant portion of AIG's general and life operating revenues are derived from AIG's insurance investment operations. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1, 2, 8 and 19 of Notes to Financial Statements.)

The following table is a summary of the composition of AIG's insurance invested assets by insurance segment, including investment income due and accrued and real estate, at December 31, 1994:

(dollars in thousands)

	GENERAL	LIFE	TOTAL	PERCENT OF TOTAL	PERCENT DISTRIBUTION DOMESTIC	PERCENT DISTRIBUTION FOREIGN
Fixed maturities:						
Available for sale, at market value(a)	$ 4,995,778	$16,890,709	$21,886,487	43.3%	32.2%	67.8%
Held to maturity, at amortized cost(b)	13,454,310	--	13,454,310	26.6	100.0	--
Equity securities, at market value(c)	2,799,728	2,090,421	4,890,149	9.7	30.4	69.6
Mortgage loans on real estate, policy and collateral loans	27,725	4,534,604	4,562,329	9.0	43.1	56.9
Short-term investments, including time deposits, and cash	954,901	1,212,933	2,167,834	4.3	27.6	72.4
Real estate	364,115	648,938	1,013,053	2.0	18.0	82.0

Investment income due and accrued	446,745	471,281	918,026	1.8	57.5	42.5
Other invested assets	829,757	841,185	1,670,942	3.3	50.9	49.1
Total	$23,873,059	$26,690,071	$50,563,130	100.0%	51.7%	48.3%

(a) Includes $163,956 of bonds trading securities, at market value.

(b) Includes $412,503 of preferred stocks, at amortized cost.

(c) Includes $61,937 of preferred stocks, at market value.

The following table summarizes the investment results of the general insurance operations. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 8 of Notes to Financial Statements.)

(dollars in thousands)

	ANNUAL AVERAGE CASH AND INVESTED ASSETS				RATE OF RETURN		
YEARS ENDED DECEMBER 31,	CASH (INCLUDING SHORT-TERM INVESTMENTS)	INVESTED ASSETS(a)	TOTAL	NET INVESTMENT INCOME(b)	TOTAL(c)	INVESTED ASSETS(d)	REALIZED CAPITAL GAINS
1994	$1,387,704	$21,836,228	$23,223,932	$1,435,092	6.2%	6.6%	$52,487
1993	1,779,647	19,766,959	21,546,606	1,340,480	6.2	6.8	65,264
1992	1,766,031	18,285,417	20,051,448	1,252,086	6.2	6.8	67,134
1991	1,828,346	16,960,076	18,788,422	1,163,461	6.2	6.9	89,275
1990	1,842,262	15,139,966	16,982,228	1,059,161	6.2	7.0	120,000

(a) Including investment income due and accrued and real estate.

(b) Net investment income is after deduction of investment expenses and excludes realized capital gains (losses).

(c) Net investment income divided by the annual average sum of cash and invested assets.

(d) Net investment income divided by the annual average invested assets.

The following table summarizes the investment results of the life insurance operations. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 8 of Notes to Financial Statements.)

(dollars in thousands)

	ASSETS AT END OF PERIOD					
YEARS ENDED DECEMBER 31,	CASH (INCLUDING SHORT-TERM INVESTMENTS)	INVESTED ASSETS(a)	TOTAL	NET INVESTMENT INCOME(b)	NET YIELD ON MEAN ASSETS(c)	REALIZED CAPITAL GAINS (LOSSES)
1994	$1,212,932	$25,477,139	$26,690,071	$1,748,428	7.4%	$86,706
1993	2,878,563	19,158,688	22,037,251	1,499,714	7.8	54,576
1992	2,516,001	15,413,653	17,929,654	1,313,838	8.3	43,257
1991	2,092,084	12,968,083	15,060,167	1,139,793	8.7	23,219
1990	1,789,392	10,602,567	12,391,959	977,343	9.1	(6,347)

(a) Including investment income due and accrued and real estate.

(b) Net investment income is after deduction of investment expenses and excludes realized capital gains (losses).

(c) Calculated on the basis of the formula prescribed by the National Association of Insurance Commissioners.

AIG's worldwide insurance investment policy places primary emphasis on investments in high quality, fixed income securities in all of its portfolios and, to a lesser extent, investments in marketable common stocks in order to preserve policyholders' surplus and generate net investment income. The ability to implement this policy is somewhat limited in certain territories as there may be a lack of qualified long term investments or investment restrictions may be imposed by the local regulatory authorities. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

AGENCY AND SERVICE FEE OPERATIONS

AIG's agency and service fee operations contribute to AIG earnings through fees as agents and managers, the premiums they generate for AIG's insurance companies and the revenues they produce from technical and support service activities.

Several AIG companies act as managing general agents for both AIG subsidiaries and non-affiliated insurance companies, accepting liability on risks and actively managing the business produced. These general agencies deal directly with the producing agents and brokers, exercise full underwriting control, issue policies, collect premiums, arrange reinsurance, perform accounting, actuarial and safety and loss control services, adjust and pay losses and claims, and settle net balances with the represented companies. In some cases, they also maintain their own and the represented companies' authority to do business in the jurisdictions in which they operate.

Agency and service fee operations are conducted primarily through AIG Risk Management, Inc., which provides risk management services to independent insurance agents, brokers and their customers on a worldwide basis and AIG Aviation Inc., which sells aviation insurance.

FINANCIAL SERVICES OPERATIONS

AIG operations which contribute to financial services income include primarily A.I. Credit Corp. ("AICCO"), AIG Financial Products Corp. and its subsidiary companies ("AIGFP"), AIG Trading Group Inc. and its subsidiaries ("AIGTG"), International Lease Finance Corporation ("ILFC") and UeberseeBank AG. AICCO's business is principally in premium financing. AIGFP engages in financial transactions, including long-dated interest rate and currency swaps and structures borrowings through guaranteed investment agreements. AIGTG engages in various commodities trading, foreign exchange trading and market making activities. ILFC is engaged primarily in the acquisition of new and used commercial jet aircraft and the leasing and remarketing of such aircraft to airlines around the world. UeberseeBank AG operates as a Swiss bank. Other financial services operations are AIG Global Investors, Inc. and AIG Investment Corporation and their subsidiaries, which manage the investment portfolios of various AIG subsidiaries. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1, 9 and 11 of Notes to Financial Statements.)

The following table is a summary of the composition of AIG's financial services invested assets and liabilities at December 31, 1994. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of Notes to Financial Statements.)

(in thousands)

Financial services invested assets:	
Flight equipment primarily under operating leases, net of accumulated depreciation	$10,723,527
Securities available for sale, at market value	3,796,792
Trading securities, at market value	2,483,637
Spot commodities, at market value	916,833
Unrealized gain on interest rate and currency swaps, options and forward transactions	4,650,743
Securities purchased under agreements to resell, at contract value	1,209,403
Trade receivables	2,629,734
Other, including short-term investments	1,509,593
Total financial services invested assets	$27,920,262
Financial services liabilities:	
Borrowings under obligations of guaranteed investment agreements	$ 5,535,318
Securities sold under agreements to repurchase, at contract value	1,342,064
Trade payables	2,108,263
Securities sold but not yet purchased, principally obligations of the U.S. Government and Government agencies, at market value	192,898
Spot commodities sold but not yet purchased, at market value	369,089
Unrealized loss on interest rate and currency swaps, options and forward transactions	3,659,450
Deposits due to banks and other depositors	655,973
Commercial paper	1,960,545
Notes, bonds and loans payable	7,567,046
Total financial services liabilities	$23,390,646

The following table is a summary of the revenues of AIG's financial services operations for the year ended December 31, 1994. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of Notes to Financial Statements.)

(in thousands)

Financial services revenues:	
ILFC	$1,097,599
AIGFP*	279,058
AIGTG*	246,643
Other	242,953
Total financial service revenues	$1,866,253

* Represents net trading revenues.

Other financial services activities include AIG's 30 percent interest in AB Asesores CFMB, S.L., a Spanish brokerage, investment banking and private investment management firm, and certain investment management and venture capital operations in various overseas financial services sectors.

OTHER OPERATIONS

Small AIG subsidiaries provide insurance-related services such as adjusting claims and marketing specialized products. AIG has several other relatively small subsidiaries which carry on various businesses. Mt. Mansfield Company, Inc. owns and operates the ski slopes, lifts, school and an inn located at Stowe, Vermont.

ADDITIONAL INVESTMENTS

As of March 15, 1995, AIG holds a 46.4 percent interest in Transatlantic Holdings, Inc., a reinsurance holding company, and a 19.9 percent interest in Richmond Insurance Company, Ltd., a reinsurer. (See also Note 1(n) of Notes to Financial Statements.) During 1992, AIG acquired convertible preferred stock in The Robert Plan Corporation, a leading servicer and underwriter of private passenger and commercial automobile insurance in urban markets. During 1993, AIG acquired a 23.1 percent interest in Kroll Associates, an international investigation and consulting firm. AIG holds a 23.9 percent interest in SELIC Holdings, Ltd., an insurance holding company and a 24.4 percent interest in IPC Holding, Ltd., a reinsurance holding company. During 1994, AIG invested $200 million in non-voting convertible preferred stock of Alexander and Alexander Services, Inc., an independent insurance brokerage operation. As of March 24, 1995, AIG had invested $236 million in convertible preferred stock and warrants of 20th Century Industries, a low-cost provider of mass marketed auto insurance in California.

LOCATIONS OF CERTAIN ASSETS

As of December 31, 1994, approximately 37 percent of the consolidated assets of AIG were located in foreign countries (other than Canada), including $925.2 million of cash and securities on deposit with foreign regulatory authorities. Foreign operations and assets held abroad may be adversely affected by political developments in foreign countries, including such possibilities as tax changes, nationalization and changes in regulatory policy, as well as by consequence of hostilities and unrest. The risks of such occurrences and their overall effect upon AIG vary from country to country and cannot easily be predicted. If expropriation or nationalization does occur, AIG's policy is to take all appropriate measures to seek recovery of such assets. Certain of the countries in which AIG's business is conducted have currency restrictions which generally cause a delay in a company's ability to repatriate assets and profits. (See also Notes 1(t), 2 and 19(d) of Notes to Financial Statements.)

INSURANCE REGULATION AND COMPETITION

Certain states require registration and periodic reporting by insurance companies which are licensed in such states and are controlled by other corporations. Applicable legislation typically requires periodic disclosure concerning the corporation which controls the registered insurer and the other companies in the holding company system and prior approval of intercorporate transfers of assets (including in some instances payment of dividends by the insurance subsidiary) within the holding company system. AIG's subsidiaries are registered under such legislation in those states which have such requirements. (See also Note 10(b) of Notes to Financial Statements.)

AIG's insurance subsidiaries, in common with other insurers, are subject to regulation and supervision by the states and by other jurisdictions in which they do business. Within the United States, the method of such regulation varies but generally has its source in statutes that delegate regulatory and

supervisory powers to an insurance official. The regulation and supervision relate primarily to approval of policy forms and rates, the standards of solvency that must be met and maintained, including risk based capital measurements, the licensing of insurers and their agents, the nature of and limitations on investments, restrictions on the size of risks which may be insured under a single policy, deposits of securities for the benefit of policyholders, methods of accounting, periodic examinations of the affairs of insurance companies, the form and content of reports of financial condition required to be filed, and reserves for unearned premiums, losses and other purposes. In general, such regulation is for the protection of policyholders rather than security holders. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

Risk Based Capital (RBC) is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business. Thus, inadequately capitalized general and life insurance companies may be identified.

The RBC formula develops a risk adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. Thus, the target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The RBC Model Law provides for four incremental levels of regulatory attention for insurers whose surplus is below the calculated RBC target. These levels of attention range in severity from requiring the insurer to submit a plan for corrective action to actually placing the insurer under regulatory control.

To the extent that any of AIG's insurance entities would fall below prescribed levels of surplus, it would be AIG's intention to infuse necessary capital to support that entity.

These statutory surplus of each of AIG's domestic general and life insurance company subsidiaries exceeded its RBC standards by considerable margins as of December 31, 1994.

A substantial portion of AIG's general insurance business and a majority of its life insurance business is carried on in foreign countries. The degree of regulation and supervision in foreign jurisdictions varies from minimal in some to stringent in others. Generally, AIG, as well as the underwriting companies operating in such jurisdictions, must satisfy local regulatory requirements. Licenses issued by foreign authorities to AIG subsidiaries are subject to modification or revocation by such authorities, and AIU or other AIG subsidiaries could be prevented from conducting business in certain of the jurisdictions where they currently operate. In the past, AIU has been allowed to modify its operations to conform with new licensing requirements in most jurisdictions.

In addition to licensing requirements, AIG's foreign operations are also regulated in various jurisdictions with respect to currency, policy language and terms, amount and type of security deposits, amount and type of reserves, amount and type of local investment and the share of profits to be returned to policyholders on participating policies. Some foreign countries regulate rates in various types of policies. Certain countries have established reinsurance institutions, wholly or partially owned by the state, to which admitted insurers are obligated to cede a portion of their business on terms which do not always allow foreign insurers, including AIG, full compensation. Regulations governing constitution of technical reserves and remittance balances in some countries may hinder remittance of profits and repatriation of assets.

The insurance industry is highly competitive. Within the United States, AIG's general insurance subsidiaries compete with approximately 4,300 other stock companies, specialty insurance organizations, mutual companies and other underwriting organizations. AIG's life insurance companies compete in the United States with some 1,600 life insurance companies and other participants in related financial service fields. Overseas, AIG subsidiaries compete for business with foreign insurance operations of the larger U.S. insurers and local companies in particular areas in which they are active.

AIG's financial services subsidiaries, particularly AIGTG and AIGFP, operate in a highly competitive environment both domestically and overseas. Principal sources of competition are banks, investment banks and other non-bank financial institutions.

ITEM 2. PROPERTIES

AIG and its subsidiaries operate from approximately 250 offices in the United States, 5 offices in Canada and numerous offices in other foreign countries. The offices in Manchester, New Hampshire; Springfield, Illinois; Houston, Texas; Atlanta, Georgia; Baton Rouge, Louisiana; Wilmington, Delaware; Hato Rey, Puerto Rico; San Diego, California; Greensboro, North Carolina; Livingston, New Jersey; 70 Pine Street and 72 Wall Street in New York City; and offices in approximately 30 foreign countries including Bermuda, Hong Kong, the Philippines, Japan, England, Singapore, Taiwan and Thailand are located in buildings owned by AIG and its subsidiaries. The remainder of the office space utilized by AIG subsidiaries is leased.

ITEM 3. LEGAL PROCEEDINGS

AIG and its subsidiaries, in common with the insurance industry in general, are subject to litigation, including claims for punitive damages, in the normal course of their business. AIG does not believe that such litigation will have a material adverse effect on its financial condition, future operating results or liquidity. (See also the Discussion and Analysis of Consolidated Net Loss and Loss Expense Reserve Development and Management's Discussion and Analysis of Financial Condition and Results of Operations.)

ITEM 4. SUBMISSION OF MATTERS TO A
VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 1994.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information concerning the directors and executive officers of AIG. All directors are elected at the annual meeting of shareholders. All officers serve at the pleasure of the Board of Directors, but subject to the foregoing, are elected for terms of one year expiring in May of each year.

NAME	TITLE	AGE	SERVED AS DIRECTOR OR OFFICER SINCE
M. Bernard Aidinoff*	Director	66	1984
Lloyd Bentsen	Director	74	1995
Marshall A. Cohen	Director	59	1992
Barber B. Conable, Jr.	Director	72	1991
Martin S. Feldstein	Director	55	1987
Houghton Freeman	Director	73	1967
Leslie L. Gonda	Director	75	1990
M. R. Greenberg*	Director, Chairman, and Chief Executive Officer	69	1967
Carla A. Hills	Director	61	1993
Frank J. Hoenemeyer	Director	75	1985
John I. Howell*	Director	78	1969
Edward E. Matthews	Director and Vice Chairman-Finance	63	1973
Dean P. Phypers	Director	66	1979
John J. Roberts*	Director and Vice Chairman-External Affairs	72	1967
Ernest E. Stempel*	Director and Vice Chairman-Life Insurance	78	1967

Thomas R. Tizzio*	Director and President	57	1982
Jeffrey W. Greenberg	Executive Vice President-Domestic General Insurance-Brokerage	43	1987
Edmund S. W. Tse	Executive Vice President-Life Insurance	57	1991
Lawrence W. English	Senior Vice President-Administration	53	1985
Axel I. Freudmann	Senior Vice President-Human Resources	48	1986
John G. Hughes	Senior Vice President-Worldwide Claims	64	1978
Kevin H. Kelley	Senior Vice President-Domestic General Insurance-Brokerage	44	1991
Win J. Neuger	Senior Vice President and Chief Investment Officer	45	1995
R. Kendall Nottingham	Senior Vice President-Life Insurance	56	1991
Petros K. Sabatacakis	Senior Vice President-Financial Services	48	1992
Robert M. Sandler	Senior Vice President, Senior Casualty Actuary and Senior Claims Officer	52	1980
Howard I. Smith	Senior Vice President and Comptroller	50	1984
Stephen Y. N. Tse	Senior Vice President	64	1974
Wayland M. Mead	Acting General Counsel	63	1975
Robert K. Conry	Vice President and Director of Internal Audit	42	1992
Patrick J. Foley	Vice President	64	1982
Robert E. Lewis	Vice President and Chief Credit Officer	44	1993
Christian M. Milton	Vice President-Reinsurance	47	1985
Nicholas A. O'Kulich	Vice President-Life Insurance	51	1991
Douglas A. Paul	Vice President-Strategic Planning	46	1983
Frank Petralito II	Vice President and Director of Taxes	58	1978
Kathleen E. Shannon	Vice President and Secretary	45	1986
Joseph H. Umansky	Vice President and Deputy Comptroller	47	1992
John T. Wooster, Jr.	Vice President-Communications	55	1989
William N. Dooley	Treasurer	41	1992

* Member of Executive Committee.

Except as hereinafter noted, each of the directors who is also an executive officer of AIG and each of the other executive officers has, for more than five years, occupied an executive position with AIG or companies that are now its subsidiaries, or with Starr. Jeffrey W. Greenberg is the son of M.R. Greenberg. There are no other arrangements or understandings between any director or officer and any other person pursuant to which the director or officer was elected to such position. Mr. Lewis was Assistant General Manager for North America, Chief Credit Officer, and senior executive responsible for risk and exposure management of ING Bank in New York, the bank division of Internationale Nederlanden Group, from 1988 until joining AIG in October, 1993. Mr. O'Kulich was president of Maccabees Life & Annuity Company from 1982 to July 31, 1989 and was self employed from August, 1989 until joining AIG in May, 1990. Mr. Sabatacakis was Managing Director and head of the Capital Markets and Treasury Group of Chemical Banking Corporation prior to joining AIG in February, 1992. Mr. Neuger was Managing Director, Global Investment Management-Equity at Bankers Trust Company prior to joining AIG in February, 1995.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

(a) The table below shows the high and low closing sales prices per share of AIG's common stock, as reported on the New York Stock Exchange Composite Tape, for each quarter of 1994 and 1993, as adjusted for the 50 percent common stock split in the form of a common stock dividend paid July 30, 1993. All prices are as reported by the National Quotation Bureau, Incorporated.

	1994		1993	
	High	Low	High	Low
First Quarter	92 5/8	82 1/2	85 1/8	75
Second Quarter	96 1/2	84	88	79 1/8
Third Quarter	95 7/8	88 1/8	100	85 1/2
Fourth Quarter	99 3/4	87 5/8	97 7/8	83 5/8

(b) In 1994, AIG paid a quarterly dividend of 10.0 cents in March and June and 11.5 cents in September and December for a total cash payment of 43 cents per share of common stock. In 1993, AIG paid a quarterly dividend of 9.3 cents in March and June and 10.0 cents in September and December for a total cash payment of 38.6 cents per share of common stock. These amounts reflect the adjustment for a 50 percent common stock split in the form of a common stock dividend paid July 30, 1993. Subject to the dividend preference of any of AIG's serial preferred stock which may be outstanding, the holders of shares of common stock are entitled to receive such dividends as may be declared by the Board of Directors from funds legally available therefor. AIG redeemed the 750 shares of Series M-1 Preferred Stock on April 2, 1993 and the 750 shares of Series M-2 Preferred Stock on March 5, 1993 at a price of $100,000 per share plus accrued dividends.

See Note 10(b) of Notes to Financial Statements for a discussion of certain restrictions on the payment of dividends to AIG by some of its insurance subsidiaries.

(c) The approximate number of holders of Common Stock as of January 31, 1995, based upon the number of record holders, was 15,900.

ITEM 6. SELECTED FINANCIAL DATA

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

The following Selected Consolidated Financial Data is presented in accordance with generally accepted accounting principles. This data should be read in conjunction with the financial statements and accompanying notes included elsewhere herein.

(in thousands, except per share amounts)

YEARS ENDED DECEMBER 31,	1994	1993	1992	1991	1990
Revenues(a)	$ 22,441,723	$ 20,134,657	$18,388,627	$16,883,913	$15,702,067
General insurance:					
Net premiums written	10,865,753	10,025,903	9,138,528	9,146,394	9,267,201
Net premiums earned	10,286,831	9,566,640	9,209,390	9,104,632	9,149,414
Adjusted underwriting profit (loss)	147,517	10,391	(195,084)	(4,809)	75,184
Net investment income	1,435,092	1,340,480	1,252,086	1,163,461	1,059,161
Realized capital gains	52,487	65,264	67,134	89,275	120,000
Operating income	1,635,096	1,416,135	1,124,136	1,247,927	1,254,345
Life insurance:					
Premium income	6,724,321	5,746,046	4,853,087	4,059,354	3,477,598
Net investment income	1,748,428	1,499,714	1,313,838	1,139,793	977,343
Realized capital gains (losses)	86,706	54,576	43,257	23,219	(6,347)
Operating income	952,484	781,611	667,453	561,839	462,862
Agency and service fee operating income	54,129	60,247	52,570	46,202	36,663
Financial services operating income	404,853	390,038	346,442	222,156	132,505
Equity in income of minority-owned insurance operations	56,005	39,589	27,929	28,806	24,050
Other realized capital losses	(52,340)	(12,742)	(11,293)	(14,144)	(14,258)
Income before income taxes and cumulative effect of accounting changes	2,951,979	2,601,081	2,137,048	2,022,575	1,811,534
Income taxes	776,464	683,003	512,033	469,566	369,240
Income before cumulative effect of accounting changes	2,175,515	1,918,078	1,625,015	1,553,009	1,442,294
Cumulative effect of accounting changes, net of tax:					
AIG	--	--	31,941	--	--
Minority-owned insurance operations	--	20,695	--	--	--
Net income	2,175,515	1,938,773	1,656,956	1,553,009	1,442,294
Earnings per common share:					
Income before cumulative effect of accounting changes	6.87	6.04	5.10	4.86	4.61
Cumulative effect of accounting changes, net of tax:					
AIG	--	--	.10	--	--
Minority-owned insurance operations	--	.07	--	--	--
Net income	6.87	6.11	5.20	4.86	4.61
Cash dividends per common share	.43	.39	.35	.31	.27
Total assets(b)	114,346,117	101,014,848	92,722,182	69,389,468	58,201,835
Long-term debt(c)	12,613,907	10,955,963	9,517,595	7,591,385	6,780,211
Capital funds (shareholders' equity)	16,421,661	15,224,195	12,782,152	11,463,454	9,904,442

(a) Represents the sum of general net premiums earned, life premium income, agency commissions, management and other fees, net investment income, financial services commissions, transaction and other fees, equity in income of minority-owned insurance operations and realized capital gains. (See also tables under Item 1, "Business".)

(b) The assets with respect to December 31, 1992 and subsequent years conform to the requirements of FASB 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts."

(c) Including commercial paper and excluding that portion of long-term debt maturing in less than one year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATIONAL REVIEW

GENERAL INSURANCE OPERATIONS

General insurance operations for the twelve month periods ending December 31, 1994, 1993 and 1992 were as follows:

(in thousands)

	1994	1993	1992
Net premiums written:			
Domestic	$ 7,277,200	$ 7,006,600	$6,564,600
Foreign	3,588,600	3,019,300	2,573,900
Total	$10,865,800	$10,025,900	$9,138,500
Net premiums earned:			
Domestic	$ 6,827,700	$ 6,664,800	$6,712,800
Foreign	3,459,100	2,901,800	2,496,600
Total	$10,286,800	$ 9,566,600	$9,209,400
Adjusted underwriting profit (loss):			
Domestic	$ (91,500)	$ (130,300)	$ (290,100)
Foreign	239,000	140,700	95,000
Total	$ 147,500	$ 10,400	$ (195,100)
Net investment income:			
Domestic	$ 1,147,600	$ 1,086,000	$1,014,600
Foreign	287,500	254,500	237,500
Total	$ 1,435,100	$ 1,340,500	$1,252,100
Operating income before realized capital gains:			
Domestic	$ 1,056,100	$ 955,700	$ 724,500
Foreign	526,500	395,200	332,500
Total	1,582,600	1,350,900	1,057,000
Realized capital gains	52,500	65,200	67,100
Operating income	$ 1,635,100	$ 1,416,100	$1,124,100

In AIG's general insurance operations, 1994 net premiums written and net premiums earned increased 8.4 percent and 7.5 percent, respectively, from those of 1993. In 1993, net premiums written increased 9.7 percent and net premiums earned increased 3.9 percent when compared to 1992.

The growth in net premiums written in 1994 and 1993 resulted from a combination of several factors. Although AIG continued to achieve some general price increases in domestic commercial property and some specialty casualty markets, the primary reasons for this growth were price and volume increases overseas. Foreign general insurance operations produced 33.0 percent of the general insurance net premiums written in 1994, 30.1 percent in 1993 and 28.2 percent in 1992.

During 1994, the U.S. dollar declined in value in relation to most major foreign currencies in which AIG transacts business. Accordingly, the translation of foreign net premiums written into U.S. dollars for the purposes of consolidation caused the increase in total net premiums written to be approximately one and one-half percentage points greater than it would have been if translated utilizing exchange rates prevailing in 1993.

If the net premiums written with respect to the domestic risk management operations were excluded from both 1994 and 1993, the domestic net premiums written would have increased approximately 12 percent. The decline in the volume of the risk management net premiums written was generally a result of higher deductibles. This decline had no impact on the operating income produced by the risk management business.

Net premiums written are initially deferred and earned based upon the terms of the underlying policies. The net unearned premium reserve constitutes the deferred revenues which are generally earned ratably over the policy period. Thus, the net unearned premium reserve is not fully recognized as net premiums earned until the end of the policy period.

The statutory general insurance ratios were as follows:

	1994	1993	1992
Domestic:			
Loss Ratio	87.03	87.27	89.12
Expense Ratio	14.87	15.12	15.42
Combined Ratio	101.90	102.39	104.54
Foreign:			
Loss Ratio	59.64	60.64	60.93
Expense Ratio	33.22	34.26	34.81
Combined Ratio	92.86	94.90	95.74
Consolidated:			
Loss Ratio	77.82	79.19	81.48
Expense Ratio	20.93	20.88	20.88
Combined Ratio	98.75	100.07	102.36

The Northridge earthquake which struck the Los Angeles area of California in January, 1994, resulted in gross and net incurred losses of approximately $174 million and $55 million, respectively. Although there were severe winter storms during the first quarter of 1994, AIG considered these as losses incurred in the ordinary course of business, not as catastrophes. The gross and net losses recorded in 1993 for catastrophes were approximately $134 million and $70 million, respectively. The catastrophes incurred in both 1994 and 1993 were significantly below the gross and net catastrophe losses of approximately $567 million and $192 million, respectively, recorded in 1992. Three major storms, Andrew, Iniki and Omar, occurred in 1992. If the catastrophes were excluded from the losses incurred in each period, the pro forma consolidated statutory general insurance ratios would be as follows:

	1994	1993	1992
Loss Ratio	77.29	78.46	79.40
Expense Ratio	20.93	20.88	20.88
Combined Ratio	98.22	99.34	100.28

The maintenance of the pro forma statutory combined ratio in all three years at a level approximating 100 is a result of AIG's emphasis on maintaining its underwriting discipline within the continued overall competitiveness of the domestic market environment as well as AIG's expense control.

Adjusted underwriting profit or loss (operating income less net investment income and realized capital gains) represents statutory underwriting profit or loss adjusted primarily for changes in deferred acquisition costs. (See also Note 4 of Notes to Financial Statements.) The adjusted underwriting profit in 1994 was $147.5 million compared to an adjusted underwriting profit of $10.4 million recorded in 1993 and an adjusted underwriting loss of $195.1 million in 1992. (See also Note 19 of Notes to Financial Statements.)

The domestic adjusted underwriting loss has been impacted significantly by catastrophes in all three years. Excluding the effects of these catastrophes, the domestic general insurance operation has significantly improved over the three year period. This improvement is a result of a strategy implemented several years ago. That is, AIG withdrew from certain classes of business, primarily agency lines and certain segments of workers' compensation business. At that time, AIG had determined that the returns on capital or equity allocated to such classes were deemed unacceptable. AIG's objective continues to be disciplined underwriting, especially in the domestic primary casualty market, and AIG does not seek net premium growth where rates do not adequately reflect its assessment of exposures.

General insurance net investment income in 1994 increased 7.1 percent when compared to 1993. In 1993, net investment income increased 7.1 percent over 1992. The growth in net investment income in each of the three years was primarily attributable to new cash flow for investment. The new cash flow was generated from net general insurance operating cash flow and included the compounding of previously earned and reinvested net investment income. (See also the discussion under "Liquidity" herein.)

General insurance realized capital gains were $52.5 million in 1994, $65.3 million in 1993 and $67.1 million in 1992. These realized gains resulted from the ongoing management of the general insurance investment portfolios within the overall objectives of the general insurance operations and arose primarily from the disposition of equity securities and available for sale and trading fixed maturities as well as redemptions of fixed maturities.

General insurance operating income in 1994 increased 15.5 percent when compared to 1993. The 1993 results reflect an increase of 26.0 percent from 1992. The contribution of general insurance operating income to income before income taxes and the cumulative effect of accounting changes was 55.4 percent in 1994 compared to 54.4 percent in 1993 and 52.6 percent in 1992.

A year to year comparison of operating income is significantly influenced by the catastrophe losses in any one year as well as the volatility from one year to the next in realized capital gains. Adjusting each year to exclude the effects of both catastrophe losses and realized capital gains, operating income would have increased by 15.3 percent in 1994 and 13.9 percent in 1993. The increase in the growth rate of 1994 over 1993 and 1993 over 1992 after the aforementioned adjustments was a result of the increased net investment income and improvement in underwriting results.

AIG is a major purchaser of reinsurance for its general insurance operations. AIG is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. AIG insures risks in over 100 countries and its reinsurance programs must be coordinated in order to provide AIG the level of reinsurance protection which AIG desires. These reinsurance arrangements do not relieve AIG from its direct obligations to its insureds.

AIG's general reinsurance assets amounted to $16.29 billion and resulted from its reinsurance arrangements. Thus, a credit exposure existed at December 31, 1994 with respect to reinsurance recoverable to the extent that any reinsurer may not be able to reimburse AIG under the terms of these reinsurance arrangements. AIG manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound, and when necessary AIG holds substantial collateral in the form of funds, securities and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods. The application of this collateral against balances due or any changes to the amount of collateral are based on the development of losses recoverable on an individual reinsurer basis. This development includes losses incurred but not reported (IBNR). Approximately 59 percent of reinsurance recoverable is from unauthorized reinsurers. In order to obtain statutory recognition, nearly all of these balances are collateralized. The remaining 41 percent of the reinsurance recoverable is from authorized reinsurers and over 90 percent of such balances are from reinsurers rated A- (excellent) or better, as rated by A.M. Best. This rating is a measure of financial strength. The terms authorized and unauthorized pertain to regulatory categories, not creditworthiness.

AIG maintains a provision for estimated unrecoverable reinsurance and has been largely successful in its prior recovery efforts. At December 31, 1994, AIG had allowances for unrecoverable reinsurance approximating $110 million. At that date, and prior to this allowance, AIG had no significant reinsurance recoverables from any individual reinsurer which is financially troubled (e.g., liquidated, insolvent, in receivership or otherwise subject to formal or informal regulatory restriction).

AIG's Reinsurance Security Department conducts ongoing detailed assessments of the reinsurance markets and current and potential reinsurers both foreign and domestic. Such assessments include, but are not limited to, identifying if a reinsurer is appropriately licensed, and whether a reinsurer has sufficient financial capacity. Also considered are such things as the local economic environment and exchange rates of foreign reinsurers. This department also reviews the nature of the risks ceded and the need for collateral. In addition, AIG's Credit Risk Committee reviews the credit limits for and concentrations with any one reinsurer.

AIG enters into certain intercompany reinsurance transactions for its general and life operations. AIG enters these transactions as a sound and prudent business practice in order to maintain underwriting control and spread insurance risk among various legal entities. These reinsurance agreements have been approved by the appropriate regulatory authorities. All material intercompany transactions have been eliminated in consolidation.

The consolidated general reinsurance assets of $16.29 billion include reinsurance recoverables for (i) paid losses and loss expenses of $1.44 billion and (ii) the ceded reserve for losses and loss expenses, including losses and loss expenses incurred but not reported (ceded reserves) of $13.02 billion. The ceded reserves represent the accumulation of estimates of ultimate ceded losses including provisions for ceded IBNR and loss expenses. The methods used to determine such estimates and to establish the resulting ceded reserves are continually reviewed and updated. Any adjustments therefrom are reflected in income currently. It is AIG's belief that the ceded reserves at December 31, 1994 were representative of the ultimate losses recoverable. In the future, as the ceded reserves continue to develop to ultimate amounts, the ultimate loss recoverable may be greater or less than the reserves currently ceded.

At December 31, 1994, general insurance reserves for losses and loss expenses (loss reserves) amounted to $31.44 billion, an increase of $1.39 billion or 4.6 percent over the prior year end. General insurance net loss reserves represent the accumulation of estimates of ultimate losses, including IBNR, and loss expenses, reduced by reinsurance recoverable net of an allowance for unrecoverable reinsurance and minor amounts of discounting related to certain workers' compensation claims. The net loss reserves increased $861.9 million or 4.9 percent to $18.42 billion. The methods used to determine such estimates and to establish the resulting reserves are continually reviewed and updated. Any adjustments resulting therefrom are reflected in operating income currently. It is management's belief that the general insurance net loss reserves are adequate to cover all general insurance net losses and loss expenses as at December 31, 1994. In the future, if the general insurance net loss reserves develop deficiently, such deficiency would have an adverse impact on such future results of operations.

In a very broad sense, the general loss reserves can be categorized into two distinct groups: one group being long tail casualty lines of business; the other being short tail lines of business consisting principally of property lines and including certain classes of casualty lines.

Estimation of ultimate net losses and loss expenses (net losses) for long tail casualty lines of business is a complex process and depends on a number of factors, including the line and volume of the business involved. In the more recent accident years of long tail casualty lines there is limited statistical credibility in reported net losses. That is, a relatively low proportion of net losses would be reported claims and expenses and an even smaller proportion would be net losses paid. A relatively high proportion of net losses would therefore be IBNR.

A variety of actuarial methods and assumptions are normally employed to estimate net losses for long tail casualty lines. These methods ordinarily involve the use of loss trend factors intended to reflect the estimated annual growth in loss costs from one accident year to the next. Loss trend factors reflect many items including changes in claims handling, exposure and policy forms and current and future estimates of monetary inflation and social inflation. Thus, many factors are implicitly considered in estimating the year to year growth in loss costs. Therefore, AIG's carried net long tail loss reserves are judgmentally set as well as tested for reasonableness using the most appropriate loss trend factors for each class of business. In the evaluation of AIG's net loss reserves, loss trend factors vary slightly, depending on the particular class and nature of the business involved. For the majority of long tail casualty lines, net loss trend factors approximating 10 percent were employed. These factors are periodically reviewed and subsequently adjusted, as appropriate, to reflect emerging trends which are based upon past loss experience.

Estimation of net losses for short tail business is less complex than for long tail casualty lines. Loss cost trends for many property lines can generally be assumed to be similar to the growth in exposure of such lines. For example, if the fire insurance coverage remained proportional to the actual value of the property, the growth in property's exposure to fire loss can be approximated by the amount of insurance purchased.

For other property and short tail casualty lines, the loss trend is implicitly assumed to grow at the rate that reported net losses grow from one year to the next. The concerns noted above for longer tail casualty lines with respect to the limited statistical credibility of reported net losses generally do not apply to shorter tail lines.

AIG continues to receive indemnity claims asserting injuries from toxic waste, hazardous substances, and other environmental pollutants and alleged damages to cover the cleanup costs of hazardous waste dump sites (hereinafter collectively referred to as environmental claims) and indemnity claims asserting injuries from asbestos. The vast majority of these asbestos and environmental claims emanate from policies written in 1984 and prior years. Commencing in 1985, standard policies contained an absolute exclusion for pollution related damage. However, AIG currently underwrites pollution impairment liability insurance on a claims made basis and excluded such claims from the analyses included herein. AIG has established a specialized claims unit which investigates and adjusts all such asbestos and environmental claims.

Estimation of asbestos and environmental claims loss reserves is a difficult process. These asbestos and environmental claims cannot be estimated by conventional reserving techniques as previously described. Quantitative techniques frequently have to be supplemented by subjective considerations including managerial judgment. Significant factors which affect the trends which influence the development of asbestos and environmental claims are the inconsistent court resolutions, judicial interpretations which broaden the intent of the policies and scope of coverage and the increasing number of new claims. The case law that has emerged can be characterized as still being in its infancy and the likelihood of any firm direction in the near future is very

small. Additionally, the exposure for cleanup costs of hazardous waste dump sites involves issues such as allocation of responsibility among potentially responsible parties and the government's refusal to release parties. The cleanup cost exposure may significantly change if the Congressional reauthorization of Superfund expected in 1995 dramatically changes, thereby reducing or increasing litigation and cleanup costs.

In the interim, AIG and other industry members have and will continue to litigate the broadening judicial interpretation of the policy coverage and the liability issues. At the current time, it is not possible to determine the future development of asbestos and environmental claims. Such development will be affected by the extent to which courts continue to expand the intent of the policies and the scope of the coverage, as they have in the past, as well as by changes in Superfund and waste dump site coverage issues. Additional liabilities could emerge for amounts in excess of the current reserves held. Although this emergence cannot now be reasonably estimated, it could have a material adverse impact on AIG's future operating results. The reserves carried for these claims at December 31, 1994 are believed to be adequate as these reserves are based on the known facts and current law. Furthermore, as AIG's net exposure retained relative to the gross exposure written was lower in 1984 and prior years, the potential impact of these claims is much smaller on the net loss reserves than on the gross loss reserves. (See the previous discussion on reinsurance collectibility herein.)

The majority of AIG's exposures for asbestos and environmental claims are excess casualty coverages, not primary coverages. Thus, the litigation costs are treated in the same manner as indemnity reserves. That is, litigation expenses are included within the limits of the liability AIG incurs. Individual significant claim liabilities, where future litigation costs are reasonably determinable, are established on a case basis.

A summary of reserve activity, including estimates for applicable IBNR, relating to asbestos and environmental claims separately and combined at December 31, 1994 and 1993 was as follows:

(in millions)

	1994		1993	
	Gross	Net	Gross	Net
Asbestos:				
Reserve for losses and loss expenses at beginning of year	$ 656.0	$116.7	$ 558.4	$ 86.9
Losses and loss expenses incurred	149.2	45.8	242.9	65.1
Losses and loss expenses paid	(119.2)	(32.3)	(145.3)	(35.3)
Reserve for losses and loss expenses at end of year	$ 686.0	$130.2	$ 656.0	$ 116.7
Environmental:				
Reserve for losses and loss expenses at beginning of year	$ 684.8	$191.5	$ 566.4	$ 166.6
Losses and loss expenses incurred	187.5	61.8	278.6	106.5
Losses and loss expenses paid	(144.2)	(53.2)	(160.2)	(81.6)
Reserve for losses and loss expenses at end of year	$ 728.1	$200.1	$ 684.8	$ 191.5
Combined:				
Reserve for losses and loss expenses at beginning of year	$1,340.8	$308.2	$1,124.8	$ 253.5
Losses and loss expenses incurred	336.7	107.6	521.5	171.6
Losses and loss expenses paid	(263.4)	(85.5)	(305.5)	(116.9)
Reserve for losses and loss expenses at end of year	$1,414.1	$330.3	$1,340.8	$ 308.2

The gross and net IBNR included in the aforementioned reserve for losses and loss expenses at December 31, 1994 and 1993 were estimated as follows:

(in thousands)

	1994		1993	
	Gross	Net	Gross	Net
Combined	$150,000	$30,000	$150,000	$30,000

A summary of asbestos and environmental claims count activity for the years ended December 31, 1994 and 1993 were as follows:

	1994			1993		
	ASBESTOS	ENVIRONMENTAL	COMBINED	ASBESTOS	ENVIRONMENTAL	COMBINED
Claims at beginning of year	5,522	16,661	22,183	5,490	14,169	19,659
Claims during year:						
Opened	1,626	3,178	4,804	1,381	4,875	6,256
Settled	(106)	(501)	(607)	(144)	(455)	(599)
Dismissed or otherwise resolved	(1,095)	(3,115)	(4,210)	(1,205)	(1,928)	(3,133)
Claims at end of year	5,947	16,223	22,170	5,522	16,661	22,183

The average cost per claim settled, dismissed or otherwise resolved for the years ended December 31, 1994 and 1993 was as follows:

	1994		1993	
	Gross	Net	Gross	Net
Asbestos	$99,300	$26,900	$107,700	$26,200
Environmental	39,900	14,700	67,200	34,200
Combined	54,700	17,700	81,900	31,300

Recently, an insurance rating agency has developed a survival ratio to measure the number of years it would take a company to exhaust both its asbestos and environmental reserves for losses and loss expenses based on that company's current level of asbestos and environmental claims payments. The higher the ratio, the more years the reserves for losses and loss expenses cover these claims payments. These ratios are computed based on the respective ending reserves for losses and loss expenses over the respective claims settlements during the fiscal year. Such payments include indemnity payments and legal and loss adjustment payments. It should be noted, however, that this is an extremely simplistic approach to measuring asbestos and environmental reserve levels. Many factors, such as aggressive settlement procedures, mix of business and level of coverage provided, do have significant impact on the amount of asbestos and environmental losses and loss expense reserves, ultimate payments thereof and the resultant ratio. In addition to the study published by that insurance rating agency, another published study projected significantly lower ultimate costs for toxic waste cleanups for the insurance industry.

The developed survival ratios include both involuntary and voluntary indemnity payments. Involuntary payments include court judgments; court orders; covered claims with no coverage defenses; state mandated cleanup costs; claims where AIG's coverage defenses are minimal; and settlements made less than six months before the first trial setting. Also, AIG considers all legal and loss adjustment payments as involuntary.

AIG believes voluntary indemnity payments should be excluded from the survival ratio. The special asbestos and environmental claims unit actively manages AIG's asbestos and environmental claims and proactively pursues early settlement of environmental claims for all known and unknown sites. As a result, AIG reduces its exposure to future environmental loss contingencies.

Accordingly, AIG's survival ratios for involuntary asbestos and environmental claims, separately and combined, were estimated as follows for the years ended December 31, 1994 and 1993:

	1994		1993	
	Gross	Net	Gross	Net
Involuntary survival ratios:				
Asbestos	5.8	4.0	4.5	3.3
Environmental	11.0	8.1	9.4	5.0
Combined	7.9	6.1	6.3	4.2

AIG's operations are negatively impacted under guarantee fund assessment laws which exist in most states. As a result of operating in a state which has guarantee fund assessment laws, a solvent insurance company may be assessed for certain obligations arising from the insolvencies of other insurance companies which operated in that state. AIG generally records these assessments upon notice. Additionally, certain states permit at least a portion of the assessed amount to be used as a credit against a company's future premium tax liabilities. Therefore, the ultimate net assessment cannot reasonably be estimated. The guarantee fund assessments net of credits for 1994, 1993 and 1992 were $48.2 million, $69.1 million and $27.7 million, respectively. Also, AIG is required to participate in various involuntary pools (principally workers' compensation business) which provide insurance coverage for those not able to obtain such coverage in the voluntary markets. This participation is also recorded upon notification, as these amounts cannot reasonably be estimated. (See also Note 19 of Notes to Financial Statements.)

LIFE INSURANCE OPERATIONS

Life insurance operations for the twelve month periods ending December 31, 1994, 1993 and 1992 were as follows:

(in thousands)

	1994	1993	1992
Premium income:			
Domestic	$ 370,100	$ 268,300	$ 269,400
Foreign	6,354,200	5,477,700	4,583,700
Total	$ 6,724,300	$ 5,746,000	$ 4,853,100
Net investment income:			
Domestic	$ 600,600	$ 471,500	$ 409,300
Foreign	1,147,800	1,028,200	904,500
Total	$ 1,748,400	$ 1,499,700	$ 1,313,800
Operating income before			

realized capital gains:			
Domestic	$ 38,300	$ 19,300	$ 10,800
Foreign	827,500	707,700	613,400
Total	865,800	727,000	624,200
Realized capital gains	86,700	54,600	43,300
Operating income	$ 952,500	$ 781,600	$ 667,500
Life insurance in-force:			
Domestic	$ 43,849,700	$ 17,167,300	$ 15,745,400
Foreign	289,529,100	239,994,800	194,860,500
Total	$333,378,800	$257,162,100	$210,605,900

AIG's life insurance operations continued to show growth as a result of overseas operations, particularly in Asia. AIG's life premium income in 1994 represented an 17.0 percent increase from the prior year. This compares with an increase of 18.4 percent in 1993 over 1992. Foreign life operations produced 94.5 percent, 95.3 percent and 94.4 percent of the life premium income in 1994, 1993 and 1992, respectively. (See also Notes 1, 4 and 6 of Notes to Financial Statements.)

As previously discussed, the U.S. dollar declined in value in relation to most major foreign currencies in which AIG transacts business. Accordingly, the translation of foreign life premium income into U.S. dollars for purposes of consolidation caused the increase in total premium income to be approximately two percentage points greater than it would have been if translated utilizing exchange rates prevailing in 1993.

Life insurance net investment income increased 16.6 percent in 1994 compared to an increase of 14.1 percent in 1993. The growth in net investment income was primarily attributable to new cash flow for investment.

The new cash flow was generated from net life insurance operating cash flow and included the compounding of previously earned and reinvested net investment income. (See also the discussion under "Liquidity" herein.)

The growth in the premium income of the domestic life segment resulted primarily from the risk bearing premium related to corporate-owned life insurance products. Additionally, the interest income earned on the policy loans associated with these products has significantly increased domestic investment income.

The traditional life products, such as whole and term life and endowments, were the major contributors to the growth in foreign premium income and investment income, particularly in Asia, and continue to be the primary source of growth in the life segment. A mixture of traditional, accident and health and financial products are being sold in Japan.

Life insurance realized capital gains were $86.7 million in 1994, $54.6 million in 1993 and $43.3 million in 1992. These realized gains resulted from the ongoing management of the life insurance investment portfolios within the overall objectives of the life insurance operations and arose primarily from the disposition of equity securities and available for sale fixed maturities and redemptions of fixed maturities.

Life insurance operating income in 1994 increased 21.9 percent to $952.5 million compared to an increase of 17.1 percent in 1993. Excluding realized capital gains from life insurance operating income, the percent increases would be 19.1 percent and 16.5 percent in 1994 and 1993, respectively. The contribution of life insurance operating income to income before income taxes and the cumulative effect of accounting changes amounted to 32.3 percent in 1994 compared to 30.0 percent in 1993 and 31.2 percent in 1992.

The risks associated with the traditional life and accident and health products are underwriting risk and investment risk. The risk associated with the financial and investment contract products is investment risk.

Underwriting risk represents the exposure to loss resulting from the actual policy experience adversely emerging in comparison to the assumptions made in the product pricing associated with mortality, morbidity, termination and expenses. AIG's life companies limit their maximum underwriting exposure on traditional life insurance of a single life to approximately $1.3 million of coverage by using yearly renewable term reinsurance. The life insurance operations have not entered into assumption reinsurance transactions or surplus relief transactions during the three year period ended December 31, 1994. (See also Note 5 of Notes to Financial Statements.)

The investment risk represents the exposure to loss resulting from the cash flows from the invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments.

To minimize its exposure to investment risk, AIG tests the cash flows from the invested assets and the policy and contract liabilities using various interest rate scenarios to assess whether there is a liquidity excess or deficit. If a rebalancing of the invested assets to the policy and contract claims became necessary and did not occur, a demand could be placed upon liquidity. (See also the discussion under "Liquidity" herein.)

The asset-liability relationship is appropriately managed in AIG's foreign operations, even though certain territories lack qualified long-term investments or there are investment restrictions imposed by the local regulatory authorities. For example,

in Japan and several Southeast Asia territories, the duration of the investments is often for a shorter period than the effective maturity of such policy liabilities. Therefore, there is a risk that the reinvestment of the proceeds at the maturity of the investments may be at a yield below that of the interest required for the accretion of the policy liabilities. In Japan, the average duration of the investment portfolio is 5.0 years, while the related policy liabilities are estimated to be 11.5 years. To maintain an adequate yield to match the interest required over the duration of the liabilities, constant management focus is required to reinvest the proceeds of the maturing securities without sacrificing investment quality. To the extent permitted under local regulation, AIG may invest in qualified longer-term securities outside Japan to achieve a closer matching in both duration and the required yield. AIG is able to manage any asset-liability duration difference through maintenance of sufficient global liquidity and to support any operational shortfall through its international financial network. Domestically, the asset-liability matching process is appropriately functioning as there are investments available to match the duration and the required yield. (See also the discussion under "Liquidity" herein.)

AIG uses asset-liability matching as a management tool to determine the composition of the invested assets and marketing strategies. As a part of these strategies, AIG may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rate or other economic changes.

AGENCY AND SERVICE FEE OPERATIONS

Agency and service fee operating income in 1994 decreased 10.2 percent to $54.1 million compared to $60.2 million which was an increase of 14.6 percent in 1993. The decline in 1994 was due to reduced commission revenue in certain of AIG's managing general agencies. The increase in operating income in 1993 resulted from the growth of risk management services. Agency and service fee operating income contributed 1.8 percent to AIG's income before income taxes and the cumulative effect of accounting changes in 1994 compared to 2.3 percent in 1993 and 2.5 percent in 1992.

FINANCIAL SERVICES OPERATIONS

Financial services operations for the twelve month periods ending December 31, 1994, 1993 and 1992 were as follows:

(in thousands)

	1994	1993	1992
REVENUES:			
International Lease Finance Corp.	$1,097,600	$ 879,100	$ 690,900
AIG Financial Products Corp.*	279,100	336,100	421,000
AIG Trading Group Inc.*	246,600	227,400	175,800
Other	243,000	152,800	117,200
Total	$1,866,300	$1,595,400	$1,404,900
Operating income:			
International Lease Finance Corp.	$ 248,200	$ 220,000	$ 186,200
AIG Financial Products Corp.	131,000	150,100	171,500
AIG Trading Group Inc.	55,200	69,800	56,000
Other, including intercompany adjustments	(29,500)	(49,900)	(67,300)
Total	$ 404,900	$ 390,000	$ 346,400

* Represents net trading revenues.

Financial services operating income increased 3.8 percent in 1994 over 1993. This compares with an increase of 12.6 percent in 1993 over 1992. The financial services operating income in both 1994 and 1993 increased primarily as a result of the increase in the operating income of International Lease Finance Corporation (ILFC).

ILFC primarily engages in the acquisition of new and used commercial jet aircraft and the leasing and sale of such aircraft to airlines around the world. ILFC derives a substantial portion of its revenues from its leasing operations and is also engaged in the remarketing of commercial jets to and for airlines and financial institutions. As a result of the rising interest rate environment during 1994, ILFC's new borrowings were at higher rates relative to prior years. In such an environment, ILFC negotiates higher lease rates on any new contract. The increase in interest rates had a minor impact on ILFC's current lease margins. It is not anticipated that this rise in interest rates will have any significant impact on future operating income. (See also the discussions under "Capital Resources" and "Liquidity" herein.)

ILFC is exposed to loss through non-performance of aircraft lessees, through owning aircraft which it would be unable to lease or re-lease at acceptable rates or sell at lease expiration and through committing to purchase aircraft which it would be unable to lease. ILFC manages its lessee non-performance exposure through credit reviews and security deposit requirements. At December 31, 1994, only three of 270 aircraft owned were not leased. At March 1, 1995, these three aircraft have been committed for either lease or sale and all other aircraft remain leased. Currently, 77 percent of the fleet is leased to foreign carriers producing 76.8 percent of ILFC's rental revenues. (See also the discussions under "Capital Resources" and "Liquidity" herein.)

AIG Trading Group Inc. and its subsidiaries (AIGTG), derive a substantial portion of their revenues from market making and trading activities, as principals, in foreign exchange, interest rates, precious and base metals, petroleum and natural

gas. AIGTG's operating income declined as a result of reduced volatility in 1994 relative to 1993 in the markets in which AIGTG participates. (See also the discussions under "Capital Resources," "Liquidity" and "Derivatives" herein.)

AIG Financial Products Corp. and its subsidiaries (AIGFP) participate in the derivatives dealer market conducting, as principals, an interest rate, currency and equity derivative products business which includes long-dated transactions. AIGFP also enters into guaranteed investment agreements. In 1994, AIGFP's revenues and operating income were less than those of 1993 as a result of fewer transactions. Current and past performance may not provide a basis for predicting future performance. AIGFP derives substantially all its revenues from proprietary positions entered in connection with counterparty transactions rather than for speculative purposes. (See also the discussions under "Capital Resources," "Liquidity" and "Derivatives" herein.)

Financial services operating income represented 13.7 percent of AIG's income before income taxes and the cumulative effect of accounting changes in 1994. This compares to 15.0 percent and 16.2 percent in 1993 and 1992, respectively.

OTHER OPERATIONS

In 1994, AIG's equity in income of minority-owned insurance operations was $56.0 million compared to $39.6 million in 1993 and $27.9 million in 1992. The equity interest in insurance companies, which includes two equity operations which commenced business during 1993, represented 1.9 percent of income before income taxes and the cumulative effect of accounting changes in 1994, compared to 1.5 percent in 1993 and 1.3 percent in 1992.

Other realized capital losses amounted to $52.3 million, $12.7 million and $11.3 million in 1994, 1993 and 1992, respectively.

Minority interest represents minority shareholders' equity in income of certain consolidated subsidiaries. In 1994, minority interest amounted to $29.7 million. In 1993 and 1992, minority interest amounted to $26.9 million and $11.2 million, respectively.

Other income (deductions)-net includes AIG's equity in certain minor majority-owned subsidiaries and certain partially-owned companies, realized foreign exchange transaction gains and losses in substantially all currencies and unrealized gains and losses in hyperinflationary currencies, as well as the income and expenses of the parent holding company and other miscellaneous income and expenses. In 1994, net deductions amounted to $68.6 million. In 1993 and 1992, net deductions amounted to $46.9 million and $59.0 million, respectively.

Income before income taxes and the cumulative effect of accounting changes amounted to $2.95 billion in 1994 and $2.60 billion in 1993. Income before income taxes was $2.14 billion in 1992.

In 1994, AIG recorded a provision for income taxes of $776.5 million compared to the provisions of $683.0 million and $512.0 million in 1993 and 1992, respectively. These provisions represent effective tax rates of 26.3 percent in 1994 and 1993 and 24.0 percent in 1992. The most significant cause for the increase in the effective tax rate for 1993 was the Omnibus Budget Reconciliation Act of 1993 (the Act). Among other things, the Act increased the corporate tax rate to 35 percent from 34 percent, effective January 1, 1993. Additionally, the 1993 effective tax rate was influenced by higher state and local income taxes. (See Note 3 of Notes to Financial Statements.)

Income before the cumulative effect of accounting changes amounted to $2.18 billion in 1994, $1.92 billion in 1993 and $1.63 billion in 1992. The increases in net income over the three year period resulted from those factors described above.

At January 1, 1993, AIG's equity in income of minority-owned insurance operations was positively impacted by the cumulative effect of accounting changes on such operations from the adoption of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes"(FASB 109), which was partially offset by the adoption of Statement of Financial Accounting Standards No. 106 "Employer's Accounting for Postretirement Benefits Other than Pension Plans" (FASB 106). AIG's equity in the cumulative effect of such accounting changes was a net benefit of $20.7 million.

AIG had adopted FASB 106 and FASB 109 effective as at January 1, 1992, recording a cumulative effect net benefit of $31.9 million. The pretax cumulative charge of adopting FASB 106 was $83.1 million and the net of tax cumulative charge was $54.8 million. The cumulative effect of adopting FASB 109 was a benefit of $86.7 million.

Net income amounted to $2.18 billion in 1994, $1.94 billion in 1993 and $1.66 billion in 1992. The increases in net income over the three year period resulted from those factors described above.

CAPITAL RESOURCES

At December 31, 1994, AIG had total capital funds of $16.42 billion and total borrowings of $17.52 billion.

Total borrowings at December 31, 1994 and 1993 were as follows:

(in thousands)

December 31,	1994	1993
Borrowings under Obligations of Guaranteed Investment Agreements (GIA) -- AIGFP	$ 5,535,300	$ 6,735,600
Commercial Paper:		
Funding	1,211,300	891,700
ILFC	1,960,600*	1,442,400*

AICCO	617,700	638,200
AIGFP	--	176,600
Total	3,789,600	3,148,900
Medium Term Notes:		
ILFC	1,999,500*	1,753,700*
AIG	155,000	295,000
Total	2,154,500	2,048,700
Notes and Bonds Payable:		
ILFC	2,950,000*	2,550,000*
AIGFP	1,048,100	521,400
AIG: Lire bonds	159,100	159,100
Zero coupon notes	65,800	59,100
Total	4,223,000	3,289,600
Loans and Mortgages Payable:		
AIGTG	890,800	117,900
ILFC	678,600*	79,000*
AIG	247,700	269,400
Total	1,817,100	466,300
Total Borrowings	17,519,500	15,689,100
Borrowings not guaranteed by AIG	7,588,700	5,825,100
Matched GIA borrowings	5,535,300	6,735,600
	13,124,000	12,560,700
Remaining borrowings of AIG	$ 4,395,500	$ 3,128,400

* AIG does not guarantee or support these borrowings.

See also Note 9 of Notes to Financial Statements.

GIAs serve as the primary source of proceeds for AIGFP's investments in a diversified portfolio of securities and derivative transactions. During 1994, the GIA balance declined $1.2 billion. As a result, AIGFP increased its term notes payable $526.7 million to $1.05 billion as an additional source of funding for its operating activities. (See also the discussions under "Operational Review", "Liquidity" and "Derivatives" herein and Notes 1, 9 and 11 of Notes to Financial Statements.)

AIG Funding, Inc. (Funding), through the issuance of commercial paper, fulfills the short-term cash requirements of AIG and its subsidiaries. Funding intends to continue to meet AIG's funding requirements through the issuance of commercial paper guaranteed by AIG. This issuance of commercial paper is subject to the approval of AIG's Board of Directors. ILFC, A.I. Credit Corp. (AICCO) and AIGFP issue commercial paper for the funding of their own operations. AIG does not guarantee AICCO's or ILFC's commercial paper. However, AIG has entered into an agreement in support of AICCO's commercial paper. AIG guarantees AIGFP's commercial paper. (See also the discussion under "Derivatives" herein and Note 9 of Notes to Financial Statements.)

On December 15, 1994, AIG and Funding entered into two syndicated revolving credit facilities (the Facilities) aggregating $1 billion. The Facilities consist of a $500 million 364 day revolving credit facility and a $500 million five year revolving credit facility. The Facilities represent a consolidation of domestic and international bilateral lines of credit and can be used for general corporate purposes. The Facilities also provide backup for AIG's commercial paper programs administered by Funding. There are currently no borrowings outstanding under either of the Facilities, nor were any borrowings outstanding as of December 31, 1994.

During 1994, ILFC increased the aggregate principal amount outstanding of its medium term and term notes to $4.95 billion at December 31, 1994, a net increase of $645.8 million. At December 31, 1994, ILFC had $1.6 billion in aggregate principal amount of debt securities registered for issuance from time to time. The cash used to purchase flight equipment is derived primarily from the proceeds of ILFC's debt financing. The primary sources for the repayment of this debt and the interest expense thereon are the lease receipts received and proceeds from the sale of flight equipment. During 1994, ILFC obtained net financing of $1.76 billion for the acquisition of flight equipment costing $2.73 billion. Additional funds were provided by operating cash flow and the sale of flight equipment. ILFC sold $100 million of Market Auction Preferred Stock in 1993. Additionally, $100 million of Market Auction Preferred Stock was sold in February, 1995. The proceeds from the sale of these securities were used to reduce ILFC's maturing debt. (See also the discussions under "Operational Review" and "Liquidity" herein and Notes 1, 9 and 16 of Notes to Financial Statements.)

During 1994, AIG did not issue any medium term notes and $140.0 million of previously issued notes matured. At December 31, 1994, AIG had $247.0 million in aggregate principal amount of debt securities registered for issuance from time to time. (See also the discussion under "Derivatives" herein and Note 9 of Notes to Financial Statements.)

AIGTG increased its short-term borrowings by $772.9 million to finance its commodities inventory, futures exchange margin requirements and timing differences in operating cash flows. (See also the discussion under "Operational Review," "Liquidity" and "Derivatives" herein and Notes 1, 9 and 11 of Notes to Financial Statements.)

AIG's capital funds have increased $1.20 billion in 1994. Unrealized appreciation of investments, net of taxes, decreased $738.1 million, primarily resulting from the rise in domestic interest rates and its effect on the market values of bonds worldwide. As a result of adopting Financial Accounting Standards No. 115 "Accounting for Certain Investments on Debt and Equity Securities", unrealized appreciation of investments, net of taxes, is now subject to increased volatility resulting from the

changes in the market value of bonds available for sale. The cumulative translation adjustment loss, net of taxes, decreased $60.1 million as a result of the general weakness of the U.S. dollar against most major currencies. Retained earnings increased $2.04 billion, resulting from net income less dividends.

In December 1994, the Mexican peso was devalued significantly against the U.S. dollar, as well as other currencies. AIG's Mexican operations constitute only a minor part of AIG's consolidated general and life operations and therefore the devaluation had little effect on AIG's results of operations or financial condition. It is also anticipated that there will be little impact going forward.

During 1994, AIG repurchased 2.09 million shares of its common stock in the open market at a cost of $177.7 million.

During 1993, preferred stock issued and outstanding decreased $7,500 and additional paid-in capital declined approximately $150 million due to the redemption of Series M-1 and M-2 Exchangeable Money Market Cumulative Serial

Preferred Stock. Common stock increased by $281.2 million and additional paid-in capital decreased by that amount as a result of a common stock split in the form of a 50 percent stock dividend paid July 30, 1993. (See also Note 10 of Notes to Financial Statements.)

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by statutory authorities. AIG has in the past reinvested most of its unrestricted earnings in its operations and believes such continued reinvestment in the future will be adequate to meet any foreseeable capital needs. However, AIG may choose from time to time to raise additional funds through the issuance of additional securities. At December 31, 1994, there were no significant statutory or regulatory issues which would impair AIG's financial condition, results of operations or liquidity. (See also the discussion under "Liquidity" herein and Note 10 of Notes to Financial Statements.)

LIQUIDITY

At December 31, 1994, AIG's consolidated invested assets included approximately $2.54 billion of cash and short-term investments. Consolidated net cash provided from operating activities in 1994 amounted to approximately $5.39 billion.

Management believes that AIG's liquid assets, its net cash provided by operations, and access to the capital markets will enable it to meet any foreseeable cash requirements.

AIG's liquidity is primarily derived from the operating cash flows of its general and life insurance operations.

The liquidity of the combined insurance operations is derived both domestically and abroad. The combined insurance pretax operating cash flow is derived from two sources, underwriting operations and investment operations. In the aggregate, AIG's insurance operations generated approximately $7.9 billion in pretax cash flow during 1994. Cash flow includes periodic premium collections, including policyholders' contract deposits, paid loss recoveries less reinsurance premiums, losses, benefits, acquisition and operating expenses paid and investment income. Generally, there is a time lag from when premiums are collected and, when as a result of the occurrence of events specified in the policy, the losses and benefits are paid. AIG's insurance investment operations generated approximately $3.1 billion in investment income cash flow during 1994. Investment income cash flow is primarily derived from interest and dividends received and includes realized capital gains.

The combined insurance pretax operating cash flow coupled with the cash and short-term investments of $2.17 billion provided the insurance operations with a significant amount of liquidity. This liquidity is available to purchase high quality and diversified fixed income securities and to a lesser extent marketable equity securities and to provide mortgage loans on real estate, policy and collateral and guaranteed loans. With this liquidity coupled with proceeds of approximately $12.7 billion from the maturities, sales and redemptions of fixed income securities and from the sales of marketable equity securities, AIG purchased approximately $19.4 billion of fixed income securities and marketable equity securities during 1994.

During 1995, AIG expects to have approximately $1 billion of held to maturity municipal bonds redeemed for approximately $1 billion. Prior to redemption, the yield on these bonds approximates 8 percent. If these bonds were redeemed at March 1, 1995, the estimated yield on the reinvestment of the proceeds in bonds with similar characteristics would approximate 6.5 percent. AIG does not anticipate that these redemptions will have a significant effect on AIG's general investment income, operations, financial condition or liquidity.

The following table is a summary of AIG's invested assets by significant segment, including investment income due and accrued and real estate, at December 31, 1994 and 1993:

(dollars in thousands)

	DECEMBER 31, 1994		DECEMBER 31, 1993	
	INVESTED ASSETS	PERCENT OF TOTAL	INVESTED ASSETS	PERCENT OF TOTAL
General insurance	$23,873,000	30.2%	$22,573,800	33.2%
Life insurance	26,690,100	33.8	22,037,300	32.4
Financial services*	27,920,300	35.4	22,957,300	33.7
Other	491,500	0.6	464,100	0.7
Total	$78,974,900	100.0%	$68,032,500	100.0%

* See also the discussion under "Accounting Standards: Standards Adopted in 1994" herein.

The following tables summarize the composition of AIG's insurance invested assets by insurance segment, including investment income due and accrued and real estate, at December 31, 1994 and 1993:

(dollars in thousands)

DECEMBER 31, 1994	GENERAL	LIFE	TOTAL	PERCENT OF TOTAL	PERCENT DISTRIBUTION DOMESTIC	FOREIGN
Fixed Maturities:						
Available for sale, at market value(a)	$ 4,995,800	$16,890,700	$21,886,500	43.3%	32.2%	67.8%
Held to maturity, at amortized cost(b)	13,454,300	--	13,454,300	26.6	100.0	--
Equity securities, at market value(c)	2,799,700	2,090,400	4,890,100	9.7	30.4	69.6
Mortgage loans on real estate, policy and collateral loans	27,700	4,534,600	4,562,300	9.0	43.1	56.9
Short-term investments, including time deposits, and cash	954,900	1,213,000	2,167,900	4.3	27.6	72.4
Real estate	364,100	648,900	1,013,000	2.0	18.0	82.0
Investment income due and accrued	446,700	471,300	918,000	1.8	57.5	42.5
Other invested assets	829,800	841,200	1,671,000	3.3	50.9	49.1
Total	$23,873,000	$26,690,100	$50,563,100	100.0%	51.7%	48.3%

(a) Includes $164,000 of bonds trading securities, at market value.

(b) Includes $412,500 of preferred stock, at amortized cost.

(c) Includes $61,900 of preferred stock, at market value.

(dollars in thousands)

DECEMBER 31, 1993	GENERAL	LIFE	TOTAL	PERCENT OF TOTAL	PERCENT DISTRIBUTION DOMESTIC	FOREIGN
Fixed Maturities:						
Available for sale, at market value(a)	$ 4,387,800	$13,387,800	$17,775,600	39.8%	39.0%	61.0%
Held to maturity, at amortized cost(b)	12,211,100	--	12,211,100	27.4	100.0	--
Equity securities, at market value(c)	2,816,100	1,562,700	4,378,800	9.8	36.7	63.3
Mortgage loans on real estate, policy and collateral loans	96,300	2,678,200	2,774,500	6.2	24.6	75.4
Short-term investments, including time deposits, and cash	1,820,500	2,878,600	4,699,100	10.6	23.1	76.9
Real estate	284,300	572,000	856,300	1.9	16.2	83.8
Investment income due and accrued	429,700	363,900	793,600	1.8	54.0	46.0
Other invested assets	528,000	594,100	1,122,100	2.5	51.4	48.6
Total	$22,573,800	$22,037,300	$44,611,100	100.0%	53.0%	47.0%

(a) Includes $310,800 of bonds trading securities, at market value.

(b) Includes $17,400 of preferred stock, at amortized cost.

(c) Includes $89,800 of preferred stock, at market value.

With respect to fixed maturities, AIG's strategy is to invest in high quality securities while maintaining diversification to avoid significant exposure to issuer, industry and/or country concentrations.

At December 31, 1994, approximately 60 percent of the fixed maturity investments were domestic securities. Approximately 42 percent of such domestic securities were rated AAA, approximately 2 percent were below investment grade and less than 1 percent were not rated.

A significant portion of the foreign insurance fixed income portfolio is rated by Moody's, Standard & Poor's (S&P) or similar foreign services. However, similar credit quality rating services are not available in all overseas locations. Thus, AIG annually reviews the credit quality of the nonrated fixed income investments, including mortgages, in its foreign portfolio. AIG applies a scale similar to that of Moody's and S&P to the rating of these securities. Coupling the ratings of this internal review with those of the independent agencies indicates that approximately 42 percent of the foreign fixed income investments were rated AAA, less than one percent were deemed below investment grade and approximately 4 percent were not rated at December 31, 1994.

Although AIG's fixed income insurance portfolios contain only minor amounts of securities below investment grade, potentially any fixed income security is subject to downgrade for a variety of reasons subsequent to any balance sheet date. There have been no significant downgrades as at March 1, 1995.

At December 31, 1994, approximately 5 percent of the fixed maturities portfolio was Collateralized Mortgage Obligations (CMOs). All of the CMOs were investment grade and approximately 86 percent of the CMOs were backed by various U.S. government agencies. Thus, credit risk was minimal. CMOs are exposed to interest rate risk as the duration and ultimate realized yield would be affected by the accelerated prepayments of the underlying mortgages. There were no interest only or principal only CMOs.

When permitted by regulatory authorities and when deemed necessary to protect insurance assets, including invested assets, from currency risk and interest rate risk, AIG and its insurance subsidiaries enter into derivative transactions as end users. To date, such activities have been minor. (See also the discussion under "Derivatives" herein.)

Short-term investments represent amounts invested in various internal and external money market funds, time deposits and cash. The $2.53 billion reduction in short-term investments and cash during 1994 resulted from the redeployment of funds to purchase fixed maturities both domestically and overseas, particularly for foreign life operations.

Mortgage loans on real estate, policy, collateral and guaranteed loans comprised 9.0 percent of AIG's insurance invested assets at December 31, 1994. AIG's insurance holdings of real estate mortgages amounted to $1.71 billion of which 33.8 percent was domestic. At December 31, 1994, no domestic mortgages and only a nominal amount of foreign mortgages were in default. At December 31, 1994, AIG's insurance holdings of collateral loans amounted to $625.7 million, all of which were foreign. It is AIG's practice to maintain a maximum loan to value ratio of 75 percent at loan origination. AIG's policy loans increased from $984.9 million at December 31, 1993 to $2.23 billion at December 31, 1994, with $1.25 billion of this increase relating to the domestic corporate-owned life insurance product.

AIG's real estate investment properties are primarily occupied by AIG's various operations. The current market value of these properties considerably exceeds their carrying value.

In certain jurisdictions, significant regulatory and/or foreign governmental barriers exist which may not permit the immediate free flow of funds between insurance subsidiaries or from the insurance subsidiaries to AIG parent. These barriers generally cause only minor delays in the outward remittance of the funds.

The following table is a summary of the composition of AIG's financial services invested assets at December 31, 1994 and 1993. (See also the discussions under "Operational Review," "Capital Resources" and "Derivatives" herein.)

(dollars in thousands)

	1994		1993	
	INVESTED ASSETS	PERCENT OF TOTAL	INVESTED ASSETS	PERCENT OF TOTAL
Flight equipment primarily under operating leases, net of accumulated depreciation	$10,723,500	38.4%	$ 8,555,400	37.3%
Unrealized gain on interest rate and currency swaps, options and forward transactions*	4,650,700	16.7	--	--
Securities available for sale, at market value	3,796,800	13.6	4,991,100	21.7
Trading securities, at market value	2,483,600	8.9	2,516,200	11.0
Securities purchased under agreements to resell, at contract value	1,209,400	4.3	2,737,500	11.9
Trade receivables	2,629,700	9.4	1,328,400	5.8
Spot commodities, at market value	916,800	3.3	764,200	3.3
Net unrealized gain on interest rate and currency swaps, options and forward transactions	--	--	640,100	2.8
Other, including short-term investments	1,509,800	5.4	1,424,400	6.2
Total	$27,920,300	100.0%	$22,957,300	100.0%

* See also the discussion under "Accounting Standards: Standards Adopted in 1994" herein.

As previously discussed, the cash used for the purchase of flight equipment is derived primarily from the proceeds of ILFC's debt financing. The primary sources for the repayment of this debt and the interest expense thereon are the lease receipts received and proceeds from the sale of flight equipment. During 1994, ILFC obtained net financing of $1.76 billion for the acquisition of flight equipment costing $2.73 billion. Additional funds were provided by operating cash flow and the sale of flight equipment.

At December 31, 1994, ILFC had committed to purchase 236 aircraft deliverable from 1995 through 2000 at an estimated aggregate purchase price of $13.4 billion and had options to purchase an additional 51 aircraft deliverable through 2001 at an estimated aggregate exercisable price of $2.8 billion. As at March 15, 1995, ILFC has entered into leases, letters of intent to lease or is in various stages of negotiation for 63 of 68 aircraft to be delivered in 1995 and 54 of 168 aircraft to be delivered subsequent to 1995. ILFC will be required to find customers for any aircraft presently on order and any new aircraft to be ordered, and it must arrange financing for portions of the purchase price of such equipment. In a rising interest rate environment, ILFC negotiates higher lease rates on any new contracts. ILFC has been successful to date both in placing its new aircraft on lease or under sales contract and obtaining adequate financing.

AIGFP's positions are carried at market value or at estimated fair value when market prices are not readily available. These values represent assessments of the present value of expected future cash flows. The recorded values of these transactions may be less than the values that might be realized, if AIGFP were to sell or close out the transactions prior to maturity. AIGFP reduces its economic risk exposure through similarly valued offsetting transactions including swaps, trading securities, forwards and futures. AIG believes that the impact of such limited liquidity would not be significant to AIG's financial condition or its overall liquidity. (See also the discussion under "Derivatives" herein.)

Securities available for sale, at market value and securities purchased under agreements to resell are primarily purchased with the proceeds of AIGFP's GIA financings and term borrowings. As the GIA and term borrowings combined net balances have declined since December 31, 1993, the proceeds from the disposal of securities available for sale and securities purchased under agreements to resell have been used to fund the maturing GIAs. (See also the discussion under "Capital Resources" herein.)

Securities available for sale is mainly a portfolio of debt securities, where the individual securities have varying degrees of credit risk. At December 31, 1994, the average credit rating to this portfolio was AA as determined through rating agencies or internal review. There were no securities deemed below investment grade. There have been no significant downgrades through March 1, 1995. Securities purchased under agreements to resell are treated as collateralized transactions. AIGFP generally takes possession of securities purchased under agreements to resell. AIGFP further minimizes its credit risk by monitoring counterparty credit exposure and, when AIGFP deems necessary, it requires additional collateral to be deposited. Trading securities, at market value are marked to market daily and are held to meet the short-term risk management objectives of AIGFP.

AIGTG acts as principal in certain foreign exchange, interest rate, precious and base metals, petroleum and natural gas trading activities. AIGTG owns inventories in the commodities in which it trades and may reduce the exposure to market risk through the use of forwards, futures and option contracts. AIGTG uses derivatives to manage the economic exposure of its various trading positions and transactions from adverse movement in interest rates, exchange rates and commodity prices. AIGTG supports its trading activities largely through trade payables, short-term borrowings and spot commodities sold but not yet purchased. (See also the discussions under "Capital Resources" and "Derivatives" herein.)

DERIVATIVES

Derivatives are financial arrangements among two or more parties whose returns are linked to or "derived" from some underlying stock, bond, commodity or other asset, or some index. Derivatives payments may be based on interest rates and exchange rates and/or prices of certain securities, certain commodities, or financial or commodity indices. The more significant types of derivative arrangements in which AIG transacts are swaps, forwards, futures, options and related instruments.

The most commonly used swaps are interest rate and currency swaps. An interest rate swap is a contract between two parties to exchange interest rate payments (typically a fixed interest rate versus a variable interest rate) calculated on a notional principal amount for a specified period of time. The notional amount is not exchanged. A currency swap is similar but the notional amounts are different currencies which are typically exchanged at the commencement and termination of the swap based upon negotiated exchange rates.

A futures or forward contract is a legal contract between two parties to purchase or sell at a specified future date a specified quantity of a commodity, security, currency, financial index or other instrument, at a specified price. A futures contract is traded on an exchange, while a forward contract is executed over the counter.

An option contract generally provides the option purchaser with the right but not the obligation to buy or sell during a period of time or at a specified date the underlying instrument at a set price. The option writer is obligated to sell or buy the underlying item if the option purchaser chooses to exercise his right. The option writer receives a nonrefundable fee or premium paid by the option purchaser.

Derivatives are generally either negotiated over the counter contracts or standardized contracts executed on an exchange. Standardized exchange traded derivatives include futures and options which can be readily bought or sold over

recognized security exchanges and settled through such clearing houses. Negotiated over the counter derivatives include forwards, swaps and options. Over the counter derivatives are generally not traded like exchange traded securities. However, in the normal course of business, with the agreement of the original counterparty, these contracts may be terminated or assigned to another counterparty.

Through AIGFP and AIGTG, AIG participates in the derivatives dealer market acting primarily as principal. In these derivative operations AIG structures transactions which generally permit its counterparties to enter into transactions with respect to interest and exchange rate changes, to prices of securities and to certain commodities and financial or commodity indices. All significant derivatives activities are conducted through AIGFP and AIGTG.

Generally, derivatives are used by AIG's customers such as corporations, financial institutions, multinational organizations, sovereign entities, government agencies and municipalities. For example, a futures, forward or option contract can be used to protect the customers' assets or liabilities against price fluctuations.

The senior management of AIG, with review by the Board of Directors, defines the policies and establishes general operating parameters for AIGFP and AIGTG. AIG's senior management has established various oversight committees to review the various financial market, operational and credit issues of AIGFP and AIGTG. The senior managements of AIGFP and AIGTG report the results of their respective operations to and review future strategies with AIG's senior management.

AIG actively manages the exposures to limit the potential to loss, while maximizing the rewards afforded by these business opportunities. In doing so, AIG must manage a variety of exposures to risk including credit risk, market risk, liquidity risk and legal risk.

Market risk principally arises from the uncertainty that future earnings are exposed to potential changes in volatility, interest rates, foreign exchange rates, and equity and commodity prices. AIG generally controls its exposure to market risk by taking offsetting positions. AIG's philosophy with respect to its financial services operations is to minimize or set limits for open or uncovered positions that are to be carried. Credit risk exposure is separately managed. (See the discussion on the management of credit risk below).

AIGFP does not seek to manage the market risk of each of its individual transactions through an individual offsetting transaction. Rather, AIGFP takes a portfolio approach to the management of its market risk exposure. AIGFP values its portfolio at market value or estimated fair value when market values are not readily available. These valuations represent an assessment of the present values of expected future cash flows of AIGFP's transactions and may include reserves for market risk as deemed appropriate by AIGFP management. AIGFP evaluates the portfolio's discounted cash flows with reference to current market conditions, maturities within the portfolio and other relevant factors. Based upon this evaluation, AIGFP determines what, if any, offsetting transactions are necessary to reduce the market risk exposure of the portfolio.

The aforementioned estimated fair values are based upon the use of valuation models. These models utilize, among other things, current interest, foreign exchange and volatility rates. These valuation models are integrated into the evaluation of the portfolio, as described above, in order to provide timely information for the market risk management of the portfolio.

Additionally, depending upon the nature of interest rates and market movements during the day, the system will produce reports for management's consideration for intra-day offsetting positions. Overnight, the system generates reports which recommend the types of offsets management should consider for the following day. Additionally, AIGFP operates in major business centers overseas and is essentially open for business 24 hours a day. Thus, the market exposure and offset strategies are monitored, reviewed and coordinated around the clock. Therefore, offsetting adjustments can be made as and when necessary from any AIGFP office in the world.

As part of its monitoring and controlling of its exposure to market risk, AIGFP applies various testing techniques which reflect potential market movements. These techniques vary by currency and are regularly changed to reflect factors affecting the derivatives portfolio. In addition to the daily monitoring, AIGFP's senior management and local risk managers conduct a weekly review of the derivatives portfolio and existing hedges. This review includes an examination of the portfolio's risk measures, such as aggregate option sensitivity to movements in market variables. AIGFP's management may change these measures to reflect their judgment and evaluation of the dynamics of the markets. This management group will also determine whether additional or alternative action is required in order to manage the portfolio. AIG utilizes an outside consultant to provide the managements of AIG and AIGFP with comfort that the system produces representative values.

AIGTG's approach to managing market risk is to establish an appropriate offsetting position to a particular transaction or group of transactions depending upon the extent of market risk AIGTG wishes to reduce.

AIGTG senior management has established positions and stop-loss limits for each line of business. AIGTG's traders are required to maintain positions within these limits. These positions are monitored during the day either manually or through on-line computer systems. In addition, these positions are reviewed by AIGTG management. Reports which present each trading book's position and the prior day's profit and loss are reviewed by traders, head traders and AIGTG's senior management. Based upon these and other reports, AIGTG's senior management may determine to adjust AIGTG's risk profile.

AIGTG attempts to secure reliable current market prices, such as published prices or third party quotes, to value its derivatives. Where such prices are not available, AIGTG uses an internal methodology which includes interpolation or extrapolation from verifiable prices nearest to the dates of the transactions. The methodology may reflect interest and exchange rates, volatility rates and other relevant factors.

A significant portion of AIGTG's business is transacted in liquid markets. Certain of AIGTG's derivative product exposures are evaluated using simulation techniques which consider such factors as changes in currency and commodity prices, interest rates, volatility levels and the effect of time. Though not indicative of the future, past volatile market scenarios have represented profit opportunities for AIGTG.

The gross unrealized gains and gross unrealized losses of AIGFP and AIGTG included in the financial services assets and liabilities at December 31, 1994 were as follows:

(in thousands)

	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	BALANCE SHEET AMOUNT
Securities available for sale, at market value	$ 243,200	$ 240,400	$3,796,800
Unrealized gain/loss on interest rate and currency swaps, options and forward transactions(a)	4,650,700	3,659,400	--
Trading securities, at market value	--	--	2,483,600
Securities sold but not yet purchased, principally obligations of the U.S. government and government agencies, at market value	--	--	192,900
Trade receivables(b)	3,530,300	1,659,500	2,629,700
Spot commodities, at market value(c)	179,100	96,400	916,800
Trade payables	--	1,097,400	2,108,300
Spot commodities sold but not yet purchased, at market value	83,800	33,400	369,100

(a) See also the discussion under "Accounting Standards: Standards Adopted in 1994" herein.

(b) The net replacement value with respect to futures and forward contracts of AIGTG at December 31, 1994 was $1.87 billion.

(c) The net replacement value with respect to purchased option contracts of AIGTG at December 31, 1994 was $275.1 million.

The interest rate risk on securities available for sale, at market, is managed by taking offsetting positions on a security by security basis, thereby offsetting a significant portion of the unrealized appreciation or depreciation. At December 31, 1994, the unrealized gains and losses remaining after benefit of the offsets were $8.3 million and $5.6 million, respectively.

AIGFP carries its derivatives at market or estimated fair value, whichever is appropriate. Because of limited liquidity of these instruments, the recorded estimated fair values of these derivatives may be different than the values that might be realized if AIGFP were to sell or close out the transactions prior to maturity. (See also the discussions under "Operational Review: Financial Services", "Liquidity" and "Accounting Standards: Standards Adopted in 1994" herein.)

Trading securities, at market value, and securities sold but not yet purchased are marked to market daily with the unrealized gain or loss being recognized in income at that time. These securities are held to meet the short-term risk management objectives of AIGFP.

AIGTG acts as principal in certain foreign exchange, interest rate, precious and base metals, petroleum and natural gas trading activities. AIGTG owns inventories in the commodities in which it trades. These inventories are carried at market and may be substantially hedged. AIGTG uses derivatives to manage the economic exposure of its various trading positions and transactions from adverse movements in interest rates, exchange rates and commodity prices. (See also the discussions under "Operational Review: Financial Services" and "Liquidity" herein.)

A counterparty may default on any obligation to AIG, including a derivative contract. Credit risk is a consequence of extending credit and/or carrying trading and investment positions. Credit risk exists for a derivative contract when that contract has an estimated positive fair value. To help manage this risk, the credit departments of AIGFP and AIGTG operate within the guidelines of the AIG Credit Risk Committee, which sets credit policy and limits for counterparties and provides limits for derivative transactions with counterparties having different credit ratings. In addition to credit ratings, this committee takes into account the industry and country of the counterparty. Transactions which fall outside these pre-established guidelines require the approval of the AIG Credit Risk Committee. It is also AIG's policy to establish reserves for potential credit impairment when necessary.

AIGFP and AIGTG determine the credit quality of each of their counterparties taking into account credit ratings assigned by recognized statistical rating organizations. If it is determined that a counterparty requires credit enhancement, then one or more enhancement techniques will be used. Examples of such enhancement techniques include letters of credit, guarantees, collateral and margin agreements.

The significant majority of AIGFP's transactions are contracted and documented under master netting agreements that provide for set-off and close out netting in the event of default. Excluding regulated exchange transactions, AIGTG, whenever possible, enters into netting agreements with its counter-parties which are similar in effect to those discussed above.

The following tables provide the notional and contractual amounts of AIGFP's derivatives portfolio at December 31, 1994. The notional amounts used to express the extent of AIGFP's involvement in derivatives transactions represent a standard of measurement of the volume of AIGFP's swaps business. Notional amount is not a quantification of market risk or credit risk and it may not necessarily be recorded on the balance sheet. Notional amounts represent those amounts used to calculate contractual

cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps. The timing and the amount of cash flows relating to foreign exchange forwards and exchange traded futures and options contracts are determined by the contractual agreements.

AIGFP extensively uses legally enforceable master closeout netting agreements. Thus, contracts subject to such arrangements permit AIGFP to offset its receivables from and payables to the same counterparty. As a result, the net replacement value represents the net sum of estimated positive fair values after the application of such agreements and collateral held. The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss. (See also the discussion under "Accounting Standards: Standards Adopted in 1994" herein.)

The following table presents AIGFP's derivatives portfolio by maturity and type of derivative at December 31, 1994:

(in thousands)

	REMAINING LIFE					
	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL 1994	TOTAL 1993
Interest rate, currency and equity/commodity swaps and swaptions:						
Notional amount:						
Interest rate swaps	$ 7,395,000	$57,086,000	$32,063,000	$ 9,037,000	$105,581,000	$ 77,462,500
Currency swaps	50,100	10,817,200	5,902,000	1,491,000	18,260,300	16,123,000
Equity/commodity swaps	341,000	411,000	40,000	25,000	817,000	1,227,000
Swaptions	246,000	4,997,000	2,672,000	1,145,000	9,060,000	8,265,800
Total	$ 8,032,100	$73,311,200	$40,677,000	$11,698,000	$133,718,300	$103,078,300
Futures and forward contracts:						
Exchange traded futures contracts contractual amount*	$13,182,900	--	--	--	$ 13,182,900	$ 27,132,300
Over the counter forward contracts contractual amount	$ 1,983,900	$64,800	--	--	$ 2,048,700	$ 945,100

* Exchange traded futures are not deemed to have significant credit exposure as the exchanges guarantee that every contract will be properly settled.

At December 31, 1994, the counterparty credit quality by derivative product with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	SWAPS AND SWAPTIONS	FUTURES AND FORWARD CONTRACTS	TOTAL
Counterparty credit quality:			
AAA	$1,087,800	$ 4,500	$1,092,300
AA	1,977,600	9,100	1,986,700
A	1,007,900	4,500	1,012,400
BBB	525,000	--	525,000
Below investment grade	21,000	--	21,000
Not externally rated--exchanges	--	13,300	13,300
Total	$4,619,300	$31,400	$4,650,700

At December 31, 1994, the counterparty breakdown by industry with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	SWAPS AND SWAPTIONS	FUTURES AND FORWARD CONTRACTS	TOTAL
Non-U.S. banks	$2,085,500	$15,200	$2,100,700
Insured municipalities	270,000	--	270,000
U.S. industrials	493,600	--	493,600
Governmental	726,100	--	726,100
Non-U.S. financial service companies	31,000	--	31,000
Non-U.S. industrials	372,300	--	372,300
Special purpose	16,400	--	16,400
U.S. banks	169,000	2,900	171,900
U.S. financial service companies	323,600	--	323,600
Supranationals	131,800	--	131,800
Exchanges	--	13,300	13,300
Total	$4,619,300	$31,400	$4,650,700

The following tables provide the notional and contractual amounts of AIGTG's derivatives portfolio at December 31, 1994. In addition, the estimated positive fair values associated with the derivatives portfolio are also provided and include a maturity profile for the December 31, 1994 balances based upon the expected timing of the future cash flows.

The notional amounts used to express the extent of AIGTG's involvement in derivatives transactions represent a standard of measurement of the volume of AIGTG's swaps business. Notional amount is not a quantification of the market or credit risks of the positions and is not necessarily recorded on the balance sheet. Notional amounts represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps. The timing and the amount of cash flows relating to foreign exchange forwards and exchange traded futures and options contracts are determined by the contractual agreements.

The gross replacement values presented represent the sum of the estimated fair values of all of AIGTG's derivatives contracts at December 31, 1994. These values do not represent the credit risk to AIGTG.

Net replacement values presented represent the net sum of estimated positive fair values after the application of legally enforceable master closeout netting agreements and collateral held. The net replacement values most closely represent the net credit risk to AIGTG or the maximum amount exposed to potential loss. (See also the discussion under "Accounting Standards: Standards Adopted in 1994" herein.)

The following tables present AIGTG's derivatives portfolio and associated credit exposure, if applicable, by maturity and type of derivative at December 31, 1994:

(in thousands)

	REMAINING LIFE					
	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL 1994	TOTAL 1993
Futures and forward contracts and interest swaps:						
Exchange traded futures contracts contractual amount(a)	$ 17,778,200	$3,683,000	$ 42,900	--	$ 21,504,100	$ 11,582,600
Over the counter forward contracts contractual amount(b)	$182,254,500	$8,825,800	$ 93,000	$4,700	$191,178,000	$104,333,300
Credit exposure for over the counter forwards:						
Gross replacement value	$ 2,934,700	$ 509,600	$ 79,500	$7,200	$ 3,531,000	$ 2,180,700

Master netting arrangements	(1,284,000)	(238,700)	(54,000)	(800)	(1,577,500)	(700,800)
Collateral	(82,700)	--	--	--	(82,700)	--
Net replacement value(c)	$ 1,568,000	$ 270,900	$ 25,500	$6,400	$ 1,870,800	$ 1,479,900

(a) Exchange traded futures are not deemed to have significant credit exposure as the exchanges guarantee that every contract will be properly settled.

(b) Includes interest rate swaps with notional amounts of approximately $549.0 million and $203.4 million at December 31, 1994 and 1993, respectively.

(c) The net replacement values with respect to futures and forward contracts are presented as a component of trade receivables in the accompanying balance sheet.

(in thousands)

	REMAINING LIFE					
	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL 1994	TOTAL 1993
Option contracts:						
Contractual amounts for purchased options:						
Exchange traded(a)	$ 1,363,100	$ 47,500	--	--	$ 1,410,600	$ 4,399,900
Over the counter	12,127,400	1,699,200	--	--	13,826,600	15,047,400
Total	$13,490,500	$1,746,700	--	--	$15,237,200	$19,447,300
Credit exposure for over the counter purchased options:						
Gross replacement value	$ 309,500	$ 60,000	--	--	$ 369,500	$ 313,600
Master netting arrangements	(59,100)	(12,700)	--	--	(71,800)	--
Collateral	(22,600)	--	--	--	(22,600)	--
Net replacement value(b)	$ 227,800	$ 47,300	--	--	$ 275,100	$ 313,600
Contractual amounts for sold options(c)	$12,300,000	$1,857,900	--	--	$14,157,900	$17,495,400

(a) Exchange traded options are not deemed to have significant credit exposure as the exchanges guarantee that every option will be properly settled.

(b) The net replacement value with respect to purchased options is presented as a component of spot commodities, at market value in the accompanying balance sheet.

(c) Options obligate AIGTG to buy or sell the underlying item if the option purchaser chooses to exercise. The amounts do not represent credit exposures.

At December 31, 1994, the counterparty credit quality by derivative product with respect to the net replacement value of AIGTG's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	FUTURES AND FORWARD CONTRACTS AND INTEREST RATE SWAPS	OVER THE COUNTER PURCHASED OPTIONS	TOTAL

Counterparty credit quality:			
AAA	$ 213,800	$ 25,700	$ 239,500
AA	611,300	171,000	782,300
A	581,900	38,000	619,900
BBB	60,700	6,700	67,400
Below investment grade	26,300	6,000	32,300
Not externally rated*	376,800	27,700	404,500
Total	$1,870,800	$275,100	$2,145,900

* Includes $140.0 million due from exchanges.

At December 31, 1994, the counterparty breakdown by industry with respect to the net replacement value of AIGTG's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	FUTURES AND FORWARD CONTRACTS AND INTEREST RATE SWAPS	OVER THE COUNTER PURCHASED OPTIONS	TOTAL
Non-U.S. banks	$ 637,400	$180,400	$ 817,800
U.S. industrials	307,600	14,500	322,100
Governmental	94,600	16,800	111,400
Non-U.S. financial service companies	52,500	1,800	54,300
Non-U.S. industrials	137,800	26,300	164,100
U.S. banks	398,100	28,000	426,100
U.S. financial service companies	102,800	7,300	110,100
Exchanges	140,000	--	140,000
Total	$1,870,800	$275,100	$2,145,900

Generally, AIG manages and operates its businesses in the currencies of the local operating environment. Thus, exchange gains or losses occur when AIG's foreign currency net investment is affected by changes in the foreign exchange rates relative to the U.S. dollar from one reporting period to the next.

As an end-user, AIG and its subsidiaries, including its insurance subsidiaries, use derivatives to aid in managing AIG's foreign exchange translation exposure. Derivatives may also be used to minimize certain exposures with respect to AIG's debt financing and insurance investment operations; to date, such activities have been minor.

AIG, through its Foreign Exchange Operating Committee, evaluates its worldwide consolidated net asset or liability positions and manages AIG's translation exposure to adverse movement in currency exchange rates. AIG may use forward exchange contracts and purchases options where the cost of such is reasonable and markets are liquid to reduce these exchange translation exposures. The exchange gain or loss with respect to these hedging instruments is recorded on an accrual basis as a component of the cumulative translation adjustment account in capital funds. AIG's largest currency net investments have had historically stable exchange rates with respect to the U.S. dollar.

Management of AIG's liquidity profile is designed to ensure that even under adverse conditions AIG is able to raise funds at the most economical cost to fund maturing liabilities and capital and liquidity requirements of its subsidiaries. Sources of funds considered in meeting these objectives include guaranteed investment agreements, issuance of long and short-term debt, maturities and sales of securities available for sale, securities sold under repurchase agreements, trade payables, securities and spot commodities sold, not yet purchased, issuance of equity, and cash provided from operations. AIG's strong capital position is integral to managing liquidity, as it enables AIG to raise funds in diverse markets worldwide. (See also the discussions under "Capital Resources" and "Liquidity" herein.)

Legal risk arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of AIG's clients and counterparties, including contractual provisions intended to reduce credit exposure by providing for the netting of mutual obligations. (See also the discussion on master netting

agreements above.) AIG seeks to eliminate or minimize such uncertainty through continuous consultation with internal and external legal advisors, both domestically and abroad, in order to understand the nature of legal risk, to improve documentation and to strengthen transaction structure.

Over the counter derivatives are not transacted in an exchange traded environment. The futures exchanges maintain considerable financial requirements and surveillance to ensure the integrity of exchange traded futures and options.

Over the counter derivatives dealers have drafted a code of conduct to provide standards for their industry. The alternative to self-regulation is federal regulation. AIG supports self-regulation and expects to adhere to promulgated standards.

RECENT DEVELOPMENTS

In 1989, the National Association of Insurance Commissioners (NAIC) adopted the "NAIC Solvency Policing Agenda for 1990". Included in this agenda was the development of Risk-Based Capital (RBC) requirements. RBC relates an individual insurance company's statutory surplus to the risk inherent in its overall operations. AIG believes that the development of RBC standards is a positive step for the insurance industry but further believes the standards in their present form may lead to an inefficient deployment of industry capital. As experience is gained with the application of RBC standards, it is likely that adjustments to the formula will be made.

Standards for the life RBC formula and a model act have been approved by regulators and were effective with the 1993 statutory financial statements. At December 31, 1994, the adjusted capital of each of AIG's four domestic life companies exceeded each of their RBC standards by considerable margins.

RBC standards for property and casualty insurers were finalized in principle in December 1993 and were effective with the 1994 statutory financial statements. At December 31, 1994, the adjusted capital of each of AIG's domestic general companies exceeded each of their RBC standards by considerable margins. Additionally, no AIG company is on any regulatory or similar "watch list".

In 1992, domestic life insurance companies were required for regulatory purposes to fully adopt two investment reserves, the Asset Valuation Reserve (AVR) and the Interest Maintenance Reserve (IMR). The AVR is formula based and applies to all invested assets which are subject to either credit or market risk. The IMR defers realized capital gains and losses on the sale of fixed maturities and mortgage loans. The realized gains and losses are subsequently amortized into investment income over the original term of the disposed assets. The impact of these reserves on the separately reported statutory income of certain domestic life companies was significant in 1994. However, there was no impact on AIG's 1994 GAAP consolidated life insurance operating income presented herein.

In July 1994, AIG acquired $200 million of 8 percent convertible preferred stock of Alexander & Alexander Services Inc. (A&A), an independent insurance brokerage operation. The preferred stock is convertible into common stock of A&A at $17 per share. Both the convertible preferred stock and the common stock are non-voting in the hands of AIG. AIG may elect in the future to exchange its non-voting common stock for up to 9.9 percent of A&A's voting common stock. The dividend will be paid in-kind for the first two years; and, at A&A's option, for an additional three years.

In December 1994, AIG acquired $200 million in a new issue of 9 percent cumulative convertible preferred stock of 20th Century Industries (20th Century), a low-cost provider of mass marketed auto insurance in California. Dividends on the preferred stock will be paid in cash or in kind for the first three years at 20th Century's option, and in cash thereafter. Additionally, AIG invested $16 million in warrants for 16 million common shares of 20th Century at a per share exercise price of $13.50. AIG expects to enter a strategic alliance with 20th Century to extend the direct marketing of personal automobile insurance to certain western states. Pursuant to its agreement with 20th Century, by March 31, 1995, AIG will invest an additional $20 million in the preferred stock of 20th Century.

In January 1995, the Kobe region of Japan suffered severe damage as a result of an earthquake. The impact of the insured losses on AIG's 1995 results of operations before taxes is currently estimated to be $50 million net of reinsurance.

ACCOUNTING STANDARDS

STANDARDS ADOPTED IN 1994:

In March 1992, the Financial Accounting Standards Board (FASB) issued Interpretation No. 39 "Offsetting of Amounts Related to Certain Contracts" (Interpretation), which is effective for fiscal years beginning after December 15, 1993. The Interpretation requires that unrealized gains and losses on swaps, forwards, options and similar contracts be recognized as assets and liabilities. Previously, AIG's policy was to record such unrealized gains and losses on a net basis in the consolidated balance sheet. The Interpretation allows the netting of such unrealized gains and losses with the same counterparty when they are included under a master netting arrangement with the counterparty and the contracts are reported at market or fair value.

Although there was no effect on AIG's operating income upon the adoption of the Interpretation, AIG adopted this Interpretation effective January 1, 1994, and now presents certain of its financial services assets and liabilities, primarily unrealized gain (loss) on interest rate and currency swaps, options and forward transactions, on a gross basis. Thus, both consolidated assets and liabilities have increased. The effect of presenting these assets and liabilities on a gross basis on AIG's consolidated balance sheet was not significant. The prior year's balance sheet was not reclassified.

In November 1992, FASB issued Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Post-employment Benefits" (FASB 112). FASB 112 established accounting standards for employers who provide benefits to former or inactive employees after employment but before

retirement. FASB 112 was adopted by AIG effective January 1, 1994, and had no significant effect on AIG's results of operations, financial condition or liquidity.

In May 1993, FASB issued Statement of Financial Accounting Standards No. 114 "Accounting by Creditors for Impairment of a Loan" (FASB 114). FASB 114 addresses the accounting by all creditors for impairment of certain loans. The impaired loans are to be measured at the present value of all expected future cash flows. The present value may be determined by discounting the expected future cash flows at the loan's effective rate or valued at the loan's observable market price or valued at the fair value of the collateral if the loan is collateral dependent. AIG adopted FASB 114 effective December 31, 1994.

In October 1994, FASB issued Statement of Financial Accounting Standards No. 118 "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures" (FASB 118). FASB 118 amends FASB 114 to allow a creditor to use existing methods to recognize interest income on an impaired loan. FASB 118 also amends certain disclosure requirements of FASB 114. This statement is effective at the same time as FASB 114. AIG adopted FASB 118 effective December 31, 1994. The adoption of these statements did not cause any significant impact on AIG's results of operations, financial condition or liquidity.

In October 1994, FASB issued Statement of Financial Accounting Standards No. 119 "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" (FASB 119). FASB 119 requires disclosure about derivative financial instruments and amends FASB Statement No. 105 "Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk" (FASB 105) and FASB Statement No. 107 "Disclosure about Fair Value of Financial Instruments".

FASB 119 requires disclosure about the amounts, nature and terms of derivatives that are not subject to FASB 105. Also, FASB 119 requires disclosure about financial instruments held or issued for trading purposes and purposes other than trading. This statement was adopted by AIG effective December 31, 1994.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
American International Group, Inc.

We have audited the consolidated financial statements of American International Group, Inc. and subsidiaries listed in the index on page 35 of this Form 10-K. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American International Group, Inc. and subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 1(w) of Notes to Financial Statements, the Company changed its method of accounting for investments in certain fixed maturity securities in 1993, and in 1992 for income taxes and postretirement benefits other than pensions.

COOPERS & LYBRAND L.L.P.

New York, New York
February 23, 1995.

American International Group, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET

(in thousands)

DECEMBER 31,	1994	1993
ASSETS:		
Investments and cash:		
Fixed maturities:		
Bonds held to maturity, at amortized cost (market value: 1994-$13,109,700; 1993-$13,278,300)	$ 13,041,807	$ 12,193,701
Bonds available for sale, at market value (amortized cost: 1994-$22,207,300; 1993-$16,599,600)	21,812,600	17,562,411
Bonds trading securities, at market value (cost: 1994-$172,000; 1993-$307,900)	163,956	310,834
Preferred stocks, at amortized cost (market value: 1994-$424,800; 1993-$18,000)	412,503	17,428
Equity securities:		
Common stocks (cost: 1994-$4,607,800; 1993-$3,720,000)	5,002,668	4,364,410
Non-redeemable preferred stocks (cost: 1994-$85,900; 1993-$108,200)	96,503	123,837
Mortgage loans on real estate, policy and collateral loans-net	5,353,074	3,576,516
Financial services assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation (1994-$959,100; 1993-$599,800)	10,723,527	8,555,356
Securities available for sale, at market value (cost: 1994-$3,794,100; 1993-$4,971,800)	3,796,792	4,991,105
Trading securities, at market value	2,483,637	2,516,166
Spot commodities, at market value	916,833	764,215
Net unrealized gain on interest rate and currency swaps, options and forward transactions	--	640,120
Unrealized gain on interest rate and currency swaps, options and forward transactions	4,650,743	--
Trade receivables	2,629,734	1,328,391
Securities purchased under agreements to resell, at contract value	1,209,403	2,737,507
Other invested assets	1,953,015	1,265,056
Short-term investments, at cost which approximates market value	2,467,453	5,072,893
Cash	76,237	157,481
Total investments and cash	76,790,485	66,177,427
Investment income due and accrued	927,951	808,268
Premiums and insurance balances receivable-net	8,802,207	8,364,096
Reinsurance assets	16,289,607	15,883,788
Deferred policy acquisition costs	5,132,245	4,249,409
Investments in partially-owned companies	645,167	571,680
Real estate and other fixed assets, net of accumulated depreciation (1994-$1,129,500; 1993-$950,000)	1,865,244	1,615,742
Separate and variable accounts	2,297,605	1,914,815
Other assets	1,595,606	1,429,623
TOTAL ASSETS	$114,346,117	$101,014,848

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET (CONTINUED)

(in thousands, except share amounts)

DECEMBER 31,	1994	1993
LIABILITIES:		
Reserve for losses and loss expenses	$ 31,435,355	$ 30,046,172
Reserve for unearned premiums	6,318,754	5,515,670
Future policy benefits for life and accident and health insurance contracts	17,432,222	14,638,382
Policyholders' contract deposits	6,487,426	4,439,839
Other policyholders' funds	1,951,358	1,739,290
Reserve for commissions, expenses and taxes	1,319,183	1,113,397
Insurance balances payable	1,462,545	1,458,383
Funds held by companies under reinsurance treaties	382,853	406,902
Income taxes payable:		
Current	420,569	358,219
Deferred	33,031	447,790
Financial services liabilities:		
Borrowings under obligations of guaranteed investment agreements	5,535,318	6,735,579
Securities sold under agreements to repurchase, at contract value	1,342,064	2,299,563
Trade payables	2,108,263	1,688,147
Securities sold but not yet purchased, principally obligations of the U.S. Government and Government agencies, at market value	192,898	696,454
Spot commodities sold but not yet purchased, at market value	369,089	285,757
Unrealized loss on interest rate and currency swaps, options and forward transactions	3,659,450	--
Deposits due to banks and other depositors	655,973	557,372
Commercial paper	1,960,545	1,618,979
Notes, bonds and loans payable	7,567,046	5,021,941

Commercial paper	1,829,014	1,529,906
Notes, bonds, loans and mortgages payable	627,554	782,660
Separate and variable accounts	2,297,605	1,914,815
Other liabilities	2,336,341	2,295,436
TOTAL LIABILITIES	97,724,456	85,590,653
COMMITMENTS AND CONTINGENT LIABILITIES		
PREFERRED SHAREHOLDERS' EQUITY IN SUBSIDIARY COMPANY	200,000	200,000
CAPITAL FUNDS:		
Common stock, $2.50 par value; 500,000,000 shares authorized; shares issued 1994-337,390,984; 1993-337,390,986	843,477	843,477
Additional paid-in capital	565,410	572,142
Unrealized appreciation of investments, net of taxes	184,556	922,646
Cumulative translation adjustments, net of taxes	(288,074)	(348,186)
Retained earnings	15,340,928	13,301,529
Treasury stock; 1994-21,550,358; 1993-19,762,919 shares of common stock (including 18,538,925 and 18,747,224 shares, respectively held by subsidiaries)	(224,636)	(67,413)
TOTAL CAPITAL FUNDS	16,421,661	15,224,195
TOTAL LIABILITIES AND CAPITAL FUNDS	$114,346,117	$101,014,848

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share amounts)

YEARS ENDED DECEMBER 31,	1994	1993	1992
GENERAL INSURANCE OPERATIONS:			
Net premiums written	$10,865,753	$10,025,903	$ 9,138,528
Change in unearned premium reserve	(578,922)	(459,263)	70,862
Net premiums earned	10,286,831	9,566,640	9,209,390
Net investment income	1,435,092	1,340,480	1,252,086
Realized capital gains	52,487	65,264	67,134
	11,774,410	10,972,384	10,528,610
Losses incurred	6,645,223	6,310,099	6,172,111
Loss expenses incurred	1,360,378	1,265,917	1,331,393
Underwriting expenses (principally policy acquisition costs)	2,133,713	1,980,233	1,900,970
	10,139,314	9,556,249	9,404,474
OPERATING INCOME	1,635,096	1,416,135	1,124,136
LIFE INSURANCE OPERATIONS:			
Premium income	6,724,321	5,746,046	4,853,087
Net investment income	1,748,428	1,499,714	1,313,838
Realized capital gains	86,706	54,576	43,257
	8,559,455	7,300,336	6,210,182
Death and other benefits	2,716,093	2,374,112	1,849,238
Increase in future policy benefits	3,066,468	2,517,245	2,274,638
Acquisition and insurance expenses	1,824,410	1,627,368	1,418,853
	7,606,971	6,518,725	5,542,729
OPERATING INCOME	952,484	781,611	667,453
Agency and service fee operating income	54,129	60,247	52,570
Financial services operating income	404,853	390,038	346,442
Equity in income of minority-owned insurance operations	56,005	39,589	27,929
Other realized capital losses	(52,340)	(12,742)	(11,293)
Minority interest	(29,657)	(26,938)	(11,201)
Other income (deductions)-net	(68,591)	(46,859)	(58,988)
Income before income taxes and cumulative effect of accounting changes	2,951,979	2,601,081	2,137,048
Income taxes (benefits):			
Current	836,764	772,032	556,332
Deferred	(60,300)	(89,029)	(44,299)
	776,464	683,003	512,033
Income before cumulative effect of accounting changes	2,175,515	1,918,078	1,625,015
Cumulative effect of accounting changes, net of tax			
AIG	--	--	31,941
Minority-owned insurance operations	--	20,695	--
Net income	$ 2,175,515	$ 1,938,773	$ 1,656,956

Earnings per common share:			
Income before cumulative effect of accounting changes	$6.87	$6.04	$ 5.10
Cumulative effect of accounting changes, net of tax			
AIG	--	--	.10
Minority-owned insurance operations	--	.07	--
Net income	$6.87	$6.11	$ 5.20
Average shares outstanding	316,586	317,461	317,637

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CAPITAL FUNDS

(in thousands, except per share amounts)

YEARS ENDED DECEMBER 31,	1994	1993	1992
PREFERRED STOCK:			
Series M-1 and M-2, exchangeable money market cumulative serial:			
Balance at beginning of year	$ --	$ 8	$ 8
Redemption of preferred stock	--	(8)	--
Balance at end of year	--	--	8
COMMON STOCK:			
Balance at beginning of year	843,477	562,324	562,324
Stock split effected as dividend	--	281,153	--
Balance at end of year	843,477	843,477	562,324
ADDITIONAL PAID-IN CAPITAL:			
Balance at beginning of year	572,142	1,014,947	1,029,733
Excess (deficit) of proceeds over (under) par value of common stock or cost of treasury common stock issued under stock option and stock purchase plans	(6,732)	(10,131)	(13,353)
Stock split effected as dividend	--	(281,153)	--
Redemption of preferred stock	--	(149,992)	--
Other	--	(1,529)	(1,433)
Balance at end of year	565,410	572,142	1,014,947
UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS, NET OF TAXES:			
Balance at beginning of year	922,646	129,816	114,826
Changes during year	(1,084,566)	719,824	26,812
Deferred income tax (expense) benefit on changes	346,476	(177,971)	(11,822)
Cumulative effect of accounting change, net of taxes of $156,521	--	250,977	--
Balance at end of year	184,556	922,646	129,816
CUMULATIVE TRANSLATION ADJUSTMENTS, NET OF TAXES:			
Balance at beginning of year	(348,186)	(333,882)	(167,567)
Changes during year	37,089	8,742	(212,541)
Applicable income tax (expense) benefit on changes	23,023	(23,046)	46,226
Balance at end of year	(288,074)	(348,186)	(333,882)
RETAINED EARNINGS:			
Balance at beginning of year	13,301,529	11,486,615	9,946,335
Net income	2,175,515	1,938,773	1,656,956
Cash dividends to shareholders:			
Preferred	--	(1,043)	(4,471)
Common ($.43, $.39 and $.35 per share, respectively)	(136,116)	(122,816)	(112,205)
Balance at end of year	15,340,928	13,301,529	11,486,615
TREASURY STOCK, AT COST:			
Balance at beginning of year	(67,413)	(77,676)	(22,205)
Cost of shares acquired during year	(178,676)	(13,148)	(82,096)
Issued under stock option and stock purchase plans	21,453	23,411	26,625
Balance at end of year	(224,636)	(67,413)	(77,676)
Total capital funds at end of year	$16,421,661	$15,224,195	$12,782,152

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
SUMMARY:			
Net cash provided by operating activities	$ 5,388,795	$ 6,467,451	$ 2,983,661
Net cash used in investing activities	(9,139,291)	(7,998,990)	(5,944,009)
Net cash provided by financing activities	3,669,252	1,552,392	2,948,448
Change in cash	(81,244)	20,853	(11,900)
Cash at beginning of year	157,481	136,628	148,528
Cash at end of year	$ 76,237	$ 157,481	$ 136,628
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 2,175,515	$ 1,938,773	$ 1,656,956
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash revenues, expenses, gains and losses included in income:			
Change in:			
General and life insurance reserves	5,426,572	4,770,443	3,755,753
Premiums and insurance balances receivable and payable-net	(433,949)	204,046	(119,083)
Reinsurance assets	(405,819)	(1,541,186)	(980,757)
Deferred policy acquisition costs	(882,836)	(591,591)	(415,142)
Investment income due and accrued	(119,683)	(25,877)	(72,442)
Funds held under reinsurance treaties	(24,049)	75,387	14,332
Other policyholders' funds	212,068	212,813	(163,971)
Current and deferred income taxes-net	2,050	141,143	(46,695)
Reserve for commissions, expenses and taxes	205,786	188,592	82,052
Other assets and liabilities-net	(123,796)	15,711	366,672
Trade receivables and payables-net	(881,227)	1,483,536	(1,537,589)
Trading securities, at market value	32,529	(568,946)	(322,323)
Spot commodities, at market value	(152,618)	(132,498)	313,274
Net unrealized gain on interest rate and currency swaps, options and forward transactions	(351,173)	782,580	(880,117)
Securities purchased under agreements to resell	1,528,104	1,579,805	(1,132,296)
Securities sold under agreements to repurchase	(957,499)	(1,332,642)	1,881,101
Securities sold but not yet purchased	(503,556)	279,063	(594,152)
Spot commodities sold but not yet purchased, at market value	83,332	(1,250,918)	1,290,089
Realized capital gains	(86,853)	(107,098)	(99,098)
Equity in income of partially-owned companies and other invested assets	(108,378)	(61,934)	(19,041)
Depreciation expenses, principally flight equipment	581,930	472,247	391,865
Cumulative effect of accounting changes	--	(20,695)	(31,941)
Change in cumulative translation adjustments	37,089	8,742	(212,541)
Other-net	135,256	(52,045)	(141,245)
Total adjustments	3,213,280	4,528,678	1,326,705
Net cash provided by operating activities	$ 5,388,795	$ 6,467,451	$ 2,983,661

See Accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cost of fixed maturities, at amortized cost sold	$ --	$ 1,319,187	$ 1,189,167
Cost of fixed maturities, at amortized cost matured or redeemed	580,098	2,202,289	1,544,986
Cost of bonds, at market sold	7,945,587	5,251,475	5,301,328
Cost of bonds, at market matured or redeemed	1,451,753	556,881	769,043
Cost of equity securities sold	2,675,545	1,885,439	1,699,855
Realized capital gains	86,853	107,098	99,098
Purchases of fixed maturities	(16,168,618)	(11,965,103)	(11,656,635)
Purchases of equity securities	(3,518,311)	(2,868,385)	(2,043,295)
Mortgage, policy and collateral loans granted	(2,691,600)	(1,234,780)	(869,290)
Repayments of mortgage, policy and collateral loans	780,406	691,284	789,158
Sales or maturities of securities held for investment	--	1,902,814	2,385,465
Sales of securities available for sale	4,421,682	--	--
Maturities of securities available for sale	464,301	--	--
Purchases of securities held for investment	--	(2,714,813)	(2,751,823)
Purchases of securities available for sale	(3,695,670)	--	--
Sales of flight equipment	266,262	301,353	210,927
Purchases of flight equipment	(2,726,791)	(2,410,816)	(1,746,762)
Net additions to real estate and other fixed assets	(469,759)	(389,390)	(249,705)
Sales or distributions of other invested assets	370,047	325,077	255,497
Investments in other invested assets	(913,346)	(436,660)	(232,317)
Change in short-term investments	2,081,866	(424,014)	(547,229)
Investments in partially-owned companies	(79,596)	(97,926)	(91,477)

NET CASH USED IN INVESTING ACTIVITIES	$ (9,139,291)	$ (7,998,990)	$ (5,944,009)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in policyholders' contract deposits	$ 2,047,587	$ (46,863)	$ 709,298
Change in deposits due to banks and other depositors	98,601	(444,238)	789,579
Change in commercial paper	640,674	523,576	856,092
Proceeds from notes, bonds, loans and mortgages payable	4,810,073	2,479,559	2,388,701
Repayments on notes, bonds, loans and mortgages payable	(2,427,351)	(822,147)	(1,639,780)
Liquidation of zero coupon notes payable	--	--	(4,647)
Proceeds from guaranteed investment agreements	3,650,957	4,244,133	3,024,305
Maturities of guaranteed investment agreements	(4,851,218)	(4,206,373)	(3,088,167)
Proceeds from subsidiary company preferred stock issued	--	98,472	98,567
Proceeds from common stock issued	14,721	13,280	13,272
Cash dividends to shareholders	(136,116)	(123,859)	(116,676)
Acquisition of treasury stock	(178,676)	(13,148)	(82,096)
Redemption of preferred stock	--	(150,000)	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 3,669,252	$ 1,552,392	$ 2,948,448
TAXES PAID	$ 741,900	$ 466,600	$ 328,900
INTEREST PAID	$ 1,055,500	$ 1,017,100	$ 1,052,000

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION:The consolidated financial statements include the accounts of American International Group, Inc. and all significant subsidiaries (AIG). All material intercompany accounts and transactions have been eliminated.

(b) BASIS OF PRESENTATION: The accompanying financial statements have been prepared on the basis of generally accepted accounting principles. Certain accounts have been reclassified in the 1993 and 1992 financial statements to conform to their 1994 presentation.

General Insurance Operations:Premiums are earned primarily on a pro rata basis over the term of the related coverage. The reserve for unearned premiums represents the portion of net premiums written relating to the unexpired terms of coverage.

Acquisition costs are deferred and amortized over the period in which the related premiums are earned. Investment income is not anticipated in the deferral of acquisition costs (see Note 4).

Losses and loss expenses are charged to income as incurred. The reserve for losses and loss expenses represents the accumulation of estimates for reported losses and includes provisions for losses incurred but not reported. AIG does not discount its loss reserves, other than for very minor amounts related to certain workers' compensation claims. The methods of determining such estimates and establishing resulting reserves, including amounts relating to reserves for estimated unrecoverable reinsurance, are continually reviewed and updated. Adjustments resulting therefrom are reflected in income currently.

LIFE INSURANCE OPERATIONS: Premiums for traditional life insurance products are generally recognized as revenues over the premium paying period of the related policies. Benefits and expenses are provided against such revenues to recognize profits over the estimated life of the policies. Revenues for universal life and investment-type products consist of policy charges for the cost of insurance, administration, and surrenders during the period. Expenses include interest credited to policy account balances and benefit payments made in excess of policy account balances. Investment income reflects certain minor amounts of realized capital gains where the gains are deemed to be an inherent element in pricing certain life products in some foreign countries.

Policy acquisition costs for traditional life insurance products are generally deferred and amortized over the premium paying period of the policy. Deferred policy acquisition costs and policy initiation costs related to universal life and investment-type products are amortized in relation to expected gross profits over the life of the policies (see Note 4).

The liabilities for future policy benefits and policyholders' contract deposits are established using assumptions described in Note 6.

FINANCIAL SERVICES OPERATIONS: AIG conducts, primarily as principal, an interest rate, currency, and equity derivative products business which includes long-dated transactions. AIG also enters into guaranteed investment agreement transactions. In the course of conducting this business, AIG also engages in a variety of other related financial transactions, including offsetting transactions.

AIG, as principal, engages in certain foreign exchange, interest rates, precious and base metals, petroleum and natural gas trading activities. AIG owns inventories in the commodities in which it trades and may reduce the exposure to market risk through the use of forwards, futures and option contracts.

AIG, as lessor, leases flight equipment principally under operating leases. Accordingly, income is reported over the life of the lease as rentals become receivable under the provisions of the lease or, in the case of leases with varying payments, under the straight-line method over the noncancelable term of the lease. In certain cases, leases provide for additional amounts contingent on usage. AIG also is a marketer of flight equipment and marketing revenues from such operations consisting of net gains on sales of flight equipment, commissions and net gains on dispositions of leased flight equipment.

(c) INVESTMENTS IN FIXED MATURITIES AND EQUITY SECURITIES: Bonds and preferred stocks held to maturity, both of which are principally owned by the insurance subsidiaries, are carried at amortized cost where AIG has the ability and positive intent to hold these securities until maturity. Where AIG may not have the positive intent to hold these securities until maturity, those bonds are considered to be available for sale and carried at market value. Included in the bonds available for sale are collateralized mortgage obligations (CMOs). Premiums and discounts arising from the purchase of CMOs are treated as yield adjustments over the estimated life. Bond trading securities are carried at market value, as it is AIG's intention to sell these securities in the near term. Common and non-redeemable preferred stocks are carried at market value.

Unrealized gains and losses from investments in equity securities and fixed maturities available for sale are reflected in capital funds, net of any related deferred income taxes. Unrealized gains and losses from investments in trading securities are reflected in income currently.

Realized capital gains and losses are determined principally by specific identification. Where declines in values of securities below cost or amortized cost are considered to be other than temporary, a charge would be reflected in income for the difference between amortized cost and estimated net realizable value.

(d) MORTGAGE LOANS ON REAL ESTATE, POLICY AND COLLATERAL LOANS--NET: Mortgage loans on real estate, policy loans and collateral loans are carried at unpaid principal balances. Impairment of mortgage loans on real estate and collateral loans is generally measured based on the present value of expected future cash flows discounted at the loan's effective interest rate subject to the fair value of underlying collateral. Interest income on such loans is recognized as cash is received.

(e) FLIGHT EQUIPMENT: Flight equipment is stated at cost. Major additions and modifications are capitalized. Normal maintenance and repairs, airframe and engine overhauls and compliance

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

with return conditions of flight equipment on lease are provided by and paid for by the lessee. Under the provisions of most leases for certain airframe and engine overhauls, the lessee is reimbursed for costs incurred up to but not exceeding contingent rentals paid to AIG by the lessee. AIG provides a charge to income for such reimbursements based upon the hours utilized during the period and the expected reimbursement during the life of the lease. Depreciation and amortization are computed on the straight-line basis to a residual value of approximately 15 percent over the estimated useful lives of the related assets but not exceeding 25 years. This caption also includes deposits for aircraft to be purchased.

At the time the assets are retired or disposed of, the cost and associated accumulated depreciation and amortization are removed from the related accounts and the difference, net of proceeds, is recorded as a gain or loss.

(f) SECURITIES AVAILABLE FOR SALE, AT MARKET VALUE: These securities are held to meet long term investment objectives and are accounted for as available for sale, carried at market value and are recorded on a trade date basis. Unrealized gains and losses are reflected in capital funds, net of any related deferred income taxes.

(g) TRADING SECURITIES, AT MARKET VALUE: Trading securities are held to meet short term investment objectives, including hedging securities. These securities are recorded on a trade date basis and marked to market daily. The unrealized gains and losses are reflected in income daily.

(h) SPOT COMMODITIES, AT MARKET VALUE: Spot commodities, which include commodities and options, are valued at market and are recorded on a trade date basis. The unrealized gains and losses are reflected in income currently. The exposure to market risk may be reduced through the use of forwards, futures and option contracts. These contracts are valued at market and are recorded as contractual commitments on a trade date basis. The unrealized gains and losses on open contracts are reflected in income currently.

(i) UNREALIZED GAIN AND UNREALIZED LOSS ON INTEREST RATE AND CURRENCY SWAPS, OPTIONS AND FORWARD TRANSACTIONS: Swaps, options and forward transactions are accounted for as contractual commitments recorded on a trade date basis and are carried at market or estimated fair value when market values are not available. Estimated fair values are based on the use of valuation models that utilize, among other things, current interest, foreign exchange and volatility rates with the resulting unrealized gains or losses reflected in income currently. These valuations represent an assessment of the present values of expected future cash flows of these transactions and may include reserves for market risk as deemed appropriate. The portfolio's discounted cash flows are evaluated with reference to current market conditions, maturities within the portfolio and other relevant factors. Based upon this evaluation, it is determined what, if any, offsetting transactions are necessary to reduce the market risk of the portfolio. The recorded values of these transactions may be different than the values that might be realized if AIG were to sell or close out the transactions prior to maturity. AIG manages its market risk with a variety of transactions, including swaps, trading securities, futures and forward contracts and other transactions as appropriate.

(j) TRADE RECEIVABLES AND TRADE PAYABLES: Trade receivables and trade payables include balances due from and due to clearing brokers and exchanges and receivables from and payables to counterparties which relate to unrealized gains and losses on open futures and forward contracts, securities, commodities and swaps.

(k) SECURITIES PURCHASED (SOLD) UNDER AGREEMENTS TO RESELL (REPURCHASE), AT CONTRACT VALUE: Purchases of securities under agreements to resell and sales of securities under agreements to repurchase are accounted for as collateralized transactions and are recorded at their contracted resale or repurchase amounts, plus accrued interest. Generally, it is AIG's policy to take possession of securities purchased under agreements to resell.

AIG minimizes the credit risk that counterparties to transactions might be unable to fulfill their contractual obligations by monitoring customer credit exposure and collateral value and generally requiring additional collateral to be deposited with AIG when deemed necessary.

(l) OTHER INVESTED ASSETS: Other invested assets consist primarily of investments in joint ventures and partnerships and other investments not classified elsewhere herein. The joint ventures and partnerships are carried at equity or cost depending on the nature of the invested asset and the ownership percentage thereof. Other investments are carried at cost or market depending upon the nature of the underlying assets. Unrealized gains and losses from the revaluation of those investments carried at market are reflected in capital funds, net of any related taxes.

(m) REINSURANCE ASSETS: Reinsurance assets include the balances due from both reinsurance and insurance companies under the terms of AIG's reinsurance arrangements for paid and unpaid losses and loss expenses, ceded unearned premiums and ceded future policy benefits for life and accident and health insurance contracts and benefits paid and unpaid. It also includes funds held under reinsurance treaties.

(n) INVESTMENTS IN PARTIALLY-OWNED COMPANIES: The equity method of accounting is used for AIG's investment in companies in which AIG's ownership interest approximates twenty but is not greater than fifty percent (minority-owned companies). Equity in income of minority-owned insurance operations is presented separately in the consolidated statement of income. Equity in realized capital gains of such companies is included in other realized capital gains (losses). Equity in net income of other unconsolidated companies is principally included in other income (deductions)-net. At December 31, 1994, AIG's significant investments in partially-owned companies included its 46.4 percent interest in Transatlantic Holdings, Inc. (Transatlantic), which derives a substantial portion of its assumed reinsurance from AIG subsidiaries; its 19.9 percent

interest in Richmond Insurance Company; its 23.9 percent interest in SELIC Holdings, Ltd; and its 24.4 percent interest in IPC Holdings, Ltd. This balance sheet caption also includes investments in less significant partially-owned companies and in certain minor majority-owned subsidiaries. At December 31, 1994, the market value of AIG's investment in Transatlantic exceeded its carrying value by approximately $239.3 million.

(o) REAL ESTATE AND OTHER FIXED ASSETS: The costs of buildings and furniture and equipment are depreciated principally on a straight-line basis over their estimated useful lives (maximum of 40 years for buildings and 10 years for furniture and equipment). Expenditures for maintenance and repairs are charged to income as incurred; expenditures for betterments are capitalized and depreciated.

(p) SEPARATE AND VARIABLE ACCOUNTS: Separate and variable accounts represent funds for which investment income and investment gains and losses accrue directly to the policyholders. Each account has specific investment objectives, and the assets are carried at market value. The assets of each account are legally segregated and are not subject to claims which arise out of any other business of AIG.

(q) SECURITIES SOLD BUT NOT YET PURCHASED, PRINCIPALLY OBLIGATIONS OF THE U.S. GOVERNMENT AND GOVERNMENT AGENCIES, AT MARKET VALUE: Securities sold but not yet purchased represent sales of securities not owned at the time of sale. These obligations are recorded on a trade date basis and are carried at current market values. The unrealized gains and losses are reflected in income currently.

(r) SPOT COMMODITIES SOLD BUT NOT YET PURCHASED, AT MARKET VALUE: Spot commodities sold but not yet purchased represent sales of commodities not owned at the time of sale. These obligations are recorded on a trade date basis and are carried at market values based upon current commodity prices. The unrealized gains and losses are reflected in income currently.

(s) PREFERRED SHAREHOLDERS' EQUITY IN SUBSIDIARY COMPANY: Preferred shareholders' equity in subsidiary company relates to outstanding market auction preferred stock of International Lease Finance Corporation (ILFC), a wholly owned subsidiary of AIG.

(t) TRANSLATION OF FOREIGN CURRENCIES: Financial statement accounts expressed in foreign currencies are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52 "Foreign Currency Translation" (FASB 52). Under FASB 52, functional currency assets and liabilities are translated into U.S. dollars generally using current rates of exchange and the related translation adjustments are recorded as a separate component of capital funds net of any related taxes. Functional currencies are generally the currencies of the local operating environment. Income statement accounts expressed in functional currencies are translated using average exchange rates. The adjustments resulting from translation of financial statements of foreign entities operating in highly inflationary economies are recorded in income. Exchange gains and losses resulting from foreign currency transactions are also recorded in income currently. The exchange gain or loss with respect to utilization of foreign exchange hedging instruments is recorded as a component of capital funds.

(u) INCOME TAXES: Deferred federal and foreign income taxes are provided for temporary differences for the expected future tax consequences of events that have been recognized in AIG's financial statements or tax returns.

(v) EARNINGS PER SHARE: Earnings per common share are based on the weighted average number of common shares outstanding, retroactively adjusted to reflect all stock dividends and stock splits. The effect of all other common stock equivalents is not significant for any period presented.

(w) ACCOUNTING STANDARDS:

(i) STANDARDS ADOPTED IN 1994: In March 1992, the Financial Accounting Standards Board (FASB) issued Interpretation No. 39 "Offsetting of Amounts Related to Certain Contracts" (Interpretation), which is effective for fiscal years beginning after December 15, 1993. The Interpretation requires that unrealized gains and losses on swaps, forwards, options and similar contracts be recognized as assets and liabilities. Previously, AIG's policy was to record such unrealized gains and losses on a net basis in the consolidated balance sheet. The Interpretation allows the netting of such unrealized gains and losses with the same counterparty when they are included under a master netting arrangement with the counterparty and the contracts are reported at market value.

Although there was no effect on AIG's operating income upon the adoption of the Interpretation, AIG now presents certain of its financial services assets and liabilities, primarily unrealized gain or loss on interest rate and currency swaps, options and forward transactions, on a gross basis. Thus, both consolidated assets and liabilities have increased. The effect of presenting these assets and liabilities on a gross basis on AIG's consolidated balance sheet was not significant. Prior years' balance sheets are not required to be restated. AIG adopted this interpretation effective January 1, 1994.

In November 1992, FASB issued Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" (FASB 112). FASB 112 establishes accounting standards for employers who provide benefits to former or inactive employees after employment but before retirement. FASB 112 was adopted by AIG effective January 1, 1994 and had no significant impact on AIG's results of operations, financial condition or liquidity.

In May 1993, FASB issued Statement of Financial Accounting Standards No. 114 "Accounting by Creditors for Impairment of a Loan" (FASB 114). FASB 114 addresses the accounting by all creditors for impairment of certain loans. The impaired loans are to be measured at the present value of all expected future cash flows. The present value may be determined by discounting the expected future cash flows at the loan's effective rate or valued at the loan's observable market price or valued at the fair value of the collateral if the loan is collateral dependent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In October 1994, FASB issued Statement of Financial Accounting Standards No. 118 "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures" (FASB 118). FASB 118 amends FASB 114 to allow a creditor to use existing methods to recognize interest income on an impaired loan. FASB 118 also amends certain disclosure requirements of FASB 114. AIG has adopted FASB 114 and FASB 118 effective December 31, 1994. The adoption of these statements did not have any significant impact on AIG's results of operations, financial condition or liquidity.

In October 1994, FASB issued Statement of Financial Accounting Standards No. 119 "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" (FASB 119). FASB 119 requires disclosure about derivative financial instruments and amends FASB 105 "Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk" (FASB 105) and FASB 107 "Disclosure about Fair Value of Financial Instruments".

FASB 119 requires disclosure about the amounts, nature and terms of derivatives that are not subject to FASB 105. Also, FASB 119 requires disclosure about financial instruments held or issued for trading purposes and purposes other than trading. This statement was adopted by AIG effective December 31, 1994.

In December 1994, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 94-5 "Disclosure of Certain Matters in the Financial Statements of Insurance Enterprises" (SOP 94-5). Pursuant to SOP 94-5, AIG has disclosed certain information with respect to unpaid claims and claim adjustment expenses; accounting methods used by AIG's insurance subsidiaries that are permitted by various domestic and foreign insurance regulatory authorities rather than prescribed by such authorities; and AIG's policies and methodologies for estimating the liability for unpaid claim adjustment expense for difficult-to-estimate liabilities.

(ii) STANDARDS ADOPTED PRIOR TO 1994: In 1990, FASB issued Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FASB 106). FASB 106 establishes accounting for postretirement benefits, principally postretirement health care and life insurance benefits. It requires accrual accounting for postretirement benefits during the years that an employee renders services. FASB 106 has been adopted effective January 1, 1992. The consolidated transition liability was approximately $83.1 million, including minor amounts for certain foreign plans. The transition liability was recognized immediately at adoption as a change in accounting principle. The cumulative effect of the adoption of FASB 106 was a charge of $54.8 million, net of a tax benefit of $28.3 million.

In 1992, FASB issued Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (FASB 109). FASB 109's objectives are to recognize (a) the amount of taxes payable or refundable for the current year and (b) deferred tax liabilities and assets for expected future tax consequences of events that have been recognized in the financial statements or tax returns. The measurement of a deferred tax asset is subject to the expectation of future realization. AIG adopted FASB 109, effective January 1, 1992. The cumulative effect of adopting FASB 109 was a benefit of $86.7 million.

At January 1, 1993, AIG adopted Statement of Accounting Standards No. 113 "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" (FASB 113). This statement specifies the accounting for the reinsuring (ceding) of insurance contracts and, effective in the first quarter of 1993, eliminates the reporting of assets and liabilities net of the effects of reinsurance. As required by FASB 113, the reserve for losses and loss expenses, reserve for unearned premiums and future policy benefits for life and accident and health insurance contracts have been presented gross of ceded reinsurance. A reinsurance asset was established to include the aforementioned ceded reinsurance balances. FASB 113 also establishes the conditions required for a contract with a reinsurer to be accounted for as reinsurance ceded and prescribes accounting and reporting standards for the contract. There has been no material effect on AIG's general or life insurance operating income as a result of the adoption of FASB 113.

In May 1993, FASB issued Statement of Accounting Standards No. 115 "Accounting for Certain Investments on Debt and Equity Securities" (FASB 115) and AIG adopted this standard at December 31, 1993. The pretax increase in carrying value of bonds available for sale as a result of marking to market was $919.3 million. The portion which inured to the benefit of policyholders was $511.8 million, which has been recorded as a component of future policy benefits for life and accident and health insurance contracts. Thus, the unrealized appreciation of investments increased $251.0 million, net of taxes of $156.5 million.

FASB 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and accounted for as follows:

* Where an enterprise has the positive intent and ability to hold debt securities to maturity, those securities are deemed to be held to maturity securities and reported at amortized cost.

* Where an enterprise purchases debt and equity securities principally for the purpose of selling them in the near term, those securities are deemed to be trading securities and are reported at fair value, with the unrealized gains and losses included in operating income.

* Where debt and equity securities are not reported either as held to maturity securities or trading securities, those securities are deemed to be available for sale securities and reported at fair value, with unrealized gains and losses excluded from operating income and reported in a separate component of shareholders' equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This statement has significantly changed and narrowed the meaning of the held to maturity category from previous generally accepted accounting principles.

During 1993, the Emerging Issues Task Force (EITF) of the FASB adopted an accounting rule "Accounting for Multiple-Year Retrospectively Rated Contract by Ceding and Assuming Enterprises" (EITF Issue No. 93-6). This rule encompasses any multiyear retrospectively rated contract requiring that insurers recognize as assets the reinsurer's obligations, and that ceding insurers accrue liabilities for the contract obligations. AIG has analyzed the aspects of this accounting rule and determined that its implementation had no significant impact on AIG's results of operations or financial condition.

2. FOREIGN OPERATIONS

Certain subsidiaries operate solely outside of the United States. Their assets and liabilities are located principally in the countries where the insurance risks are written and/or investment and non-insurance related operations are located. In addition, certain of AIG's domestic subsidiaries have branch and/or subsidiary operations and substantial assets and liabilities in foreign countries. Certain countries have restrictions on the conversions of funds which generally cause a delay in the outward remittance of such funds. Approximately 37 percent and 36 percent of consolidated assets at December 31, 1994 and 1993, respectively, and 52 percent, 50 percent and 47 percent of revenues for the years ended December 31, 1994, 1993 and 1992, respectively, were located in or derived from foreign countries (other than Canada). (See Note 19.)

3. FEDERAL INCOME TAXES

(a) AIG and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Revenue Agent's Reports assessing additional taxes for the years 1985 through 1988 have been issued and Letters of Protest contesting the assessments have been filed with the Internal Revenue Service. It is management's belief that there are substantial arguments in support of the positions taken by AIG in its Letters of Protest. Management also believes that the final result of these examinations will be immaterial to the financial statements.

Foreign income not expected to be taxed in the United States has arisen because AIG's foreign subsidiaries were generally not subject to U.S. income taxes on income earned prior to January 1, 1987. Such income would become subject to U.S. income taxes at current tax rates if remitted to the United States or if other events occur which would make these amounts currently taxable. The cumulative amount of undistributed earnings of AIG's foreign subsidiaries currently not subject to U.S. income taxes was approximately $2.6 billion at December 31, 1994. Management presently has no intention of subjecting these accumulated earnings to material U.S. income taxes and no provision has been made in the accompanying financial statements for such taxes.

Income taxes paid in 1994, 1993 and 1992 amounted to $741,900,000, $466,600,000 and $328,900,000, respectively.

The Omnibus Budget Reconciliation Act of 1993 (the 1993 Act) increased the highest tax rate on corporations to 35 percent for 1993 and subsequent years. The 1993 Act requires securities dealers to recognize for tax purposes the mark-to-market gain or loss on certain securities. The adjustment from this change in accounting method must be phased into taxable income over five years beginning in 1993. The 1993 Act also disallows several items as expenses beginning in 1994. None of these items will have a significant effect on AIG's net income or financial condition. However, it is expected that income taxes paid will increase as a result of such changes.

The Uruguay Round of the General Agreement on Tariffs and Trade Agreements Act (GATT) contains several revenue raising provisions. One of GATT's funding measures requires AIG to include Subpart F income from foreign subsidiaries in estimated tax payments. It is anticipated that the timing of income taxes paid will accelerate as a result of this change.

During 1994, the Internal Revenue Service issued Treasury Regulations that affect the tax accounting method for companies which enter into hedging transactions. The expected effect of these Regulations is to accelerate the timing of AIG's income tax payments. None of these 1994 changes will have a material effect on AIG's net income.

3. FEDERAL INCOME TAXES (continued)

(b) The U.S. Federal income tax rate is 35 percent for 1994 and 1993 and 34 percent for 1992. Actual tax expense on income differs from the "expected" amount computed by applying the Federal income tax rate because of the following:

(dollars in thousands)

YEARS ENDED DECEMBER 31,	1994		1993		1992	
	AMOUNT	PERCENT OF PRE-TAX INCOME	AMOUNT	PERCENT OF PRE-TAX INCOME	AMOUNT	PERCENT OF PRE-TAX INCOME
"Expected" tax expense	$1,033,193	35.0%	$ 910,378	35.0%	$ 726,596	34.0%
Adjustments:						
Tax exempt interest	(260,146)	(8.8)	(248,887)	(9.6)	(228,883)	(10.7)
Dividends received deduction	(12,326)	(0.4)	(9,357)	(0.4)	(8,726)	(0.4)
State income taxes	36,025	1.2	48,424	1.9	22,307	1.0
Foreign income not expected to be taxed in the U.S., less foreign income taxes	4,708	0.2	10,481	0.4	18,780	0.9
Other	(24,990)	(0.9)	(28,036)	(1.0)	(18,041)	(0.8)
Actual tax expense	$ 776,464	26.3%	$ 683,003	26.3%	$ 512,033	24.0%
FOREIGN AND DOMESTIC COMPONENTS OF ACTUAL TAX EXPENSE:						
FOREIGN:						
Current	$ 244,405		$ 219,799		$ 159,113	
Deferred	38,625		17,736		21,998	
DOMESTIC*:						
Current	592,359		552,233		397,219	
Deferred	(98,925)		(106,765)		(66,297)	
Total	$ 776,464		$ 683,003		$ 512,033	

* Including U.S. tax on foreign income.

(c) The components of the net deferred tax liability as of December 31, 1994 and December 31, 1993 were as follows:

(in thousands)

	1994	1993
DEFERRED TAX ASSETS:		
Loss reserve discount	$1,276,085	$1,266,010
Unearned premium reserve reduction	241,695	212,588
Accruals not currently deductible	309,088	294,630
Adjustment to life policy reserves	370,835	272,236
Cumulative translation adjustment	15,608	1,847
Other	26,227	70,173
	2,239,538	2,117,484
DEFERRED TAX LIABILITIES:		
Deferred policy acquisition costs	1,082,040	937,046
Financial service products mark to market differential	226,598	346,262
Depreciation of flight equipment	522,282	350,779
Acquisition net asset basis adjustments	238,019	275,765
Unrealized appreciation of investments	57,547	404,264
Other	146,083	251,158
	2,272,569	2,565,274
Net deferred tax liability	$ 33,031	$ 447,790

4. DEFERRED POLICY ACQUISITION COSTS

The following reflects the policy acquisition costs deferred for amortization against future income and the related amortization charged to income for general and life insurance operations, excluding certain amounts deferred and amortized in the same period:

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
GENERAL INSURANCE OPERATIONS:			
Balance at beginning of year	$1,009,545	$ 880,257	$ 872,012
Acquisition costs deferred			
Commissions	602,014	475,511	418,527
Other	523,246	492,944	428,694
	1,125,260	968,455	847,221
Amortization charged to income			
Commissions	469,181	416,134	453,328
Other	486,130	423,033	385,648
	955,311	839,167	838,976
Balance at end of year	$1,179,494	$1,009,545	$ 880,257
LIFE INSURANCE OPERATIONS:			
Balance at beginning of year	$3,239,864	$2,777,561	$2,370,664
Acquisition costs deferred			

Commissions	741,532	604,906	551,121
Other	337,066	294,636	246,839
	1,078,598	899,542	797,960
Amortization charged to income			
Commissions	368,448	304,276	265,600
Other	168,916	165,034	129,275
	537,364	469,310	394,875
Increase due to foreign exchange	171,653	32,071	3,812
Balance at end of year	$3,952,751	$3,239,864	$2,777,561
Total deferred policy acquisition costs	$5,132,245	$4,249,409	$3,657,818

5. REINSURANCE

In the ordinary course of business, AIG's general and life insurance companies cede reinsurance to other insurance companies in order to provide greater diversification of AIG's business and limit the potential for losses arising from large risks.

General reinsurance is effected under reinsurance treaties and by negotiation on individual risks. Certain of these reinsurance arrangements consist of excess of loss contracts which protect AIG against losses over stipulated amounts. Amounts recoverable from general reinsurers are estimated in a manner consistent with the claims liabilities associated with the reinsurance and presented as a component of reinsurance assets.

AIG life companies limit exposure to loss on any single life. For ordinary insurance, AIG retains a maximum of approximately $1,300,000 of coverage per individual life. There are smaller retentions for other lines of business. Life reinsurance is effected principally under yearly renewable term treaties. Amounts recoverable from life reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits and are presented as a component of reinsurance assets.

General insurance premiums written and earned were comprised of the following:

(in thousands)

YEARS ENDED DECEMBER 31,	WRITTEN	EARNED
1994		
Gross premiums	$16,392,409	$15,665,787
Ceded premiums	(5,526,656)	(5,378,956)
Net premiums	$10,865,753	$10,286,831
1993		
Gross premiums	$14,901,255	$14,405,992
Ceded premiums	(4,875,352)	(4,839,352)

Net premiums	$10,025,903	$ 9,566,640
1992		
Gross premiums	$13,615,715	$13,616,700
Ceded premiums	(4,477,187)	(4,407,310)
Net premiums	$ 9,138,528	$ 9,209,390

In the normal course of their operations, certain AIG subsidiaries are provided reinsurance coverages from AIG's minority-owned reinsurance companies. During 1994, 1993 and 1992, the premiums written which were ceded to Transatlantic amounted to $200,000,000, $238,100,000 and $210,700,000, respectively.

For the years ended December 31, 1994, 1993 and 1992, reinsurance recoveries, which reduced loss and loss expenses incurred, amounted to $4.84 billion, $4.45 billion and $4.19 billion, respectively.

Life insurance net premium income was comprised of the following:

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
Gross premium income	$6,886,249	$5,924,557	$5,023,534
Ceded premiums	(161,928)	(178,511)	(170,447)
Net premium income	$6,724,321	$5,746,046	$4,853,087

Life insurance recoveries, which reduced death and other benefits, approximated $96.0 million, $76.7 million and $64.8 million, respectively, for each of the years ended December 31, 1994, 1993 and 1992.

AIG's reinsurance arrangements do not relieve AIG from its direct obligation to its insureds. Thus, a credit exposure exists with respect to both general and life reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements. AIG holds substantial collateral as security under related reinsurance agreements in the form of funds, securities and/or letters of credit. A provision has been recorded for estimated unrecoverable reinsurance. AIG has been largely successful in prior recovery efforts.

AIG evaluates the financial condition of its reinsurers through an internal reinsurance security committee consisting of members of AIG's Senior Management. No single reinsurer is a material reinsurer to AIG nor is AIG's business substantially dependent upon any reinsurance contract.

Life insurance ceded to other insurance companies was as follows:

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
Life insurance in-force	$30,184,126	$13,006,029	$11,344,069

* The principal reason for the increase in 1994 relates to life insurance in-force ceded with respect to corporate-owned life insurance.

Life insurance assumed represented 0.1 percent of gross life insurance in-force at December 31, 1994, and 0.5 percent for 1993 and 1.7 percent for 1992, and 0.1 percent, 0.1 percent and 0.2 percent of gross premium income for each of the periods ended December 31, 1994, 1993 and 1992, respectively.

Supplemental information for gross loss and benefit reserves net of ceded reinsurance at December 31, 1994 and 1993 follows:

(in thousands)

	AS REPORTED	NET OF REINSURANCE
December 31, 1994		
Reserve for losses and loss expenses	$(31,435,355)	$(18,418,855)
Future policy benefits for life and accident and health insurance contracts	(17,432,222)	(17,108,322)
Premium and insurance balances receivable-net	8,802,207	10,245,259
Funds held under reinsurance treaties	--	112,455
Reserve for unearned premiums	(6,318,754)	(4,925,054)
Reinsurance assets	16,289,607	--
December 31, 1993		
Reserve for losses and loss expenses	$(30,046,172)	$(17,556,972)
Future policy benefits for life and accident and health insurance contracts	(14,638,382)	(14,344,882)
Premium and insurance balances receivable-net	8,364,096	10,122,694
Funds held under reinsurance treaties	--	96,490
Reserve for unearned premiums	(5,515,670)	(4,269,670)
Reinsurance assets	15,883,788	--

6. RESERVE FOR LOSSES AND LOSS EXPENSES AND FUTURE LIFE POLICY BENEFITS AND POLICYHOLDERS' CONTRACT DEPOSITS

(a) The following analysis provides a reconciliation of the activity in the reserve for losses and loss expenses:

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
At beginning of year:			
Reserve for losses and loss expenses	$ 30,046,200	$ 28,156,800	$ 26,239,900
Reinsurance recoverable	(12,489,200)	(11,400,000)	(10,400,000)
	17,557,000	16,756,800	15,839,900
Losses and loss expenses incurred:			
Current year	8,158,400	7,530,700	7,497,100
Prior year	(152,800)	45,300	6,400

	8,005,600	7,576,000	7,503,500
Losses and loss expenses paid:			
Current year	1,997,400	1,893,100	1,838,800
Prior year	5,146,300	4,882,700	4,747,800
	7,143,700	6,775,800	6,586,600
At end of year:			
Net reserve for losses and loss expenses	18,418,900	17,557,000	16,756,800
Reinsurance recoverable	13,016,500	12,489,200	11,400,000
	$ 31,435,400	$ 30,046,200	$ 28,156,800

(b) The analysis of the future policy benefits and policyholders' contract deposits liabilities as at December 31, 1994 and 1993 follows:

(in thousands)

	1994	1993
Future policy benefits:		
Long duration contracts	$16,916,382	$14,223,502
Short duration contracts	515,840	414,880
Total	$17,432,222	$14,638,382
Policyholders' contract deposits:		
Annuities	$ 3,171,013	$ 2,686,439
Guaranteed investments contracts (GICs)	812,737	729,679
Corporate-owned life insurance	1,483,882	195,610
Universal life	364,356	312,312
Other investment contracts	655,438	515,799
Total	$ 6,487,426	$ 4,439,839

(c) Long duration contract liabilities included in future policy benefits, as presented in the table above, result from traditional life products. Short duration contract liabilities are primarily accident and health products. These long duration products generally have fixed cash values and there are no surrender charges. The liability for future life policy benefits has been established based upon the following assumptions:

(i) Interest rates (exclusive of immediate/terminal funding annuities), which vary by territory, year of issuance and products, range from 3.0 percent to 12.0 percent within the first 20 years. Interest rates on immediate/terminal funding annuities are at a maximum of 12.2 percent and grade to not greater than 7.5 percent.

(ii) Mortality and surrender rates are based upon actual experience by geographical area modified to allow for variations in policy form. The weighted average lapse rate, including surrenders, for individual and group life approximated 7.5 percent.

(iii) The portion of net income and unrealized appreciation of investments that can inure to the benefit of AIG is limited in some cases by the insurance contracts and by the local insurance regulations of the countries in which the policies are in force. All net income and unrealized appreciation of investments in excess of these limits have been included in the reserve for future policy benefits in the consolidated balance sheet.

(iv) Participating life business represented approximately 27 percent of the gross insurance in-force at December 31, 1994 and 48 percent of gross premium income in 1994. The amount of dividends to be paid is determined annually by the Boards of Directors. Anticipated dividends are considered as a planned contractual benefit in computing the value of future policy benefits and are provided ratably over the premium-paying period of the contracts.

(d) The liability for policyholders' contract deposits has been established based on the following assumptions:

(i) Interest rates credited on deferred annuities vary by year of issuance and range from 8.2 percent to 4.0 percent. Credited interest rate guarantees are generally for a period of one year. Withdrawal charges generally range from 6.0 percent to 10.0 percent grading to 0 percent over a period of 7 to 10 years.

(ii) Domestically, GICs have market value withdrawal provisions for any funds withdrawn other than benefit responsive payments. Interest rates credited generally range from 4.7 percent to 9.1 percent and maturities range from 2 to 7 years. Overseas, primarily in the United Kingdom, GIC type contracts are credited at rates ranging from 4.5 percent to 7.0 percent with maturities generally being one year. Contracts in other foreign locations have interest rates, maturities and withdrawal charges based upon local economic and regulatory conditions.

(iii) Interest rates on corporate-owned life insurance business are guaranteed at 4 percent and credited on average 9.7 percent on funds supported by policy loans.

(iv) The universal life funds have credited interest rates of 6 percent to 7 percent and guarantees ranging from 4 percent to 5.5 percent depending on the year of issue. Additionally, universal life funds are subject to surrender charges that amount to 7.5 percent of the fund balance and grade off over no more than 15 years from issue.

(e) Experience adjustments, relating to future policy benefits and policyholders' contract deposits, vary according to the type of contract and the territory in which the policy is in force. In general terms, investments, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory guidance.

7. STATUTORY FINANCIAL DATA

Statutory surplus and net income for general insurance and life insurance operations as reported to regulatory authorities were as follows:

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
Statutory surplus:			
General insurance	$9,521,550	$7,164,367	$6,552,960
Life insurance	3,834,269	3,275,078	2,141,637
Statutory net income			

(including net realized capital gains and losses):			
General insurance	1,304,022	1,206,387	875,231
Life insurance	730,170	570,570	378,704

AIG's insurance subsidiaries file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by domestic or foreign insurance regulatory authorities. The differences between statutory financial statements and financial statements prepared in accordance with generally accepted accounting principles (GAAP) vary between domestic and foreign jurisdictions. The principal differences are that statutory financial statements do not reflect deferred policy acquisition costs and deferred income taxes, all bonds are carried at amortized cost and reinsurance assets and liabilities are presented net of reinsurance. AIG's use of permitted statutory accounting practices does not have a significant impact on statutory surplus.

8. INVESTMENT INFORMATION

(a) STATUTORY DEPOSITS: Cash and securities with carrying values of $3.04 billion and $2.95 billion were deposited by AIG's subsidiaries under requirements of regulatory authorities as of December 31, 1994 and 1993, respectively.

(b) NET INVESTMENT INCOME: An analysis of the net investment income from the general and life insurance operations follows:

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
General insurance:			
Fixed maturities	$1,198,432	$1,136,120	$1,108,643
Equity securities	90,773	96,311	34,964
Short-term investments	48,023	62,156	72,334
Other (net of interest expense on funds held)	158,718	97,150	83,410
Total investment income	1,495,946	1,391,737	1,299,351
Investment expenses	60,854	51,257	47,265
Net investment income	$1,435,092	$1,340,480	$1,252,086
Life insurance:			
Fixed maturities	$1,194,686	$ 975,623	$ 904,733
Equity securities	58,017	38,361	18,692
Short-term investments	92,484	220,050	157,976
Interest on mortgage, policy and collateral loans	369,935	242,014	232,472
Other	119,769	94,146	63,851
Total investment income	1,834,891	1,570,194	1,377,724
Investment expenses	86,463	70,480	63,886
Net investment income	$1,748,428	$1,499,714	$1,313,838

(c) INVESTMENT GAINS AND LOSSES: The realized capital gains and increase or decrease in unrealized appreciation of investments for 1994, 1993 and 1992 were as follows:

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
Realized capital gains (losses) on investments:			
Fixed maturities (a)	$ (116,903)	$ 125,296	$130,698
Equity securities	223,603	65,090	57,616
Other	(19,847)	(83,288)	(89,216)
Realized capital gains	$ 86,853	$ 107,098	$ 99,098
Increase (decrease) in unrealized appreciation of investments:			
Cumulative effect of accounting change (b)	$ --	$ 407,498	$ --
Fixed maturities	(1,357,521)	31,382	38,592
Equity securities	(254,518)	545,074	(75,771)
Other	527,473)(c)	143,368	63,991
Increase (decrease) in unrealized appreciation	$(1,084,566)	$1,127,322	$ 26,812

(a) In 1994, the realized gains (losses) resulted from the sale of available for sale fixed maturities. Prior to 1994, a majority of the gains (losses) realized resulted from sales of bonds carried at market value.

(b) Includes $511.8 million increase in unrealized appreciation attributable to participating policyholders at December 31, 1993.

(c) Includes $440.5 million decrease in unrealized appreciation attributable to participating policyholders at December 31, 1994.

The gross gains and gross losses realized on the disposition of available for sale securities for 1994 follows:

(in thousands)

	GROSS REALIZED GAINS	GROSS REALIZED LOSSES
1994		
Bonds	$ 50,416	$139,224
Common Stocks	302,318	92,257
Preferred Stocks	13,911	369
Financial services securities available for sale	41,029	8,334
Total	$407,674	$240,184

During 1993 and 1992, gross gains of $99,162,000 and $87,776,000, respectively, and gross losses of $43,094,000 and $35,635,000, respectively, were realized on dispositions of fixed maturities carried at amortized cost.

(d) MARKET VALUE OF FIXED MATURITIES AND UNREALIZED APPRECIATION OF INVESTMENTS: At December 31, 1994, the balance of the unrealized appreciation of investments in equity securities (before applicable taxes) included gross gains of approximately $1,320,000,000 and gross losses of approximately $914,500,000.

At December 31, 1993, the balance of the unrealized appreciation of investments in equity securities (before applicable taxes) included gross gains of approximately $906,400,000 and gross losses of approximately $246,400,000.

The deferred tax payable related to the net unrealized appreciation of investments was $57,547,000 at December 31, 1994 and $404,264,000 at December 31, 1993.

8. INVESTMENT INFORMATION (continued)

The amortized cost and estimated market value of investments in fixed maturities carried at amortized cost at December 31, 1994 and December 31, 1993 were as follows:

(in thousands)

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
1994				
Fixed maturities held to maturity:				
Bonds:				
U.S. Government (a)	$ 4,627	$ 39	$ 201	$ 4,465
States (b)	13,035,025	346,979	278,845	13,103,159
Foreign Governments	126	--	--	126
All other corporate	2,029	--	109	1,920
Total bonds	13,041,807	347,018	279,155	13,109,670
Preferred stocks	412,503	12,484	212	424,775
Total fixed maturities	$13,454,310	$ 359,502	$279,367	$13,534,445
1993				
Fixed maturities held to maturity:				
Bonds:				
U.S. Government (a)	$ 14,330	$ 745	$ 27	$ 15,048
States (b)	12,176,138	1,087,519	3,850	13,259,807
All other corporate	3,233	242	--	3,475
Total bonds	12,193,701	1,088,506	3,877	13,278,330
Preferred stocks	17,428	6,084	5,519	17,993
Total fixed maturities	$12,211,129	$1,094,590	$ 9,396	$13,296,323

(a) Including U.S. Government agencies and authorities.

(b) Including municipalities and political subdivisions.

The amortized cost and estimated market value of bonds available for sale and carried at market value at December 31, 1994 and 1993 were as follows:

(in thousands)

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE

1994				
Fixed maturities available for sale:				
Bonds:				
U.S. Government (a)	$ 1,425,914	$ 35,565	$133,547	$ 1,327,932
States (b)	2,449,698	27,765	114,764	2,362,699
Foreign governments	5,310,211	78,319	117,465	5,271,065
All other corporate	13,021,488	215,274	385,858	12,850,904
Total bonds	$22,207,311	$ 356,923	$751,634	$21,812,600
1993				
Fixed maturities available for sale:				
Bonds:				
U.S. Government (a)	$ 1,211,016	$ 84,342	$ 14,823	$ 1,280,535
States (b)	1,876,795	123,697	4,404	1,996,088
Foreign governments	4,422,548	237,961	5,928	4,654,581
All other corporate	9,089,243	610,802	68,838	9,631,207
Total bonds	$16,599,602	$1,056,802	$ 93,993	$17,562,411

(a) Including U.S. Government agencies and authorities.

(b) Including municipalities and political subdivisions.

The amortized cost and estimated market value of securities available for sale and carried at market value at December 31, 1994 and 1993 were as follows:

(in thousands)

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
1994				
Securities available for sale:				
Corporate and bank debt	$1,228,207	$ 29,622	$ 28,771	$1,229,058
Foreign government obligations	1,254,856	159,775	158,269	1,256,362
Asset-backed and collateralized	774,277	12,803	12,228	774,852
Preferred stocks	146,521	1,402	1,416	146,507
U.S. Government obligations	390,215	39,560	39,762	390,013
Total	$3,794,076	$243,162	$240,446	$3,796,792
1993				
Securities available for sale:				
Corporate and bank debt	$1,549,993	$158,532	$148,320	$1,560,205
Foreign government obligations	1,943,953	179,016	176,199	1,946,770
Asset-backed and collateralized	850,783	32,547	30,027	853,303
Preferred stocks	272,477	1,501	567	273,411
U.S. Government obligations	354,609	12,595	9,788	357,416
Total	$4,971,815	$384,191	$364,901	$4,991,105

The amortized cost and estimated market values of fixed maturities held to maturity and fixed maturities available for sale at December 31, 1994, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

(in thousands)

	AMORTIZED COST	ESTIMATED MARKET VALUE
Fixed maturities held to maturity:		
Due in one year or less	$ 98,894	$ 99,896
Due after one year through five years	1,565,915	1,598,466
Due after five years through ten years	4,826,173	4,865,742
Due after ten years	6,963,328	6,970,341
Total held to maturity	$13,454,310	$13,534,445
Fixed maturities available for sale:		
Due in one year or less	$ 1,149,688	$ 1,145,356
Due after one year through five years	8,639,832	8,546,882
Due after five years through ten years	9,099,515	8,926,127
Due after ten years	3,318,276	3,194,235
Total available for sale	$22,207,311	$21,812,600

The amortized cost and estimated market values of securities available for sale at December 31, 1994, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

8. INVESTMENT INFORMATION (continued)

(in thousands)

	AMORTIZED COST	ESTIMATED MARKET VALUE
Securities available for sale:		
Due in one year or less	$ 288,434	$ 288,224
Due after one year through five years	1,313,647	1,314,795
Due after five years through ten years	1,278,481	1,279,054
Due after ten years	139,237	139,867
Asset backed and collateralized	774,277	774,852
Total available for sale	$3,794,076	$3,796,792

(e) CMOs: CMOs, held by AIG's life companies, are presented as a component of bonds available for sale, at market. The CMOs are principally U.S. government and government agency backed and AAA rated securities. These represent 86 percent of the CMOs held. Whole loans represent 14 percent of the CMOs held and are investment grade.

At December 31, 1994 and 1993, the market value of the CMO portfolio was $1.7 billion and $1.8 billion, respectively; the amortized cost was approximately $1.8 billion in 1994 and $1.7 billion in 1993. AIG's CMO portfolio is readily marketable. There were no derivative (high risk) CMO securities contained in this portfolio at December 31, 1994.

The distribution of the CMOs at December 31, 1994 and 1993 was as follows:

	1994	1993
GNMA	38%	48%
FNMA	23	22
FHLMC	20	21
VA	5	4
Other	14	5
	100%	100%

At December 31, 1994, the gross weighted average coupon of this portfolio was 7.6 percent. The gross weighted average life of this portfolio was 7.8 years.

(f) FIXED MATURITIES BELOW INVESTMENT GRADE: At December 31, 1994, the fixed maturities and securities available for sale held by AIG that were below investment grade were insignificant.

(g) During 1993, certain investments held by AIGFP experienced financial difficulties and suffered rating downgrades. The pretax impact on AIG of the estimated other than temporary impairment in value of these investments was $215 million. As is AIG's policy in such situations where credit ratings have deteriorated significantly, these impairments have been appropriately recognized by charges to income of $104 million in 1993 and $111 million prior to 1993.

(h) At December 31, 1994, non-income producing invested assets were insignificant.

9. DEBT OUTSTANDING

At December 31, 1994, AIG had the following debt outstanding:

(in thousands)	
Borrowings under Obligations of Guaranteed Investment Agreements (GIA) -- AIGFP	$ 5,535,318
Commercial Paper:	
AIG Funding Inc. (Funding)	1,211,280
ILFC	1,960,545*
A.I. Credit Corp. (AICCO)	617,734
Total	3,789,559
Medium Term Notes:	
ILFC	1,999,535*
AIG	155,000
Total	2,154,535
Notes and Bonds Payable:	

ILFC	2,950,000*
AIGFP	1,048,061
AIG: Lire bonds	159,067
Zero coupon notes	65,831
Total	4,222,959
Loans and Mortgages Payable	
AIGTG	890,800
ILFC	678,650*
AIG	247,656
Total	1,817,106
Total Borrowings	17,519,477
Borrowings not guaranteed by AIG	7,588,730
Matched GIA borrowings	5,535,318
	13,124,048
Remaining borrowings of AIG	$ 4,395,429

* AIG does not guarantee or support these borrowings.

(a) COMMERCIAL PAPER: At December 31, 1994, the commercial paper issued and outstanding was as follows:

(dollars in thousands)

	NET BOOK VALUE	UNAMORTIZED DISCOUNT	FACE AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE MATURITY
Funding	$1,211,280	$10,540	$1,221,820	6.47%	49 days
AICCO	617,734	2,891	620,625	5.83	30 days
ILFC	1,960,545	11,816	1,972,361	5.73	100 days
Total	$3,789,559	$25,247	$3,814,806	--	--

Commercial paper issued by Funding is guaranteed by AIG. AIG has entered into an agreement in support of AICCO's commercial paper. AIG does not guarantee ILFC's commercial paper.

(b) BORROWINGS UNDER OBLIGATIONS OF GUARANTEED INVESTMENT AGREEMENTS: Borrowings under obligations of guaranteed investment agreements, which are guaranteed by AIG, are recorded on the basis of proceeds received. Obligations may be called at various times prior to maturity at the option of the counterparty. Interest rates on these borrowings range from 3.3 percent to 10.6 percent.

9. DEBT OUTSTANDING (continued)

Payments due under these investment agreements in each of the next five years ending December 31, and the periods thereafter based on the earliest call dates, were as follows:

(in thousands)

	PRINCIPAL AMOUNT
1995	$2,444,707
1996	715,338
1997	68,826
1998	28,631
1999	237,362
Remaining years after 1999	2,040,454
Total	$5,535,318

At December 31, 1994, the market value of securities pledged as collateral with respect to these obligations approximated $1,057,319,000.

(c) MEDIUM TERM NOTES PAYABLE:

(i) MEDIUM TERM NOTES PAYABLE ISSUED BY AIG: AIG's Medium Term Notes are unsecured obligations which may not be redeemed by AIG prior to maturity and bear interest at either fixed rates set by AIG at issuance or variable rates determined by reference to an interest rate or other formula.

An analysis of the Medium Term Notes for the year ended December 31, 1994 was as follows:

(in thousands)

MEDIUM TERM NOTE SERIES:	B	C	D	TOTAL
Balance December 31, 1993	$40,000	$105,000	$150,000	$295,000
Matured during year	--	15,000	125,000	140,000
Balance December 31, 1994	$40,000	$ 90,000	$ 25,000	$155,000

The interest rates on this debt range up to 8.45 percent. To the extent deemed appropriate, AIG may enter into swap transactions to reduce its effective short-term borrowing rate.

At December 31, 1994, the maturity schedule for AIG's outstanding Medium Term Notes was as follows:

(in thousands)

	PRINCIPAL AMOUNT
1995	$ 40,000
1996	75,000
1997	--
1998	40,000
Total	$155,000

At December 31, 1994, AIG had $247,000,000 principal amount of Series D Medium Term Notes registered and available for issuance from time to time.

(ii) MEDIUM TERM NOTES PAYABLE ISSUED BY ILFC: ILFC's Medium Term Notes are unsecured obligations which may not be redeemed by ILFC prior to maturity and bear interest at fixed rates set by ILFC at issuance.

As of December 31, 1994, notes in aggregate principal amount of $1,999,535,000 were outstanding with maturity dates varying from 1995 to 2004 at interest rates ranging from 3.75 percent to 9.88 percent. These notes provide for a single principal payment at the maturity of each note.

At December 31, 1994, the maturity schedule for ILFC's outstanding Medium Term Notes was as follows:

(in thousands)

	PRINCIPAL AMOUNT
1995	$ 319,900
1996	442,550
1997	412,600
1998	433,235
1999	273,250
Remaining years after 1999	118,000
Total	$1,999,535

(d) NOTES AND BONDS PAYABLE:

(i) ZERO COUPON NOTES: On October 1, 1984, AIG issued Eurodollar zero coupon notes in the aggregate principal amount at stated maturity of $750,000,000. The notes were offered at 12 percent of principal amount at stated maturity, bear no interest and are due August 15, 2004. The net proceeds to AIG from the issuance were $85,625,000. The notes are redeemable at any time in whole or in part at the option of AIG at 100 percent of their principal amount at stated maturity. The notes are also redeemable at the option of AIG or bearer notes may be redeemed at the option of the holder in the event of certain changes involving taxation in the United States at prices ranging from 34.41 percent currently, to 89.88 percent after August 15, 2003, of the principal amount at stated maturity together with accrued amortization of original issue discount from the preceding August 15. During 1994 and 1993, no notes were repurchased. At December 31, 1994, the notes outstanding have a face value of $189,200,000, an unamortized discount of $123,369,000 and a net book value of $65,831,000. The amortization of the original issue discount is recorded as interest expense.

(ii) ITALIAN LIRE BONDS: In December, 1991, AIG issued unsecured bonds denominated in Italian Lire. The principal amount of 200 billion Italian Lire Bonds matures December 4, 2001 and accrues interest at a rate of 11.7 percent which is paid annually. These bonds are not redeemable prior to maturity, except in the event of certain changes involving taxation in the United States or the imposition of certain certification, identification or reporting requirements.

Simultaneous with the issuance of this debt, AIG entered into a swap transaction which effectively converted AIG's net interest expense to a U.S. dollar liability of approximately 7.9 percent, which requires the payment of proceeds at maturity of approximately $159 million in exchange for 200 billion Italian Lire and interest thereon.

9. DEBT OUTSTANDING (continued)

(iii) TERM NOTES ISSUED BY ILFC: ILFC has issued unsecured obligations which may not be redeemed prior to maturity. $100,000,000 of such term notes are at floating interest rates and the remainder are at fixed rates.

As of December 31, 1994, notes in aggregate principal amount of $2,950,000,000 were outstanding with maturity dates varying from 1995 to 2004 and interest rates ranging from 4.75 percent to 8.88 percent. These notes provide for a single principal payment at maturity.

At December 31, 1994, the maturity schedule for ILFC's Term Notes was as follows:

(in thousands)

	PRINCIPAL AMOUNT
1995	$ 500,000
1996	600,000
1997	650,000
1998	500,000
1999	350,000
Remaining years after 1999	350,000
Total	$2,950,000

AIG does not guarantee any of the debt obligations of ILFC.

(iv) Notes and Bonds Payable Issued by AIGFP:During 1992, AIGFP's foreign banking subsidiary issued Netherland guilder denominated bonds. The bonds mature on June 30, 1997 and have a Netherland guilder interest rate of 8.4 percent. Interest is payable annually. At December 31, 1994, these bonds had a U.S. dollar carrying value of $110.1 million.

During 1994, AIGFP issued Swiss franc denominated notes, maturing on May 15, 1998 and June 1, 1999 in the amount of Swiss franc 130 million and 61 million, respectively. These notes have an interest rate that is six month Swiss franc LIBOR plus 22 basis points. Interest is payable semi-annually. At December 31, 1994, these notes had a U.S. dollar carrying value of $148.6 million.

AIGFP is also obligated under various notes maturing in 1995 through 2005. The majority of these notes are U.S. dollar denominated and accrue interest at various interest rates. At December 31, 1994, these notes amounted to $789.4 million.

(e) LOANS AND MORTGAGES PAYABLE: Loans and mortgages payable at December 31, 1994 consisted of the following:

(in thousands)

	FINANCIAL SERVICES	AIG	TOTAL

Uncollateralized loans payable	$1,240,547	$116,466	$1,357,013
Collateralized loans and mortgages payable	328,903	131,190	460,093
Total	$1,569,450	$247,656	$1,817,106

(f) INTEREST EXPENSE FOR ALL INDEBTEDNESS: Total interest expense for all indebtedness, net of capitalized interest, aggregated $1,289,277,000 in 1994, $1,103,955,000 in 1993 and $1,128,007,000 in 1992. Interest expense paid approximated $1,055,503,000 in 1994, $1,017,066,000 in 1993 and $1,051,976,000 in 1992.

10. CAPITAL FUNDS

(a) At December 31, 1994, there were 6,000,000 shares of AIG's $5 par value serial preferred stock authorized, issuable in series. AIG redeemed the Exchangeable Money Market Cumulative Serial Preferred(TM) Stock, Series M-1 on April 2, 1993 and the Exchangeable Money Market Cumulative Serial Preferred Stock, Series M-2 (Series M-1 and M-2 together, MMP(TM)), on March 5, 1993 at a price of $100,000 per share plus accrued dividends.

During 1993 and 1992, dividends paid on the MMP aggregated $1,043,000 and $4,471,000, respectively.

(b) AIG parent depends on its subsidiaries for cash flow in the form of loans, advances and dividends. Some AIG subsidiaries, namely those in the insurance business, are subject to regulatory restrictions on the amount of dividends which can be remitted to AIG parent. These restrictions vary by state. For example, unless permitted by the New York Superintendent of Insurance, general insurance companies domiciled in New York may not pay dividends to shareholders which in any twelve month period exceed the lesser of 10 percent of the company's statutory policyholders' surplus or 100 percent of its "adjusted net investment income", as defined. Generally, less severe restrictions applicable to both general and life insurance companies exist in most of the other states in which AIG's insurance subsidiaries are domiciled. Certain foreign jurisdictions have restrictions which generally cause only a temporary delay in the remittance of dividends. There are also various local restrictions limiting cash loans and advances to AIG by its subsidiaries. Largely as a result of the restrictions, approximately 64 percent of consolidated capital funds were restricted from immediate transfer to AIG parent at December 31, 1994.

(c) The common stock activity for the three years ended December 31, 1994 was as follows:

	1994	1993	1992
Shares outstanding at beginning of year	317,628,067	211,629,013	212,269,558
Acquired during year	(2,086,113)	(148,872)	(963,062)
Issued under stock option and purchase plans	298,672	350,848	322,517
Stock split effected as dividend	--	112,461,475	--
Other*	--	(6,664,397)	--
Shares outstanding at end of year	315,840,626	317,628,067	211,629,013

* Shares issued to AIG and subsidiaries as part of stock split effected as dividend.

Common stock increased and additional paid-in capital decreased $281.2 million as a result of a common stock split in the form of a 50 percent stock dividend paid July 30, 1993 to holders of record July 2, 1993.

11. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, various commitments and contingent liabilities are entered into by AIG and certain of its subsidiaries. In addition, AIG guarantees various obligations of certain subsidiaries.

(a) Commitments to extend credit are agreements to lend subject to certain conditions. These commitments generally have fixed expiration dates or termination clauses and typically require payment of a fee. At December 31, 1994 and 1993, these commitments, made principally by AIG Capital Corp., approximated $133,000,000 and $140,700,000 respectively. AIG uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. AIG evaluates each counterparty's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by AIG upon extension of credit, is based on management's credit evaluation of the counterparty.

(b) AIG and certain of its subsidiaries become parties to financial instruments with market risk resulting from both dealer and end user activities and to reduce currency, interest rate, equity and commodity exposures. To the extent those instruments are carried at their estimated fair value, the elements of currency, interest rate, equity and commodity risks are reflected in the consolidated balance sheet. In addition, these instruments involve, to varying degrees, elements of credit risk not explicitly recognized in the consolidated balance sheet. Collateral is required, at the discretion of AIG, on certain transactions based on the creditworthiness of the counterparty.

(c) AIGFP becomes party to off-balance sheet financial instruments in the normal course of its business and to reduce its currency, interest rate, equity and commodity exposures.

AIGFP, as principal and for its own account, enters into interest rate, currency, equity and commodity swaps and swaptions. Interest rate swap transactions generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. AIGFP typically becomes a principal in the exchange of interest payments between the parties and, therefore, may be exposed to loss, if counterparties default. Currency, equity and commodity swaps are similar to interest rate swaps, but may involve the exchange of principal amounts at the beginning and end of the transaction. At December 31, 1994, the notional principal amount of the sum of the swap pays and receives approximated $133.7 billion, primarily related to interest rate swaps of approximately $105.6 billion.

The following tables provide the notional and contractual amounts of AIGFP's derivatives portfolio at December 31, 1994. The notional amounts used to express the extent of AIGFP's involvement in derivatives transactions represent a standard of measurement of the volume of AIGFP's swaps business. Notional amount is not a quantification of market risk or credit risk and it may not necessarily be recorded on the balance sheet. Notional amounts represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps. The timing and the amount of cash flows relating to foreign exchange forwards and exchange traded futures and options contracts are determined by the contractual agreements.

The following table presents AIGFP's swaps and swaptions portfolio by maturity and type of derivative at December 31, 1994:

(in thousands)

	REMAINING LIFE					
	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL 1994	TOTAL 1993
INTEREST RATE, CURRENCY AND EQUITY/COMMODITY SWAPS AND SWAPTIONS:						
Notional amount:						
Interest rate swaps	$7,395,000	$57,086,000	$32,063,000	$ 9,037,000	$105,581,000	$ 77,462,500
Currency swaps	50,100	10,817,200	5,902,000	1,491,000	18,260,300	16,123,000
Equity/commodity swaps	341,000	411,000	40,000	25,000	817,000	1,227,000
Swaptions	246,000	4,997,000	2,672,000	1,145,000	9,060,000	8,265,800
Total	$8,032,100	$73,311,200	$40,677,000	$11,698,000	$133,718,300	$103,078,300

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Futures and forward contracts are contracts for delivery of foreign currencies, commodities or financial indices in which the seller/purchaser agrees to make/take delivery at a specified future date of a specified instrument, at a specified price or yield. Risks arise as a result of movements in current market prices from contracted prices and the potential inability of counterparties to meet their obligations under the contracts. At December 31, 1994, the contractual amount of AIGFP's futures and forward contracts approximated $15.2 billion.

The following table presents AIGFP's futures and forward contracts portfolio, by maturity and type of derivative at December 31, 1994:

(in thousands)

	REMAINING LIFE					
	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL 1994	TOTAL 1993
Futures and forward contracts:						
Exchange traded futures contracts contractual amount*	$13,182,900	--	--	--	$13,182,900	$27,132,300
Over the counter forward contracts contractual amount	$ 1,983,900	$64,800	--	--	$ 2,048,700	$ 945,100

* Exchange traded futures are not deemed to have significant credit exposure as the exchanges guarantee that every contract will be properly settled.

AIGFP extensively uses legally enforceable master closeout netting agreements. Thus, contracts subject to such arrangements permit AIGFP to offset its receivables from and payables to the same counterparty. As a result, the net replacement value represents the net sum of estimated positive fair values after the application of such agreements and collateral held. The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss. The net replacement value of all interest rate, currency, and equity/commodity swaps and swaptions at December 31, 1994, approximated $4.6 billion. The net replacement value for futures and forward contracts at December 31, 1994, approximated $31.4 million.

AIGFP independently evaluates the creditworthiness of its counterparties, taking into account credit ratings assigned by recognized statistical rating organizations. In addition, AIGFP's credit approval process involves pre-set counterparty, country and industry credit exposure limits and, for particularly credit intensive transactions, obtaining approval from AIG's Credit Risk Committee. The average credit rating of AIGFP's counterparties as a whole (as measured by AIGFP) is equivalent to AA. The maximum potential loss will increase or decrease during the life of the derivative commitments as a function of maturity and market conditions.

At December 31, 1994, the counterparty credit quality by derivative product with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	SWAPS AND SWAPTIONS	FUTURES AND FORWARD CONTRACTS	TOTAL
Counterparty credit quality:			
AAA	$1,087,800	$ 4,500	$1,092,300
AA	1,977,600	9,100	1,986,700
A	1,007,900	4,500	1,012,400
BBB	525,000	--	525,000
Below investment grade	21,000	--	21,000
Not externally rated--exchanges	--	13,300	13,300
Total	$4,619,300	$31,400	$4,650,700

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

At December 31, 1994, the counterparty breakdown by industry with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	SWAPS AND SWAPTIONS	FUTURES AND FORWARD CONTRACTS	TOTAL
Non-U.S. banks	$2,085,500	$15,200	$2,100,700
Insured municipalities	270,000	--	270,000
U.S. industrials	493,600	--	493,600
Governmental	726,100	--	726,100
Non-U.S. financial service companies	31,000	--	31,000
Non-U.S. industrials	372,300	--	372,300
Special purpose	16,400	--	16,400
U.S. banks	169,000	2,900	171,900
U.S. financial service companies	323,600	--	323,600
Supranationals	131,800	--	131,800
Exchanges	--	13,300	13,300
Total	$4,619,300	$31,400	$4,650,700

AIGFP has entered into commitments to provide liquidity for certain insured variable rate bonds issued by municipal entities. The bond agreements allow the holders, in certain circumstances, to tender the bonds to the issuer at par value. In the event a remarketing agent of an issuer is unable to resell such bonds, AIGFP would be obligated to purchase the bonds at par value. AIGFP would receive interest on any bonds purchased at rates above the then prevailing market rates. These liquidity facilities aggregate $436 million and extend through December 31, 1997. Additional commitments to provide liquidity for bonds not yet issued by municipal entities aggregated $1.3 billion at December 31, 1994. It is management's intention, as with existing obligations, to remove itself from this risk through bank participations before the issuance of the underlying bonds. Therefore, in management's opinion, it is unlikely that AIGFP will become obligated to purchase any bonds pursuant to the liquidity facilities.

Securities sold, but not yet purchased represent obligations of AIGFP to deliver specified securities at their contracted prices, and thereby create a liability to repurchase the securities in the market at prevailing prices.

AIGFP monitors and controls its risk exposure on a daily basis through financial and credit reporting systems and, accordingly, believes that it has in place effective procedures for evaluating and limiting the credit and market risks to which it is subject. Management is not aware of any potential counterparty defaults as of December 31, 1994.

The net trading revenues for the twelve months ended December 31, 1994 from AIGFP's operations were $279.1 million.

(d) AIG Trading Group Inc. and its subsidiaries (AIGTG) becomes party to off-balance sheet financial instruments in the normal course of its business and to reduce its currency, interest rate and commodity exposures.

The following table provides the notional and contractual amounts of AIGTG's derivatives portfolio at December 31, 1994. In addition, the estimated positive fair values associated with the derivatives portfolio are also provided and include a maturity profile for the December 31, 1994 balances based upon the expected timing of the future cash flows.

The notional amounts used to express the extent of AIGTG's involvement in derivatives transactions represent a standard of measurement of the volume of AIGTG's swaps business. Notional amount is not a quantification of the market or credit risks of the positions and is not necessarily recorded on the balance sheet. Notional amounts represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps. The timing and the amount of cash flows relating to foreign exchange forwards and exchange traded futures and options contracts are determined by the contractual agreements.

The gross replacement values presented represent the sum of the estimated fair values of all of AIGTG's derivatives contracts at December 31, 1994. These values do not represent the credit risk to AIGTG.

Net replacement values presented represent the net sum of estimated positive fair values after the application of legally enforceable master closeout netting agreements and collateral held. The net replacement value most closely represents the net credit risk to AIGTG or the maximum exposure to potential loss.

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Futures and forward contracts are contracts for delivery of foreign currencies, commodities or financial indices in which the seller/purchaser agrees to make/take delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise as a result of movements in current market prices from contracted prices and the potential inability of counterparties to meet their obligations under the contracts. At December 31, 1994, the contractual amount of AIGTG's futures and forward contracts approximated $212.7 billion.

The gross replacement values presented represent the sum of the estimated fair values of all of AIGTG's derivatives contracts at December 31, 1994. These values do not represent the credit risk to AIGTG.

Net replacement values presented represent the net sum of estimated positive fair values after the application of legally enforceable master closeout netting agreements and collateral held. The net replacement values most closely represent the net credit risk to AIGTG or the maximum amount exposed to potential loss. At December 31, 1994, the net replacement value of AIGTG's futures and forwards contracts approximated $1.87 billion.

The following table presents AIGTG's derivatives portfolio and the associated credit exposure by maturity and type of derivative at December 31, 1994:

(in thousands)

	REMAINING LIFE					
	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL 1994	TOTAL 1993
Futures and forward contracts and interest rate swaps:						
Exchange traded futures contracts contractual amount (a)	$ 17,778,200	$3,683,000	$42,900	--	$ 21,504,100	$ 11,582,600
Over the counter forward contracts contractual amount (b)	$182,254,500	$8,825,800	$93,000	$4,700	$191,178,000	$104,333,300
Credit exposure for over the counter forwards:						
Gross replacement value	$ 2,934,700	$ 509,600	$79,500	$7,200	$ 3,531,000	$ 2,180,700
Master netting arrangements	(1,284,000)	(238,700)	(54,000)	(800)	(1,577,500)	(700,800)
Collateral	(82,700)	--	--	--	(82,700)	--
Net replacement value (c)	$ 1,568,000	$ 270,900	$25,500	$6,400	$ 1,870,800	$ 1,479,900

(a) Exchange traded futures are not deemed to have significant credit exposure as the exchanges guarantee that every contract will be properly settled.

(b) Includes interest rate swaps with notional amounts of approximately $549.0 million and $203.4 million at December 31, 1994 and 1993, respectively.

(c) The net replacement values with respect to futures and forward contracts are presented as a component of trade receivables in the accompanying balance sheet.

Options are contracts that allow the holder of the option to purchase or sell the underlying commodity, currency or index at a specified price and within, or at, a specified period of time. Risks arise as a result of movements in current market prices from contracted prices, and the potential inability of the counterparties to meet their obligations under the contracts. At December 31, 1994, the contractual amounts of AIGTG's purchased options approximated $15.2 billion.

As a writer of options, AIGTG generally receives an option premium and then manages the risk of any unfavorable change in the value of the underlying commodity, currency or index. At December 31, 1994, the contractual amounts for sold options approximated $14.2 billion.

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The following table presents AIGTG's options portfolio and the associated credit exposure, if applicable, by maturity and type of derivative at December 31, 1994:

(in thousands)

	REMAINING LIFE					
	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL 1994	TOTAL 1993
Option contracts:						
Contractual amounts for purchased options:						
Exchange traded (a)	$ 1,363,100	$ 47,500	--	--	$ 1,410,600	$ 4,399,900
Over the counter	12,127,400	1,699,200	--	--	13,826,600	15,047,400
Total	$13,490,500	$1,746,700	--	--	$15,237,200	$19,447,300
Credit exposure for over the counter purchased options:						
Gross replacement value	$ 309,500	$ 60,000	--	--	$ 369,500	$ 313,600
Master netting arrangements	(59,100)	(12,700)	--	--	(71,800)	--
Collateral	(22,600)	--	--	--	(22,600)	--
Net replacement value (b)	$ 227,800	$ 47,300	--	--	$ 275,100	$ 313,600
Contractual amounts for sold options (c)	$12,300,000	$1,857,900	--	--	$14,157,900	$17,495,400

(a) Exchange traded options are not deemed to have significant credit exposure as the exchanges guarantee that every option will be properly settled.

(b) The net replacement value with respect to purchased options is presented as a component of spot commodities, at market value in the accompanying balance sheet.

(c) Options obligate AIGTG to buy or sell the underlying item if the option purchaser chooses to exercise. The amounts do not represent credit exposures.

AIGTG independently evaluates the creditworthiness of its counterparties, taking into account credit ratings assigned by recognized statistical rating organizations. In addition, AIGTG's credit approval process involves pre-set counterparty, country and industry credit exposure limits and, for particularly credit intensive transactions, obtaining approval from AIG's Credit Risk Committee. The maximum potential loss will increase or decrease during the life of the derivative commitments as a function of maturity and market conditions.

At December 31, 1994, the counterparty credit quality by derivative product with respect to the net replacement value of AIGTG's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	FUTURES AND FORWARD CONTRACTS AND INTEREST RATE SWAPS	OVER THE COUNTER PURCHASED OPTIONS	TOTAL
Counterparty credit quality:			
AAA	$ 213,800	$ 25,700	$ 239,500
AA	611,300	171,000	782,300
A	581,900	38,000	619,900
BBB	60,700	6,700	67,400
Below investment grade	26,300	6,000	32,300
Not externally rated*	376,800	27,700	404,500
Total	$1,870,800	$275,100	$2,145,900

* Includes $140.0 million due from exchanges.

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

At December 31, 1994 the counterparty breakdown by industry with respect to the net replacement value of AIGTG's derivatives portfolio was as follows:

(in thousands)

	NET REPLACEMENT VALUE		
	FUTURES AND FORWARD CONTRACTS AND INTEREST RATE SWAPS	OVER THE COUNTER PURCHASED OPTIONS	TOTAL
Non-U.S. banks	$ 637,400	$180,400	$ 817,800
U.S. industrials	307,600	14,500	322,100
Governmental	94,600	16,800	111,400
Non-U.S. financial service companies	52,500	1,800	54,300
Non-U.S. industrials	137,800	26,300	164,100
U.S. banks	398,100	28,000	426,100
U.S. financial service companies	102,800	7,300	110,100
Exchanges	140,000	--	140,000
Total	$1,870,800	$275,100	$2,145,900

AIGTG limits its risks by holding offsetting positions. In addition, AIGTG monitors and controls its risk exposures through various monitoring systems which evaluate AIGTG's market and credit risks, and through credit approvals and limits. At December 31, 1994, AIGTG did not have a significant concentration of credit risk from either an individual counterparty or group of counterparties.

The net trading revenues for the twelve months ended December 31, 1994 from AIGTG's operations were $246.6 million.

At December 31, 1994, AIGTG had issued and outstanding $142 million principal amount of letters of credit. These letters of credit were issued primarily to various exchanges.

AIG has issued unconditional guarantees with respect to the prompt payment, when due, of all present and future obligations and liabilities of AIGFP and AIGTG arising from transactions entered into by AIGFP and AIGTG.

(e) At December 31, 1994, ILFC had committed to purchase 236 aircraft deliverable from 1995 through 2000 at an estimated aggregate purchase price of $13.4 billion. Concurrently, at December 31, 1994, ILFC had options to purchase 51 aircraft deliverable through 2001 at an estimated aggregate purchase price of $2.8 billion. ILFC will be required to find customers for any new aircraft ordered and arrange financing for portions of the purchase price of such equipment.

AIG does not anticipate any losses in connection with the aforementioned activities that would have a material effect on its financial condition or results of operations.

(f) AIG and its subsidiaries, in common with the insurance industry in general, are subject to litigation, including claims for punitive damages, in the normal course of their business. AIG does not believe that such litigation will have a material effect on its operating results and financial condition.

AIG continues to receive indemnity claims asserting injuries from toxic waste, hazardous substances, and other environmental pollutants and alleged damages to cover the cleanup costs of hazardous waste dump sites (hereinafter collectively referred to as environmental claims) and indemnity claims asserting injuries from asbestos. Estimation of asbestos and environmental claims loss reserves is a difficult process, as these claims, which emanate from policies written in 1984 and prior years, cannot be estimated by conventional reserving techniques. Asbestos and environmental claims development is affected by factors such as inconsistent court resolutions, the broadening of the intent of policies and scope of coverage and increasing number of new claims. AIG and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue in the future to expand the intent of the policies and the scope of the coverage, as they have in the past, additional liabilities would emerge for amounts in excess of reserves held. This emergence cannot now be reasonably estimated, but could have a material impact on AIG's future operating results. The reserves carried for these claims as at December 31, 1994 ($1.41 billion gross; $330.3 million net) are believed to be adequate as these reserves are based on known facts and current law. Furthermore, as AIG's net exposure retained relative to the gross exposure written was lower in those years, the potential impact of these claims is much smaller on the net loss reserves than on the gross loss reserves.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 "Disclosures about Fair Value of Financial Instruments" (FASB 107) requires disclosure of fair value information about financial instruments for which it is practicable to estimate such fair value. These financial instruments may or may not be recognized in the consolidated balance sheet. In the measurement of the fair value of certain of the financial instruments, quoted market prices were not available and other valuation techniques were utilized. These derived fair value estimates are significantly affected by the assumptions used. FASB 107 excludes certain financial instruments, including those related to insurance contracts.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used by AIG in estimating the fair value of the financial instruments presented:

Cash and short-term investments: The carrying amounts reported in the consolidated balance sheet for these instruments approximate fair values.

Fixed maturity securities: Fair values for fixed maturity securities carried at amortized cost or at market value were generally based upon quoted market prices. For certain fixed maturity securities for which market prices were not readily available, fair values were estimated using values obtained from independent pricing services. No other fair valuation techniques were applied to these bonds as AIG believes it would have to expend excessive costs for the benefits derived.

Equity securities: Fair values for equity securities were based upon quoted market prices.

Mortgage loans on real estate, policy and collateral loans: Where practical, the fair values of loans on real estate and collateral loans were estimated using discounted cash flow calculations based upon AIG's current incremental lending rates for similar type loans. The fair values of the policy loans were not calculated as AIG believes it would have to expend excessive costs for the benefits derived.

Securities held for investment: Fair values for securities held for investment carried at amortized cost were based upon quoted market prices. For securities for which market prices were not readily available, fair values were estimated using quoted market prices of comparable investments.

Trade receivables and trade payables: Fair values for trade receivables and trade payables approximate the carrying values presented in the consolidated balance sheet.

Securities available for sale: Fair values for securities available for sale and related hedges were based on quoted market prices. For securities and related hedges for which market prices were not readily available, fair values were estimated using quoted market prices of comparable investments.

Trading securities: Fair values for trading securities were based on current market value where available. For securities for which market values were not readily available, fair values were estimated using quoted market prices of comparable investments.

Spot commodities: Fair values for spot commodities, which include options, were based on current market prices.

Unrealized gains and losses on interest rate and currency swaps, options and forward transactions: Fair values for swaps, options and forward transactions were based on the use of valuation models that utilize, among other things, current interest, foreign exchange and volatility rates, as applicable.

Securities purchased (sold) under agreements to resell (repurchase), at contract value: As these securities (obligations) are short-term in nature, the contract values approximate fair values.

Other invested assets: For assets for which market prices were not readily available, fair valuation techniques were not applied as AIG believes it would have to expend excessive costs for the benefits derived.

Policyholders' contract deposits: Fair values of policyholder contract deposits were estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

GIAs: Fair values of AIG's obligations under investment type agreements were estimated using discounted cash flow calculations based on interest rates currently being offered for similar agreements with maturities consistent with those remaining for the agreements being valued. Additionally, AIG follows a policy of minimizing interest rate risks associated with GIAs by entering into swap transactions.

Securities sold but not yet purchased, principally obligations of the U.S. Government and Government agencies: The carrying amounts for these financial instruments approximate fair values.

Spot commodities sold but not yet purchased: Fair values for spot commodities sold short, which include options, were based on current market prices.

Deposits due to banks and other depositors: To the extent certain amounts are not demand deposits or certificates of deposit which mature in more than one year, fair values were not calculated as AIG believes it would have to expend excessive costs for the benefits derived.

Commercial paper: The carrying amount of AIG's commercial paper borrowings approximates fair value.

Notes, bonds, loans and mortgages payable: Where practical, the fair values of these obligations were estimated using discounted cash flow calculations based upon AIG's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying values and fair values of AIG's financial instruments at December 31, 1994 and December 31, 1993 and the average fair values with respect to derivative positions during 1994 were as follows:

(in thousands)

	1994			1993	
	CARRYING VALUE	FAIR VALUE	AVERAGE FAIR VALUE	CARRYING VALUE	FAIR VALUE
Fixed maturities	$35,430,866	$35,511,002	$ --	$30,084,374	$31,169,569
Equity securities	5,099,171	5,099,171	--	4,488,247	4,488,247
Mortgage loans on real estate, policy and collateral loans	5,353,074	5,381,198	--	3,576,516	3,662,300
Securities available for sale	3,796,792	3,796,792	4,262,469	4,991,105	4,991,105
Trading securities	2,483,637	2,483,637	2,268,539	2,516,166	2,516,166
Spot commodities	916,833	916,833	1,099,350	764,215	764,215
Net unrealized gain on interest rate and currency swaps, options and forward transactions	--	--	--	640,120	640,120
Unrealized gain on interest rate and currency swaps, options and forward transactions	4,650,743	4,650,743	4,930,135	--	--
Trade receivables	2,629,734	2,629,734	2,689,014	1,328,391	1,328,391
Securities purchased under agreement to resell	1,209,403	1,209,403	--	2,737,507	2,737,507
Other invested assets	1,953,015	1,953,015	--	1,265,056	1,265,056
Short-term investments	2,467,453	2,467,453	--	5,072,893	5,072,893
Cash	76,237	76,237	--	157,481	157,481
Policyholders' contract deposits	6,487,426	6,396,626	--	4,439,839	4,566,204
Borrowings under obligations of guaranteed investment agreements	5,535,318	5,623,119	--	6,735,579	7,261,330
Securities sold under agreements to repurchase	1,342,064	1,342,064	--	2,299,563	2,299,563
Trade payables	2,108,263	2,108,263	2,762,057	1,688,147	1,688,147
Securities sold but not yet purchased, principally obligations of the U.S. Government and Government agencies	192,898	192,898	--	696,454	696,454
Spot commodities sold but not yet purchased	369,089	369,089	394,425	285,757	285,757
Unrealized loss on interest rate and currency swaps, options and forward transactions	3,659,450	3,659,450	4,071,962	--	--
Deposits due to banks and other depositors	655,973	655,973	--	557,372	557,372
Commercial paper	3,789,559	3,789,559	--	3,148,885	3,148,885
Notes, bonds, loans and mortgages payable	8,194,600	8,013,629	--	5,804,601	5,965,912

Off-balance sheet financial instruments: Financial instruments which are not currently recognized in the consolidated balance sheet of AIG are principally commitments to extend credit and financial guarantees. The unrecognized fair values of these instruments represent fees currently charged to enter into similar agreements, taking into account the remaining terms of the current agreements and the counterparties' credit standings. No valuation was made as AIG believes it would have to expend excessive costs for the benefits derived.

13. STOCK PURCHASE PLAN

AIG's 1984 employee stock purchase plan was adopted at the 1984 shareholders' meeting and became effective as of July 1, 1984. Eligible employees receive privileges to purchase up to an aggregate of 1,312,500 shares of AIG common stock, at a price equal to 85 percent of the fair market value on the date of grant of the purchase privilege.

Purchase privileges are granted annually and are limited to the number of whole shares that can be purchased by an amount equal to 5 percent of an employee's annual salary or $3,750, whichever is less.

As of December 31, 1994, there were 91,906 shares of common stock subscribed to at a weighted average price of $73.77 per share pursuant to grants of privileges under the 1984 plan. There were 90,661 shares, 93,447 shares and 92,220 shares issued under the 1984 plan at weighted average prices of $75.55, $54.46 and $49.66 for the years ended December 31, 1994, 1993 and 1992, respectively. The excess of the proceeds over the par value or cost of the common stock issued was credited to additional paid-in capital. There were 253,528 shares available for the grant of future purchase privileges under the 1984 plan at December 31, 1994.

14. STOCK OPTIONS

On December 19, 1991, the AIG Board of Directors adopted a 1991 employee stock option plan, which provides that options to purchase a maximum of 3,000,000 shares of common stock could be granted to officers and other key employees at prices not less than fair market value at the date of grant. Both the 1991 plan, and the options with respect to 74,925 shares granted thereunder on December 19, 1991, were approved by shareholders at the 1992 Annual Meeting. At December 31, 1994, 1,744,874 shares were reserved for future grants under the 1991 plan. As of March 18, 1992, no further options could be granted under the 1987 plan, but outstanding options granted under the 1987 plan and the previously superceded 1982 plan continue in force until exercise or expiration. At December 31, 1994, there were 2,765,388 shares reserved for issuance under the 1991, 1987 and 1982 plans.

14. STOCK OPTIONS (continued)

Under each plan, 25 percent of the options granted become exercisable on the anniversary of the date of grant in each of the four years following that grant and all options expire 10 years from the date of the grant. As of December 31, 1994, outstanding options granted with respect to 2,001,274 shares qualified for Incentive Stock Option treatment under the Economic Recovery Tax Act of 1981.

Additional information with respect to the AIG plans at December 31, 1994 was as follows:

(dollars in thousands, except per share amounts)

	NUMBER OF SHARES	PRICE RANGE PER SHARE	AGGREGATE OPTION PRICE
Shares under option at December 31, 1994	2,765,388	$17.33-99.13	$167,201
Shares under option exercisable at December 31, 1994	1,800,023	17.33-99.13	84,031
Shares under option exercised during year ended:			
December 31, 1994	208,011	14.87-88.75	7,858
December 31, 1993	314,938	15.63-79.50	8,456
December 31, 1992	391,566	11.87-60.92	8,658
Shares under option granted during year ended:			
December 31, 1994	395,700	88.88-96.88	38,221
December 31, 1993	347,575	84.33-99.13	30,869
December 31, 1992	486,300	54.67-79.50	37,967

Shares under option forfeited during year ended:			
December 31, 1994	44,186	17.95-96.88	3,189
December 31, 1993	38,137	16.37-88.75	1,844
December 31, 1992	55,208	11.87-60.92	2,306

15. EMPLOYEE BENEFITS

(a) Employees of AIG, its subsidiaries and certain affiliated companies, including employees in foreign countries, are generally covered under various funded and insured pension plans. Eligibility for participation in the various plans is based on either completion of a specified period of continuous service or date of hire, subject to age limitation. While benefits vary, they are usually based on the employees' years of credited service and average compensation in the three years preceding retirement.

AIG's U.S. retirement plan is a qualified, noncontributory, defined benefit plan. All qualified employees who have attained age 21 and completed six months of continuous service are eligible to participate in this plan. An employee with 5 or more years of service is entitled to pension benefits beginning at normal retirement at age 65. Benefits are based upon a percentage of average final compensation multiplied by years of credited service commencing April 1, 1985 and limited to 44 years of credited service. The average final compensation is subject to certain limitations. Annual funding requirements are determined based on the "projected unit credit" cost method which attributes a pro rata portion of the total projected benefit payable at normal retirement to each year of credited service.

AIG has adopted a Supplemental Executive Retirement Program (Supplemental Plan) to provide additional retirement benefits to designated executives and key employees. Under the Supplemental Plan, the annual benefit, not to exceed 60 percent of average final compensation, accrues at a percentage of average final pay multiplied for each year of credited service reduced by any benefits from the current and any predecessor retirement plans, Social Security, if any, and from any qualified pension plan of prior employers. The Supplemental Plan also provides a benefit equal to the reduction in benefits payable under the AIG retirement plan as a result of Federal limitations on benefits payable thereunder. Currently, the Supplemental Plan is unfunded.

Eligibility for participation in the various non-U.S. retirement plans is either based on completion of a specified period of continuous service or date of hire, subject to age limitation. While benefits vary, they are generally based on the employees' years of credited service and average compensation in the years preceding retirement.

Assumptions associated with the projected benefit obligation and expected long-term rate of return on plan assets at December 31, 1994 were as follows:

	RANGE OF NON-U.S. PLANS*	U.S. PLANS
Discount rate	4.5-10.0%	8.5%
Salary increase rate	3.0-10.0	5.0
Expected long-term rate of return on plan assets	5.0-8.5	9.0

* The ranges for the non-U.S. plans reflect the local socioeconomic environments in which AIG operates.

15. EMPLOYEE BENEFITS (continued)

The following table sets forth the funded status of the various pension plans and the amounts recognized in the accompanying consolidated balance sheet as of December 31, 1994 and 1993:

(in thousands)

	1994			1993		
	NON-U.S. PLANS	U.S. PLANS	TOTAL	NON-U.S. PLANS	U.S. PLANS	TOTAL
Plan assets at fair value*	$158,695	$146,065	$304,760	$131,391	$139,129	$270,520
Actuarial present value of benefit obligations:						
Accumulated benefits earned prior to valuation date:						
Vested	164,802	99,694	264,496	143,614	94,717	238,331
Nonvested	24,887	14,713	39,600	21,038	15,747	36,785
Accumulated benefit obligation	189,689	114,407	304,096	164,652	110,464	275,116
Additional benefits based on estimated future salary levels	68,908	53,033	121,941	48,973	66,652	115,625
Projected benefit obligation	258,597	167,440	426,037	213,625	177,116	390,741
Projected benefit obligation in excess of plan assets	99,902	21,375	121,277	82,234	37,987	120,221
Unrecognized prior service cost	(9,593)	(3,035)	(12,628)	(9,486)	(2,786)	(12,272)
Unrecognized net gain (loss)	(3,849)	26,582	22,733	(6,344)	1,321	(5,023)
Unamortized balance of the initial transition amounts	(24,259)	(12,141)	(36,400)	(23,266)	(13,692)	(36,958)
Net amounts to be applied to future periods	(37,701)	11,406	(26,295)	(39,096)	(15,157)	(54,253)
Adjustment to reflect minimum liability	19,014	488	19,502	23,268	1,896	25,164
Accrued pension liability	$ 81,215	$ 33,269	$114,484	$ 66,406	$ 24,726	$ 91,132

* Plan assets are invested primarily in fixed-income securities and listed stocks.

Net pension cost for the years ended December 31, 1994, 1993 and 1992 included the following components:

(in thousands)

	1994	1993	1992
Cost of benefits earned during the period	$ 41,986	$ 33,258	$ 25,175
Interest cost on the projected benefit obligation	24,795	23,243	18,135
Actual return on all retirement plan assets	(8,789)	(29,613)	(13,574)
Net amortization and deferral of actuarial gains and losses	(15,466)	7,542	(4,856)
Amortization of the initial transition amount	3,749	3,389	2,014
Net pension expense*	$ 46,275	$ 37,819	$ 26,894

* Net pension expense included $26,727, $20,999 and $13,478 related to non-U.S. plans for 1994, 1993 and 1992, respectively.

(b) AIG sponsors a voluntary savings plan for domestic employees (a 401(k) plan), which, during the three years ended December 31, 1994, provided for salary reduction contributions by employees and matching contributions by

AIG of up to 2 percent of annual salary.

(c) In addition to AIG's defined benefit pension plan, AIG and its subsidiaries provide a postretirement benefit program for medical care and life insurance, domestically and in certain foreign countries. Eligibility in the various plans is generally based upon completion of a specified period of eligible service and reaching a specified age. Benefits vary by geographic location.

AIG's U.S. postretirement medical and life insurance benefits are based upon the employee reaching age 55 with 10 years of service to be eligible for an immediate benefit from the U.S. retirement plan. Retirees and their dependents who were age 65 by May 1, 1989 participate in the medical plan at no cost. All other retirees and dependents over age 65 pay 50 percent of the premium that is paid by current active employees. Retirees under age 65 pay the full active premium and covered dependents pay twice the active employee amounts. Contributions are subject to adjustment annually. Other cost sharing features of the medical plan include deductibles, coinsurance and Medicare coordination and a lifetime maximum benefit of $1,000,000. The maximum life insurance benefit prior to age 70 is $32,500, with a maximum of $25,000 thereafter.

Effective January 1, 1993, both plans' provisions were amended. Employees who retire on or after January 1, 1993 will be required to pay the actual cost of the medical benefits reduced by a credit which is based upon age and years of service at retirement. The life insurance benefit will vary by age at retirement from $5,000 for retirement at ages 55 through 59 to $15,000 for retirement at ages 65 and over.

Assumptions associated with the accrued postretirement benefit liability at December 31, 1994 were as follows:

	NON-U.S. PLANS	U.S. PLANS
Discount rate	8.0-10.5%	8.5%
Salary increase rate	7.0-8.0	--
Medical trend rate year 1*	14.0	11.5
Medical trend rate year 7 and 9	6.0	5.5

* The Medical trend rate grades downward from years 1 through 7 domestically and years 1 through 9 for the foreign benefits. The trend rates remain level thereafter.

15. EMPLOYEE BENEFITS (continued)

The following table sets forth the liability for the accrued postretirement benefits of the various plans, and amounts recognized in the accompanying consolidated balance sheet as of December 31, 1994 and 1993. These plans are not funded currently.

(in thousands)

	NON-U.S. PLANS	U.S. PLANS	TOTAL
1994			
Accumulated postretirement benefit obligation:			
Retirees	$ 1,896	$44,521	$46,417
Fully eligible active employees	4,301	845	5,146
Other active employees	5,932	9,059	14,991
	12,129	54,425	66,554
Unrecognized net loss	--	(2,931)	(2,931)
Unrecognized prior service cost	--	30,319	30,319
Accrued postretirement benefit liabilities	$12,129	$81,813	$93,942
1993			
Accumulated postretirement benefit obligation:			
Retirees	$ 1,911	$45,749	$47,660
Fully eligible active employees	3,969	1,633	5,602
Other active employees	4,993	9,602	14,595
	10,873	56,984	67,857
Unrecognized net loss	--	(7,812)	(7,812)
Unrecognized prior service cost	--	31,835	31,835
Accrued postretirement benefit liabilities	$10,873	$81,007	$91,880

The net periodic postretirement costs for the years ended December 31, 1994, 1993 and 1992 included the following components:

(in thousands)

	MEDICAL PLANS	LIFE INSURANCE PLANS	TOTAL
1994			
Cost of benefits earned during the period	$ 1,160	$ 499	$ 1,659
Interest cost on accumulated postretirement benefit obligations	4,055	1,032	5,087
Amortization of prior service cost	(1,344)	(172)	(1,516)
Amortization of net actuarial losses	318	--	318
Net periodic postretirement benefit costs	$ 4,189	$1,359	$ 5,548
1993			
Cost of benefits earned during the period	$ 876	$ 384	$ 1,260
Interest cost on accumulated postretirement benefit obligations	3,693	1,110	4,803
Amortization of prior service cost	(1,344)	(172)	(1,516)
Net periodic postretirement benefit costs	$ 3,225	$1,322	$ 4,547
1992			
Cost of benefits earned during the period	$ 4,439	$ 696	$ 5,135
Interest cost on accumulated postretirement benefit obligations	5,668	1,283	6,951
Net periodic postretirement benefit costs	$10,107	$1,979	$12,086

The medical trend rate assumptions have a significant effect on the amounts reported. Increasing each trend rate by 1 percent in each year would increase the accumulated postretirement benefit obligations as of December 31, 1994 by $4.9 million and the aggregate service and interest cost components of the periodic postretirement benefit costs for 1994 by $493,000.

(d) AIG has certain postemployment benefits provided to former or inactive employees who are not retirees. Certain of these benefits are insured and expensed currently; other expenses are provided for currently. Such uninsured expenses include long and short-term disability medical and life insurance continuation, short-term disability income continuation and COBRA medical subsidies. The provision for these benefits at December 31, 1994 was $5.3 million. The incremental expense was insignificant.

16. LEASES

(a) AIG and its subsidiaries occupy leased space in many locations under various long-term leases and have entered into various leases covering the long-term use of data processing equipment. At December 31, 1994, the future minimum lease payments under operating leases were as follows:

(in thousands)	
1995	$183,210
1996	127,399
1997	86,781
1998	69,111
1999	58,324
Remaining years after 1999	227,173
Total	$751,998

Rent expense approximated $218,900,000, $200,500,000, and $199,200,000 for the years ended December 31, 1994, 1993 and 1992, respectively.

(b) Minimum future rental income on noncancelable operating leases of flight equipment which have been delivered at December 31, 1994 was as follows:

(in thousands)	
1995	$ 944,295
1996	816,793
1997	626,652
1998	476,441
1999	339,036
Remaining years after 1999	657,035
Total	$3,860,252

Flight equipment is leased, under operating leases, for periods ranging from one to twelve years.

17. OWNERSHIP AND TRANSACTIONS WITH RELATED PARTIES

(a) OWNERSHIP: The directors and officers of AIG, the directors and holders of common stock of C. V. Starr & Co., Inc. (Starr), a private holding company, The Starr Foundation, Starr International Company, Inc. (SICO), a private holding company, and Starr own or otherwise control approximately 29 percent of the voting stock of AIG. Six directors of AIG also serve as directors of Starr and SICO.

(b) TRANSACTIONS WITH RELATED PARTIES: During the ordinary course of business, AIG and its subsidiaries pay commissions to Starr and its subsidiaries for the production and management of insurance business. Net commission payments to Starr aggregated approximately $31,200,000 in 1994, $25,800,000 in 1993 and $21,200,000 in 1992, from which Starr is required to pay commissions due originating brokers and its operating expenses. AIG also received approximately $12,900,000 in 1994, $11,800,000 in 1993 and $11,500,000 in 1992 from Starr and paid approximately $42,000 in 1994, $60,000 in 1993 and $50,000 in 1992 to Starr as reimbursement for services provided at cost. AIG also received approximately $900,000 in 1994, $600,000 in 1993 and $800,000 in 1992 from SICO and paid approximately $1,200,000 in 1994, $1,100,000 in 1993 and $900,000 in 1992 to SICO as reimbursement for services rendered at cost. AIG also paid to SICO $3,000,000 in 1994, $3,400,000 in 1993 and $3,800,000 in 1992 in rental fees.

18. SUMMARY OF QUARTERLY FINANCIAL INFORMATION--
UNAUDITED

The following quarterly financial information for each of the three months ended March 31, June 30, September 30 and December 31, 1994 and 1993 is unaudited. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to present fairly the results of operations for such periods, have been made for a fair presentation of the results shown.

	THREE MONTHS ENDED			
	MARCH 31,		JUNE 30,	
(in thousands, except per share amounts)	1994	1993	1994	1993
Revenues	$5,225,830	$4,643,240	$5,625,759	$5,015,236
Income before cumulative effect of accounting changes	$ 505,618	$ 475,226	$ 549,694	$ 481,634
Cumulative effect of accounting changes (a)	$ --	$ 20,695	$ --	$ --
Net income	$ 505,618	$ 495,921	$ 549,694	$ 481,634
Income before cumulative effect of accounting changes per common share	$1.59	$1.49	$1.74	$1.52
Net income per common share	$1.59	$1.56	$1.74	$1.52
Average shares outstanding	317,456	317,484	316,564	317,360

	THREE MONTHS ENDED			
	SEPTEMBER 30,		DECEMBER 31,	
(in thousands, except per share amounts)	1994	1993	1994	1993
Revenues	$5,675,296	$5,119,228	$5,914,838	$5,356,953
Income before cumulative effect of accounting changes	$ 542,527	$ 451,061	$ 577,676	$ 510,157
Cumulative effect of accounting changes (a)	$ --	$ --	$ --	$ --
Net income	$ 542,527	$ 451,061	$ 577,676	$ 510,157
Income before cumulative effect of accounting changes per common share	$1.71	$1.42	$1.83	$1.61
Net income per common share	$1.71	$1.42	$1.83	$1.61

Average shares outstanding	316,368	317,438	315,866	317,577

(a) Represents a net benefit for the cumulative effect of the adoption of accounting pronouncements related to postretirement benefits (FASB 106) and income taxes (FASB 109) by minority-owned insurance operations in 1993.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. SEGMENT INFORMATION

(a) AIG's operations are conducted principally through five business segments. These segments and their respective operations are as follows:

Parent - AIG parent is a holding company owning directly or indirectly all of the capital stock of certain insurance, insurance related and financial services companies in both the United States and abroad.

General Insurance - AIG's general insurance operations are multiple line property and casualty companies writing substantially all lines of insurance other than title insurance. The general insurance operations also include mortgage guaranty insurance operations.

Life Insurance - AIG's life insurance operations offer a broad line of individual and group life, annuity and accident and health policies.

Agency and Service Fee - AIG's agency operations are engaged in the production and management of various types of insurance for affiliated and non-affiliated companies.

Financial Services - AIG's financial services operations engage in diversified financial services for affiliated and non-affiliated companies. Such operations include, but are not limited to, short-term cash management and financing, premium financing, interest rate, currency, equity and commodity derivative products business, various commodities trading and market making activities, banking services and operations and leasing and remarketing of flight equipment.

19. SEGMENT INFORMATION (continued)

The following table is a summary of the operations by major operating segments for the years ended December 31, 1994, 1993 and 1992:

	INDUSTRY SEGMENTS-1994				
(in thousands)	PARENT	GENERAL INSURANCE	LIFE INSURANCE	AGENCY AND SERVICE FEE	FINANCIAL SERVICES
Revenues (b)	$ 899,698(c)	$11,774,410	$ 8,559,455	$237,940	$ 1,866,253

Income before income taxes and cumulative effect of accounting changes	$ 899,698(c)	$ 1,635,096	$ 952,484	$ 54,129	$ 404,853
Equity in net income (loss) of partially-owned companies	$ 25,476	$ 32,687	$ 829	$ (61)	$ --
Depreciation expense	$ --	$ 66,514	$ 43,317	$ 3,514	$ 402,741
Capital expenditures	$ 545	$ 131,721	$ 106,957	$ 2,822	$ 2,841,317(d)
Identifiable assets	$17,295,644	$51,372,100	$34,496,652	$184,310	$30,660,776

	INDUSTRY SEGMENTS-1994	
(in thousands)	ADJUSTMENTS AND ELIMINATIONS(a)	CONSOLIDATED
Revenues (b)	$ (896,033)	$ 22,441,723
Income before income taxes and cumulative effect of accounting changes	$ (994,281)	$ 2,951,979
Equity in net income (loss) of partially-owned companies	$ 182	$ 59,113
Depreciation expense	$ 65,844	$ 581,930
Capital expenditures	$ 87,882	$ 3,171,244(d)
Identifiable assets	$(19,663,365)	$114,346,117

	INDUSTRY SEGMENTS-1993				
(in thousands)	PARENT	GENERAL INSURANCE	LIFE INSURANCE	AGENCY AND SERVICE FEE	FINANCIAL SERVICES
Revenues (b)	$ 908,176(c)	$10,972,384	$ 7,300,336	$239,641	$ 1,595,449
Income before income taxes and cumulative effect of accounting changes	$ 908,176(c)	$ 1,416,135	$ 781,611	$ 60,247	$ 390,038
Equity in net income (loss) of partially-owned companies	$ 11,183	$ 36,618	$ 1,260	$ (202)	$ --
Depreciation expense	$ --	$ 40,535	$ 39,258	$ 3,787	$ 326,028
Capital expenditures	$ --	$ 103,686	$ 119,157	$ 4,801	$ 2,575,652(d)
Identifiable assets (e)	$16,210,208	$46,981,720	$28,381,164	$179,297	$25,514,258

	INDUSTRY SEGMENTS-1993	
(in thousands)	ADJUSTMENTS AND ELIMINATIONS(a)	CONSOLIDATED
Revenues (b)	$ (881,329)	$ 20,134,657

Income before income taxes and cumulative effect of accounting changes	$ (955,126)	$ 2,601,081
Equity in net income (loss) of partially-owned companies	$ 236	$ 49,095
Depreciation expense	$ 62,639	$ 472,247
Capital expenditures	$ 109,737	$ 2,913,033(d)
Identifiable assets (e)	$(16,251,799)	$101,014,848

INDUSTRY SEGMENTS-1992

(in thousands)	PARENT	GENERAL INSURANCE	LIFE INSURANCE	AGENCY AND SERVICE FEE	FINANCIAL SERVICES
Revenues (b)	$ 637,339(c)	$10,528,610	$ 6,210,182	$228,297	$ 1,404,902
Income before income taxes and cumulative effect of accounting changes	$ 637,339(c)	$ 1,124,136	$ 667,453	$ 52,570	$ 346,442
Equity in net income (loss) of partially-owned companies	$ 6,258	$ 19,610	$ 7,382	$ 46	$ --
Depreciation expense	$ 1,057	$ 38,963	$ 41,613	$ 3,796	$ 249,548
Capital expenditures	$ 2,733	$ 66,899	$ 156,583	$ 16,355	$ 1,793,372(d)
Identifiable assets (e)	$13,747,118	$42,416,509	$23,472,687	$157,280	$27,138,230

INDUSTRY SEGMENTS-1992

(in thousands)	ADJUSTMENTS AND ELIMINATIONS(a)	CONSOLIDATED
Revenues (b)	$ (620,703)	$ 18,388,627
Income before income taxes and cumulative effect of accounting changes	$ (690,892)	$ 2,137,048
Equity in net income (loss) of partially-owned companies	$ --	$ 33,296
Depreciation expense	$ 56,888	$ 391,865
Capital expenditures	$ 34,378	$ 2,070,320(d)
Identifiable assets (e)	$(14,209,642)	$ 92,722,182

(a) Including other operations and other income (deductions)-net, which are not deemed to be reportable segments.

(b) Including realized capital gains attributable to the segments.

(c) Substantially dividend income from subsidiaries.

(d) Relating primarily to ILFC.

(e) Assets as at December 31, 1993 and 1992 have been adjusted to conform to the requirements of FASB 113.

19. SEGMENT INFORMATION (continued)

(b) The following table is a summary of AIG's general insurance operations by major operating category for the years ended December 31, 1994, 1993 and 1992:

	NET PREMIUMS					
	WRITTEN			EARNED		
(in thousands)	1994	1993	1992	1994	1993	1992
UNDERWRITING:						
Foreign	$ 3,588,608	$ 3,019,328	$2,573,922	$ 3,459,123	$2,901,848	$2,496,596
Commercial casualty (a)	5,718,053	5,438,420	5,209,295	5,329,215	5,244,479	5,350,017
Commercial property	309,802	241,387	166,696	294,944	180,722	210,288
Pools and associations (b)	552,975	746,395	753,361	533,632	723,082	760,159
Personal lines (c)	492,122	401,611	295,876	464,120	362,191	266,024
Mortgage guaranty	204,193	178,762	139,378	205,797	154,318	126,306
Total underwriting	$10,865,753	$10,025,903	$9,138,528	$10,286,831	$9,566,640	$9,209,390
Net investment income						
Realized capital gains						
General insurance operating income						

	OPERATING INCOME		
(in thousands)	1994	1993	1992
UNDERWRITING:			
Foreign	$ 239,041	$ 140,666	$ 95,024
Commercial casualty (a)	256,883	255,893	169,554
Commercial property	(75,738)	(51,688)	(23,411)
Pools and associations (b)	(334,642)	(377,531)	(389,507)
Personal lines (c)	(17,147)	(24,324)	(77,234)
Mortgage guaranty	79,120	67,375	30,490
Total underwriting	147,517	10,391	(195,084)
Net investment income	1,435,092	1,340,480	1,252,086
Realized capital gains	52,487	65,264	67,134
General insurance operating income	$1,635,096	$1,416,135	$1,124,136

(a) Including workers' compensation and retrospectively rated risks.

(b) Including involuntary pools.

(c) Including mass marketing and specialty programs.

(c) AIG's individual life insurance and group life insurance portfolio accounted for 62 percent, 64 percent and 67 percent of AIG's consolidated life insurance operating income before realized capital gains or losses for the years ended December 31, 1994, 1993 and 1992, respectively. For those years, 96 percent, 97 percent and 98 percent, respectively, of consolidated life operating income before realized capital gains or losses was derived from foreign operations.

(d) A substantial portion of AIG's business is conducted in countries other than the United States and Canada. The following table is a summary of AIG's business by geographic segments. Allocations have been made on the basis of location of operations and assets.

	GEOGRAPHIC SEGMENTS-1994			
(in thousands)	DOMESTIC (a)	FAR EAST	OTHER FOREIGN	CONSOLIDATED
Revenues (b)	$10,805,905	$ 8,374,188	$ 3,261,630	$ 22,441,723
Income before income taxes and cumulative effect of accounting changes	$ 1,420,399	$ 1,192,643	$ 338,937	$ 2,951,979
Identifiable assets	$71,838,459	$24,199,044	$18,308,614	$114,346,117

	GEOGRAPHIC SEGMENTS-1993			
(in thousands)	DOMESTIC (a)	FAR EAST	OTHER FOREIGN	CONSOLIDATED
Revenues (b)	$ 9,986,731	$ 6,911,684	$ 3,236,242	$ 20,134,657
Income before income taxes and cumulative effect of accounting changes	$ 1,329,908	$ 900,669	$ 370,504	$ 2,601,081
Identifiable assets (c)	$64,482,527	$18,667,545	$17,864,776	$101,014,848

	GEOGRAPHIC SEGMENTS-1992			
(in thousands)	DOMESTIC (a)	FAR EAST	OTHER FOREIGN	CONSOLIDATED
Revenues (b)	$ 9,767,716	$ 5,876,894	$ 2,744,017	$ 18,388,627
Income before income taxes and cumulative effect of accounting changes	$ 1,035,235	$ 799,503	$ 302,310	$ 2,137,048
Identifiable assets (c)	$59,443,456	$14,720,118	$18,558,608	$ 92,722,182

(a) Including general insurance operations in Canada.

(b) Revenues are derived from revenues of the general, life, agency and service fee and financial services operations, equity in income of minority-owned insurance operations and realized capital gains attributable to the segments.

(c) Assets as at December 31, 1993 and 1992 have been adjusted to conform to the requirements of FASB 113.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting and financial disclosure within the twenty-four months ending December 31, 1994.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Except for the information provided in Part I under the heading "Directors and Executive Officers of the Registrant", this item is omitted because a definitive proxy statement which involves the election of directors will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION

This item is omitted because a definitive proxy statement which involves the election of directors will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This item is omitted because a definitive proxy statement which involves the election of directors will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This item is omitted because a definitive proxy statement which involves the election of directors will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to Regulation 14A.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENTS AND EXHIBITS.

1. Financial Statements and Schedules. See accompanying Index to Financial Statements.

2. EXHIBITS.
   - 3--Articles of Incorporation and By-Laws.
   - 10--Material Contracts.
   - 11--Computation of Earnings Per Share for the Years Ended December 31, 1994, 1993, 1992, 1991 and 1990.
   - 12--Computation of Ratios of Earnings to Fixed Charges for the Years Ended December 31, 1994, 1993, 1992, 1991 and 1990.
   - 21--Subsidiaries of Registrant.
   - 23--Consent of Coopers & Lybrand L.L.P.

24--Power of Attorney.
27--Financial Data Schedule.
28--Information from Statutory Schedule P.
99--Undertakings.

(b) REPORTS ON FORM 8-K.

There have been no reports on Form 8-K filed during the quarter ended December 31, 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the issuer has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York, on the 29th day of March, 1995.

AMERICAN INTERNATIONAL GROUP, INC.
By s/s M.R. GREENBERG, CHAIRMAN

(M. R. Greenberg, Chairman)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons in the capacities indicated on the 29th day of March, 1995 and each of the undersigned persons, in any capacity, hereby severally constitutes M.R. Greenberg, Edward E. Matthews and Howard I. Smith and each of them, singularly, his true and lawful attorney with full power to them and each of them to sign for him, and in his name and in the capacities indicated below, this Annual Report on Form 10-K and any and all amendments thereto.

SIGNATURE	TITLE
s/s M.R. Greenberg (M. R. Greenberg)	Chairman and Director (Principal Executive Officer)
s/s Edward E. Matthews (Edward E. Matthews)	Vice Chairman and Director (Principal Financial Officer)
s/s Howard I. Smith (Howard I. Smith)	Senior Vice President and Comptroller (Principal Accounting Officer)
s/s M. Bernard Aidinoff (M. Bernard Aidinoff)	Director
s/s Lloyd Bentsen (Lloyd Bentsen)	Director

s/s Marshall A. Cohen ------------------------------------ (Marshall A. Cohen)	Director
s/s Barber B. Conable, Jr. ------------------------------------ (Barber B. Conable, Jr.)	Director
s/s Martin S. Feldstein ------------------------------------ (Martin S. Feldstein)	Director
s/s Houghton Freeman ------------------------------------ (Houghton Freeman)	Director

SIGNATURES--(Continued)

SIGNATURE	TITLE
s/s Leslie L. Gonda ------------------------------------ (Leslie L. Gonda)	Director
s/s Carla A. Hills ------------------------------------ (Carla A. Hills)	Director
s/s Frank J. Hoenemeyer ------------------------------------ (Frank J. Hoenemeyer)	Director
s/s John I. Howell ------------------------------------ (John I. Howell)	Director
s/s Dean P. Phypers ------------------------------------ (Dean P. Phypers)	Director
s/s John J. Roberts ------------------------------------ (John J. Roberts)	Director
s/s Ernest E. Stempel ------------------------------------ (Ernest E. Stempel)	Director
s/s Thomas R. Tizzio ------------------------------------ (Thomas R. Tizzio)	Director

Schedule I

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUMMARY OF INVESTMENTS--OTHER THAN INVESTMENTS IN RELATED PARTIES
As of December 31, 1994

(in thousands)

TYPE OF INVESTMENT	COST(*)	VALUE	AMOUNT AT WHICH SHOWN IN THE BALANCE SHEET
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 1,430,541	$ 1,332,397	$ 1,332,559
States, municipalities and political subdivisions	15,656,717	15,629,814	15,561,680
Foreign governments	5,310,336	5,271,191	5,271,191
Public utilities	2,660,304	2,701,629	2,701,629
All other corporate	10,363,213	10,151,195	10,151,304
Total bonds	35,421,111	35,086,226	35,018,363
Preferred stocks	412,503	424,775	412,503
Total fixed maturities	35,833,614	35,511,001	35,430,866
Equity securities:			
Common stocks:			
Public utilities	93,886	96,739	96,739
Banks, trust and insurance companies	558,445	662,662	662,662
Industrial, miscellaneous and all other	3,955,455	4,243,267	4,243,267
Total common stocks	4,607,786	5,002,668	5,002,668
Non-redeemable preferred stocks	85,901	96,503	96,503
Total equity securities	4,693,687	5,099,171	5,099,171
Mortgage loans on real estate, policy and collateral loans	5,353,074	--	5,353,074
Financial services assets:			
Flight equipment primarily under operating leases, net of accumulated depreciation	10,723,527		10,723,527
Securities available for sale, at market value	3,794,076	3,796,792	3,796,792
Trading securities, at market value	--	2,483,637	2,483,637
Spot commodities, at market value	--	916,833	916,833
Unrealized gain on interest rate and currency swaps, options and forward transactions	--	4,650,743	4,650,743
Trade receivables	2,629,734	--	2,629,734
Securities purchased under agreements to resell, at contract value	1,209,403	--	1,209,403
Other invested assets	1,953,015	--	1,953,015
Short-term investments, at cost which approximates market value	2,467,453	--	2,467,453
Total investments	$68,657,583	--	$76,714,248

(*) Original cost of equity securities and, as to fixed maturities, original cost reduced by repayments and adjusted for amortization of premiums or accrual of discounts.

Schedule II

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEET -- PARENT COMPANY ONLY

(in thousands)

DECEMBER 31,	1994	1993
ASSETS:		
Cash	$ 57	$ 607
Short-term investments	1,069	2,762
Invested assets	314,404	220,819
Carrying value of subsidiaries and partially-owned companies, at equity	17,135,389	15,754,002
Due from affiliates-net	--	25,898
Premiums and insurance balances receivable-net	49,415	60,340
Other assets	288,154	228,473
Total assets	$17,788,488	$16,292,901
LIABILITIES:		
Insurance balances payable	$ 117,560	$ 129,151
Due to affiliates-net	483,890	--

Medium term notes payable	155,000	295,000
Zero coupon notes	65,831	59,116
Italian Lire bonds	159,067	159,067
Other liabilities	385,479	426,372
Total liabilities	1,366,827	1,068,706
CAPITAL FUNDS:		
Common stock	843,477	843,477
Additional paid-in capital	565,410	572,142
Unrealized appreciation of investments, net of taxes	184,556	922,646
Cumulative translation adjustments, net of taxes	(288,074)	(348,186)
Retained earnings	15,340,928	13,301,529
Treasury stock	(224,636)	(67,413)
Total Capital Funds	16,421,661	15,224,195
Total liabilities and capital funds	$17,788,488	$16,292,901

STATEMENT OF INCOME--PARENT COMPANY ONLY

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
Agency income	$ 1,207	$ 2,027	$ 5,716
Dividend income from consolidated subsidiaries:			
Cash	898,659	907,432	528,807
Other	--	--	107,941
Dividend income from partially-owned companies	1,039	744	591
Equity in undistributed net income of consolidated subsidiaries and partially-owned companies	1,499,330	1,201,155	1,036,038
Other income (deductions)-net	(59,922)	(50,683)	148,445
Income before income taxes and cumulative effect of accounting changes	2,340,313	2,060,675	1,827,538
Income taxes	164,798	121,902	168,374
Income before cumulative effect of accounting changes	2,175,515	1,938,773	1,659,164
Cumulative effect of accounting changes, net of tax	--	--	(2,208)
Net income	$2,175,515	$ 1,938,773	$ 1,656,956

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
CONDENSED FINANCIAL INFORMATION OF REGISTRANT--(continued)
STATEMENT OF CASH FLOWS--PARENT COMPANY ONLY

(in thousands)

YEARS ENDED DECEMBER 31,	1994	1993	1992
Cash flows from operating activities			
Net income	$ 2,175,515	$ 1,938,773	$ 1,656,956
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash revenues, expenses, gains and losses included in income:			
Equity in undistributed net income of consolidated subsidiaries and partially-owned companies	(1,499,330)	(1,201,155)	(1,036,038)
Cumulative effect of accounting changes	--	--	2,208
Non-cash dividends from subsidiaries	--	--	(107,941)
Change in premiums and insurance balances receivable and payable-net	(666)	16,939	23,905
Change in cumulative translation adjustments	(138,528)	(7,088)	(2,319)
Other-net	84,185	13,657	208,449
Total adjustments	(1,554,339)	(1,177,647)	(911,736)
Net cash provided by operating activities	621,176	761,126	745,220
Cash flows from investing activities:			
Cost of investments sold or matured	--	--	11,035
Purchase of investments	(101,553)	(35,226)	(27,220)
Change in short-term investments	1,693	111,447	(42,322)
Change in collateral and guaranteed loans	--	(2,500)	(14,500)
Contributions to subsidiaries and investments in partially-owned companies	(462,056)	(237,899)	(183,949)
Other-net	(2,874)	(3,796)	(4,539)
Net cash used in investing activities	(564,790)	(167,974)	(261,495)
Cash flows from financing activities:			
Change in medium term notes	(140,000)	58,000	(169,500)
Proceeds from common stock issued	14,721	13,280	13,272
Change in loans payable	383,135	(377,581)	(128,782)
Liquidation of zero coupon notes payable	--	--	(4,647)

Cash dividends to shareholders	(136,116)	(123,859)	(116,676)
Acquisition of treasury stock	(178,676)	(13,148)	(82,096)
Redemption of preferred stock	--	(150,000)	--
Net cash used in financing activities	(56,936)	(593,308)	(488,429)
Change in cash	(550)	(156)	(4,704)
Cash at beginning of year	607	763	5,467
Cash at end of year	$ 57	$ 607	$ 763

NOTES TO FINANCIAL STATEMENTS--PARENT COMPANY ONLY

(1) Agency operations conducted in New York through the North American Division of AIU are included in the financial statements of the parent company.

(2) Certain accounts have been reclassified in the 1993 and 1992 financial statements to conform to their 1994 presentation.

(3) Other income (deductions)-net includes fees received from consolidated financial services subsidiaries.

(4) "Equity in undistributed net income of consolidated subsidiaries and partially-owned companies" in the accompanying Statement of Income--Parent Company Only--includes equity in the cumulative effect of accounting changes, net of tax of the minority-owned insurance operations.

(5) See also Notes to Consolidated Financial Statements.

Schedule III

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
As of December 31, 1994, 1993 and 1992 and for the years then ended

(in thousands)

SEGMENT	DEFERRED POLICY ACQUISITION COSTS	RESERVES FOR LOSSES AND LOSS EXPENSES, FUTURE POLICY BENEFITS	RESERVE FOR UNEARNED PREMIUMS	POLICY AND CONTRACT CLAIMS(a)	PREMIUM REVENUE
1994					
General insurance	$1,179,494	$31,435,355	$6,318,754	$ --	$10,286,831
Life insurance	3,952,751	17,432,222	--	548,243	6,724,321
	$5,132,245	$48,867,577	$6,318,754	$548,243	$17,011,152
1993					
General insurance	$1,009,545	$30,046,172	$5,515,670	$ --	$ 9,566,640
Life insurance	3,239,864	14,638,382	--	406,516	5,746,046
	$4,249,409	$44,684,554	$5,515,670	$406,516	$15,312,686
1992					
General insurance	$ 880,257	$28,156,767	$4,956,727	$ --	$ 9,209,390
Life insurance	2,777,561	11,804,484	--	321,077	4,853,087
	$3,657,818	$39,961,251	$4,956,727	$321,077	$14,062,477

(in thousands)

	NET	LOSSES AND LOSS EXPENSES	AMORTIZATION OF DEFERRED POLICY	OTHER	NET

SEGMENT	INVESTMENT INCOME	INCURRED, BENEFITS	ACQUISITION COSTS(b)	OPERATING EXPENSES	PREMIUMS WRITTEN
1994					
General insurance	$1,435,092	$ 8,005,601	$ 955,311	$1,178,402	$10,865,753
Life insurance	1,748,428	5,782,561	537,364	1,287,046	--
	$3,183,520	$13,788,162	$1,492,675	$2,465,448	$10,865,753
1993					
General insurance	$1,340,480	$ 7,576,016	$ 839,167	$1,141,066	$10,025,903
Life insurance	1,499,714	4,891,357	469,310	1,158,058	--
	$2,840,194	$12,467,373	$1,308,477	$2,299,124	$10,025,903
1992					
General insurance	$1,252,086	$ 7,503,504	$ 838,976	$1,061,994	$ 9,138,528
Life insurance	1,313,838	4,123,876	394,875	1,023,978	--
	$2,565,924	$11,627,380	$1,233,851	$2,085,972	$ 9,138,528

(a) Reflected in insurance balances payable on the accompanying balance sheet.

(b) Amounts shown for general insurance segment exclude amounts deferred and amortized in the same period.

Schedule IV

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
REINSURANCE
As of December 31, 1994, 1993 and 1992 and for the years then ended

(dollars in thousands)

	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT	PERCENT OF AMOUNT ASSUMED TO NET
1994					
Life insurance in-force	$333,378,811	$30,184,126	$ 235,278	$303,429,963	0.1%
Premiums:					
General insurance	$ 15,368,001	$ 5,526,656	$1,024,408	$ 10,865,753	9.4%
Life insurance	6,877,256	161,928	8,993	6,724,321	0.1
Total premiums	$ 22,245,257	$ 5,688,584	$1,033,401	$ 17,590,074	5.9%
1993					
Life insurance in-force	$257,162,102	$13,006,029	$1,287,379	$245,443,452	0.5%
Premiums:					
General insurance	$ 13,633,638	$ 4,875,352	$1,267,617	$ 10,025,903	12.6%
Life insurance	5,914,007	178,511	10,550	5,746,046	0.2
Total premiums	$ 19,547,645	$ 5,053,863	$1,278,167	$ 15,771,949	8.1%
1992					
Life insurance in-force	$210,605,862	$11,344,069	$3,670,939	$202,932,732	1.8%
Premiums:					
General insurance	$ 12,797,504	$ 4,477,187	$ 818,211	$ 9,138,528	9.0%
Life insurance	5,013,447	170,447	10,087	4,853,087	0.2
Total premiums	$ 17,810,951	$ 4,647,634	$ 828,298	$ 13,991,615	5.9%

Schedule VI

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
As of December 31, 1994, 1993, 1992 and for the years then ended

(in thousands)

AFFILIATION WITH REGISTRANT	DISCOUNT IF ANY, DEDUCTED FROM RESERVES FOR LOSSES AND LOSS EXPENSES	LOSSES AND LOSS EXPENSES INCURRED RELATED TO CURRENT YEAR	LOSSES AND LOSS EXPENSES INCURRED RELATED TO PRIOR YEARS	PAID LOSSES AND LOSS EXPENSES
1994				
AIG and consolidated subsidiaries	$21,000	$8,158,400	$(152,800)	$7,143,700
1993				
AIG and consolidated subsidiaries	$21,000	$7,530,700	$ 45,300	$6,775,800
1992				
AIG and consolidated subsidiaries	$21,000	$7,497,100	$ 6,400	$6,586,600

Note: The ending reserves of 50% or less owned equity investees (minority-owned companies) are less than 5% of the total reserves.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	LOCATION
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
3(i)	Restated Certificate of Incorporation of AIG, at November 30, 1994	Filed herewith.
3(ii)	By-laws of AIG	Filed herewith.
4	Instruments defining the rights of security holders, including indentures	
	(a) Fiscal Agency Agreement dated as of October 1, 1984 between AIG and Citibank, N.A.	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission.
	(b) Indenture dated as of July 15, 1989 between AIG and The Bank of New York	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission.

EXHIBIT NUMBER	DESCRIPTION	LOCATION
9	Voting Trust Agreement	None.
10	Material contracts	
	(a) AIG 1969 Employee Stock Option Plan and Agreement Form	Filed as exhibit to AIG's Registration Statement (File No. 2-44043) and incorporated herein by reference.

	(b) AIG 1972 Employee Stock Option Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-44702) and incorporated herein by reference.
	(c) AIG 1972 Employee Stock Purchase Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-44043) and incorporated herein by reference.
	(d) AIG 1984 Employee Stock Purchase Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-91945) and incorporated herein by reference.
	(e) AIG 1977 Stock Option and Stock Appreciation Rights Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-59317) and incorporated herein by reference.
	(f) AIG 1982 Employee Stock Option Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-78291) and incorporated herein by reference.
	(g) AIG 1987 Employee Stock Option Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated as of April 6, 1987 (File No. 0-4652) and incorporated herein by reference.
	(h) AIG 1991 Employee Stock Option Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated as of March 30, 1992 (File No. 0-4652) and incorporated herein by reference.
	(i) AIRCO 1972 Employee Stock Option Plan	Incorporated by reference to AIG's Joint Proxy Statement and Prospectus (File No.2-61994).
	(j) AIRCO 1977 Stock Option and Stock Appreciation Rights Plan	Incorporated by reference to AIG's Joint Proxy Statement and Prospectus (File No.2-61994).
11	Statement re computation of per share earnings	Filed herewith.
12	Statements re computation of ratios	Filed herewith.
13	Annual report to security holders	Not required to be filed.
18	Letter re change in accounting principles	None.
21	Subsidiaries of the Registrant	Filed herewith.
22	Published report regarding matters submitted to vote of security holders	None.

EXHIBIT NUMBER	DESCRIPTION	LOCATION
23	Consent of Coopers & Lybrand L.L.P.	Filed herewith.
24	Power of attorney	Included on the signature page hereof.
27	Financial Data Schedule	Provided herewith.
28P	Information from reports furnished to state insurance regulatory authorities	To be filed under hardship exemption.
99	Undertakings by the Registrant required by Item 17 of Form S-3 and Item 21 of Form S-8, deemed to be incorporated by reference into AIG's Registration Statements on Forms S-3 and S-8 (No. 2-38768, No.2-44043, No. 2-45346, No. 2-51498, No. 2-59317, No. 2-61858, No. 2-62760, No. 2-64336, No. 2-67600, No. 2-72058, No. 2-75874, No. 2-75875, No. 2-78291, No. 2-87005, No. 2-82989, No. 2-90756, No. 2-91945, No. 2-95589, No. 2-97439, No. 33-8495, No. 33-13874, No. 33-18073, No. 33-25291, No. 33-41643, No. 33-48996 and No. 33-57250)	Filed herewith.

Exhibit 3(i)

RESTATED CERTIFICATE OF INCORPORATION

of

AMERICAN INTERNATIONAL GROUP, INC.

American International Group, Inc. (the "Company"), a corporation which is organized and existing under and by virtue of the General Corporation Law of the State of Delaware and which was originally incorporated under such law as "American International Enterprise, Inc." on June 9, 1967, DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Company resolutions were duly adopted setting forth a Restated Certificate of Incorporation of said Company. The resolution setting forth the restatement is as follows:

R E S O L V E D

That the Certificate of Incorporation of AMERICAN INTERNATIONAL GROUP, INC. (the "Company") restated so that as restated it will read in its entirety as follows:

"ARTICLE ONE.

Name.

The name of the Company is AMERICAN INTERNATIONAL GROUP, INC.

ARTICLE TWO.

Registered Office and Registered Agent

Its principal office is to be located in the City of Dover, in the County of Kent, in the state of Delaware. The name of its resident agent is the UNITED STATES CORPORATION COMPANY, whose address is 32 Loockerman Square, Suite L-100 in said City.

ARTICLE THREE.

Corporate Purposes and Powers.

The nature of the business or purpose to be conducted or promoted by the Company is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, including, but not limited to, the business of insurance agent, broker or adjuster.

ARTICLE FOUR.

Capital Stock.

The total number of shares of all classes of stock which the Company shall have authority to issue is 506,000,000, of which 6,000,000 shares are to be Serial Preferred Stock, par value $5.00 per share (hereinafter called the "Serial Preferred Stock") and 500,000,000 shares are to be Common Stock, par value $2.50 per share (hereinafter called the "Common Stock").

The voting powers, designations, preferences and relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof, of the Serial Preferred Stock and the Common Stock, in addition those set forth elsewhere herein, are as follows:

(1) The Serial preferred Stock may be issued from time to time by the Board of Directors, as shares of one or more series of Serial Preferred Stock, and, subject to subdivisions (2) through (6) of this Article Four, the Board of Directors or a duly authorized committee thereof is expressly authorized, prior to issuance, in the resolution or resolutions providing for the issue of shares of each particular series, to fix the relative rights, preferences or limitations of the shares of the series, including but not limited to the following:

(a) The distinctive serial designation of such series which shall distinguish it from other series;

(b) The number of shares included in such series, which number may be increased or decreased from time to time unless otherwise provided in the resolutions creating the series:

(c) The dividend rate or rates (or method of determining such rate or rates) for shares of such series and the date or dates (or the method of determining such date or dates) upon which such dividends shall be payable;

(d) Whether dividends on the shares of such series shall be cumulative, and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;

(e) The amount or amounts which shall be paid out of the assets of the Company to the holders of the shares of such series upon voluntary or involuntary liquidation, dissolution or winding up of the Company;

(f) The price or prices at which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed or exchanged, in whole or in part;

(g) The obligation, is any, of the Company to purchase or redeem shares of such series pursuant to a sinking fund or otherwise and the price or prices at which, the period or periods within which and the terms and conditions upon which the shares of such series shall be redeemed, in whole or in part, pursuant to such obligation;

(h) The period or periods within which and the terms and conditions if any, including the price or prices or the rate or rates of conversion and the terms and conditions of any adjustments thereof, upon which the shares of such series shall be convertible at the option of the holder into shares of any other class of stock of into shares of any other series of Serial Preferred Stock, except into shares of a class having rights or preferences as to dividends or distribution of assets upon liquidation which are prior or superior in rank to those of the shares being converted;

(i) The voting rights, if any, of the shares of such series in addition to those required by law, including the number of votes per share and any requirement for the approval by the holders of up to 66 2/3% of all Serial Preferred Stock, or of the shares of one or more series, or of both, as a condition to specified corporate action or amendments to the Restated Certificate of Incorporation; and

(j) Any other relative rights, preferences or limitations of the shares of the series not inconsistent herewith or with applicable law.

(2) All Serial preferred Stock (a) shall rank senior to the Common Stock in respect of the right to receive dividends and the right to receive payments out of the assets of the Company upon voluntary or involuntary liquidation, dissolution or winding up of the Company and (b) shall be of equal rank with all other shares the Serial Preferred Stock as to the right to receive dividends and

the right to receive payments out of the assets of the Company upon voluntary or involuntary liquidation, dissolution or winding up of the Company.

(3) No dividend shall be paid upon, or declared or set apart for, any share of Serial Preferred Stock or any other share of preferred stock ranking on a parity with the Serial Preferred Stock as to dividends unless at the same time a like proportionate dividend, ratably in proportion to the respective dividend rates fixed therefor, shall be paid upon, or declared and set apart for, all shares of Serial Preferred Stock and preferred stock of all series ranking on a parity as to dividends then issued and outstanding and on which dividends are accrued and payable for all dividend periods terminating on or prior to the dividend payment date.

4) In no event, so long as any shares of Serial Preferred Stock shall be outstanding, shall any dividend, whether in cash or property, be paid or declared, nor shall any distribution be made, on any junior stock, nor shall any shares of any junior stock be purchased, redeemed or otherwise acquired for value by the Company, unless all dividends on the Serial Preferred Stock of all series and any series of preferred stock ranking on a parity with the Serial Preferred Stock as to dividends for all past dividend periods and for the then current period shall have been paid or declared and a sum sufficient for the payment thereof set apart, unless the Company shall note in default with respect to any of its obligation with respect to any past period with respect to any sinking fund for any series of Serial Preferred Stock and preferred stock ranking on a parity with the Serial Preferred Stock as to dividends. The foregoing provisions of this sub-division (4) shall not, however, apply to a dividend payable on any junior stock, or to the acquisition of shares of any junior stock in exchange for, or through application of the proceeds of the sale of, shares of any other junior stock.

(5) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, then, before any distribution or payment shall be made to the holders of any junior stock, the holders of the Serial Preferred Stock and any shares of preferred stock ranking on a parity therewith as to liquidation shall be entitled to be paid in full the respective amounts of the liquidation preferences thereof, which in the case of Serial Preferred Stock shall be the amounts fixed in accordance with the provisions of subdivision (1) of this Article Four, together with accrued dividends to such distribution or payment date whether or not earned or declared. If such payment shall have been made in full to the holders of the Serial Preferred Stock and any series of preferred stock ranking on a parity therewith as to liquidation, the remaining assets and funds of the Company shall be distributed among the holders of the junior stock, according to their respective rights and preferences and in each case according

to their respective shares. If, upon any liquidation, dissolution or winding up of the affairs of the Company, the amounts so payable are not paid in full to the holders of all outstanding shares of Serial Preferred Stock and any series of preferred stock ranking on a parity therewith as to liquidation, the holders of all series of Serial Preferred Stock and any series of preferred stock ranking on a parity therewith as to liquidation shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither the consolidation or merger of the Company, nor the sale, lease or conveyance of all or a part of its assets, shall be deemed a liquidation, dissolution or winding up of the affairs of the Company within the meaning of the foregoing provisions of this subdivision (5).

(6) No holder of Serial Preferred Stock shall be entitled as a matter of right to subscribe for or purchase, or have any preemptive right with respect to, any part of any new or additional issue of stock of any class whatsoever, or of securities convertible into any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

(7) As issued herein with respect to the Serial Preferred Stock or in any resolution adopted by the Board of Directors providing for the issue of any particular series of the Serial Preferred Stock as authorized by subdivision (1) of this Article Four, the following terms shall have the following meanings:

(a) The term "junior stock" shall mean the Common Stock and any other class of stock of the Company hereafter authorized over which the Serial Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company.

(b) The term "sinking fund" shall mean any fund or requirement for the periodic retirement of shares.

(c) The term "accrued dividends", with respect to any share of any series, shall mean an amount computed at the annual dividend rate for the series of which the particular share is a part, from the date on which dividends on such share became cumulate to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon.

(8) No holder of any share or shares of stock of the Company shall be entitled as of right to subscribe for, purchase or receive any shares of stock of any class or any other securities which the Company may issue, whether now or hereafter authorized, and whether such stock or securities be issued for money or for a consideration

other than money or by way of a dividend and all such shares of stock or other securities may be issued or disposed of by the Board of Directors to such persons, firms, corporations, and associations and on such terms as it, in its absolute discretion, may deem advisable, without offering to stockholders then of record or any class of stockholders any thereof upon the same terms or upon any terms.

(9) The holders of the shares of Common Stock will be entitled to one vote per share of such stock on a matters except as herein or by statute otherwise provided.

ARTICLE FIVE.

Minimum Capital.

The minimum amount of capital with which the company will commence business is $1,000.

ARTICLE SIX.

Corporate Existence.

The Company is to have perpetual existence.

ARTICLE SEVEN.

Liability of Holders of Capital Stock for Corporate Debts.

The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

ARTICLE EIGHT.

Powers of Board of Directors; Meetings;
Corporate Books; Etc.

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Company, and for further definition, limitation and regulation of the powers of the Company and of the directors and stockholders:

(1) Subject to the provisions of subdivision (6) of Article Four hereof, the number of directors of the Company shall be such as from time to time shall be fixed by, or in the manner provided in the By-Laws. Election of directors need not be by ballot unless the By-Laws so provide.

(2) The Board of Directors shall have power:

(a) Without the assent or vote of the stockholders, to make, alter, change, add to, or repeal the By-Laws of the Company; to fix and vary the amount to be reserved for any proper purpose and to abolish any such reserve in the manner in which it was created; to authorize and cause to be executed mortgages and liens upon any part of the property of the Company provided it be less than substantially all; to determine the use and disposition of any surplus or net profits and to fix the times for the declaration and payment of dividends.

(b) To determine from time to time whether, and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Company (other than the stock ledger) or any of them, shall be open to the inspection of the stockholders.

(c) By resolution passed by a majority of the whole Board, to designate one or more committees, each committee to consist of two or more of the directors of the Company, which, to the extent provided in the resolution or in the By-Laws of the Company, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the By-Laws of the Company or as may be determined from time to time by resolution adopted by the Board of Directors.

(d) When and as authorized by the affirmative vote of the holders of a majority of the stock is issued and outstanding having voting power given at a stockholders# meeting duly called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all of the property and assets of the Company, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the Company.

(3) The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for this purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Company which is represented in person or by proxy at such meeting and entitled to

vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and as binding upon the Company and upon all the stockholders, as though it had been approved or ratified by every stockholder of the Company, whether or not the contract or act would otherwise be open to legal attack because of directors# interest, or for any other reason.

(4) The stockholders and directors shall have power to hold their meetings if the By-Laws so provide and (except as the laws of the State of Delaware shall otherwise provide) keep the books, documents and papers of the Company, outside of the State of Delaware, and to have one or more offices within or without the State of Delaware, at such places as may be from time to time designated by the By-Laws or by resolution of the stockholders or directors, except as otherwise required by the laws of Delaware.

(5) In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Company; subject, nevertheless, to the provisions of the statutes of Delaware, of this certificate, and to any By-Laws from time to time made by the stockholders; provided, however, that no By-Laws so made shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been made.

ARTICLE NINE.

Transactions with Directors.

No contract or other transaction between the Company and any other corporation, whether or not a majority of the shares of the capital stock of such other corporation is owned by the Company, and no act of the Company shall in any way be affected or invalidated by the fact that any of the directors of the Company are financially or otherwise interested in, or are directors or officers of, such other corporation; any director individually, or any firm of which such director may be a member, may be a party to, or may be financially or otherwise interested in, any contract or transaction of the Company, provided that the fact that he or such firm is so interested shall be disclosed or shall have been known to the Board of Directors or a majority thereof; and any director of the Company who is also a director or officer of such other corporation, or who is so interested, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the Company which shall authorize such contract or transaction and may vote thereat to authorize such contract or transaction, with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE TEN.

Indemnification of Directors and Officers.

The Company shall indemnify to the full extent permitted by law any person made, or threatened to be made, a party to an action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the company or serves or served any other enterprise at the request of the Company.

ARTICLE ELEVEN.

Reservation of Right to Amend Certificate of Incorporation.

The Company reserves the right to amend, alter, change or repeal any provision contained in the Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power.

ARTICLE TWELVE.

No director of the Company shall be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such an exemption from liability or limitation thereof is not permitted under the Delaware General Corporation law as presently in effect or as the same may hereafter be amended. No amendment to or repeal of these provisions shall apply to or have any effect on the liability or alleged liability of any director of the Company for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal."

SECOND: That said restatement only restates and integrates and does not further amend the provision of the Company#s certificate of incorporation as heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of said restatement.

THIRD: That said restatement as duly adopted in accordance it the provisions of Section 245 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of said company will not be reduced under or by reason of said restatement.

IN WITNESS WHEREOF, said AMERICAN INTERNATIONAL GROUP, INC. has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Maurice R. Greenberg, its Chairman, and Kathleen E. Shannon, its Secretary this 30th day of November, 1994.

AMERICAN INTERNATIONAL GROUP, INC.

By /s/ MAURICE R. GREENBERG

Chairman

By /s/ KATHLEEN E. SHANNON

Secretary

STATE OF NEW YORK)
) S.S.:
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 30th day of November, 1994, personally came before me, a Notary Public in and for the County and State aforesaid, Maurice R. Greenberg, Chairman of American International Group, Inc., (the "Company"), a corporation of the State of Delaware, the Company described in and which executed the forgoing certificate, known to me personally to be such, and he, the said Maurie R. Greenberg as such Chairman, duly executed said certificate before me and acknowledged the said certificate to be his act and deed and the act and deed of said Company; that the signature of the said Chairman and of the Secretary of said Company to said certificate are in the handwriting of the said Chairman and Secretary of said Company, respectively, and that the seal affixed to said certificate is the common or corporate seal of said Company, and that the facts said therein are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

/s/ PATRICIA R. MCAULFFE

Notary Public

[SEAL]

Exhibit 3(ii)

AMENDED November 14, 1994

AMERICAN INTERNATIONAL GROUP, INC .

BY-LAWS

ARTICLE I

Stockholders

Section 1.1. Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place either within or without the State of Delaware as may be designated by the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the Chairman, a Vice Chairman, if any, the President, if any, the Secretary or the Board of Directors, to be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting. A special meeting of stockholders shall be called by the Secretary upon the written request, stating the purpose of the meeting, of stockholders who together own of record twenty-five percent of the outstanding shares of each class of stock entitled to vote at such meeting.

Section 1.3. Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of such meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder#s address as it appears on the records of the Corporation. No business other than that stated in the notice shall be transacted at any special meeting without the unanimous consent of all the stockholders entitled to vote thereat.

Section 1.4. Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced

at the meeting at which the adjournment is taken; provided, that if the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

Section 1.5. Quorum. At each meeting of stockholders, except where otherwise provided by law or the certificate of incorporation or these by-laws, the holders of a majority of the outstanding shares of each class of stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided by Section 1.4 of these by-laws until a quorum shall attend. Shares of its own capital stock belonging on the record date for the meeting to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chairman, or in the absence of the Chairman by a Vice Chairman, if any, or in the absence of a Vice Chairman by the President, if any, or in the absence of the President by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, or in the absence of the Secretary an Assistant Secretary shall so act, or in their absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7. Classes or Series of Stock; Voting Proxies. For purposes of this Article I, two or more classes or series of stock shall be considered a single class if and to the extent that the holders thereof are entitled to vote together as a single class at the meeting. Unless otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed

proxy shall be irrevocable if it states that it is irrevocable and if and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors unless the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting shall so determine. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. With respect to other matters, unless otherwise provided by law or by the certificate of incorporation or these by-laws, the affirmative vote of the holders of a majority of the shares of all classes of stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, provided that (except as otherwise required by law or by the certificate of incorporation) the Board of Directors may require a larger vote upon any such matter. Where a separate vote by class is required, the affirmative vote of the holders of a majority of the shares of each class present in person or represented by proxy at the meeting shall be the act of such class, except as otherwise provided by law or by the certificate of incorporation or these by-laws.

Section 1.8. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of any meeting, nor more than sixty days prior to any other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board is necessary, shall be the day on which the first written consent is expressed; and (3) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of

stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9. List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 1.10. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the certificate of incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II

Board of Directors

Section 2.1. Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the certificate of incorporation. The Board shall consist of not less than seven nor more than 21 members, the number thereof to be determined from time to time by the Board; provided, however, that in determining the number of directors no account shall be taken of any non-voting director, including any advisory or honorary director, that may be elected from time to time by a majority of the Board of Directors. The number of directors may be increased by amendment of these by-laws by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by the affirmative vote of the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon, and by like vote the additional directors may be elected to hold office until the next succeeding annual meeting of stockholders and until their respective successors are elected and qualified or until their respective earlier resignations or removals. Directors need not be stockholders.

Section 2.2. Election; Term of Office; Resignation; Removal; Vacancies. Each director shall hold office until the annual meeting of stockholders next succeeding his or her election and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any director may resign at any time upon written notice to the Board of Directors or to the Chairman or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and no acceptance of such resignation shall be necessary to make it effective. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; and any vacancy so created may be filled by the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of any class or series of stock are entitled to elect one or more directors by the provisions of the certificate of incorporation, the provisions of the preceding sentence shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. Unless otherwise provided in the certificate of incorporation or these by-laws, vacancies (other than any vacancy created by removal of a director by shareholder vote) and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director. Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may, unless otherwise provided in the certificate of incorporation, be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by the sole remaining director so elected.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board may from time to time determine, and if so determined notice thereof need not be given.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman or by the Secretary on the written request of any two directors. Reasonable notice thereof shall be given by the person calling the meeting.

Section 2.5. Participation in Meetings by Conference Telephone Permitted. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or of such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the entire Board shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the certificate of incorporation or these by-laws shall require a vote of a greater number. In case at any meeting of the Board a quorum shall not be present, a majority of the members of the Board present may adjourn the meeting from time to time until a quorum shall attend, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which adjournment is taken.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman, or in the absence of the Chairman by a Vice Chairman, if any, or in the absence of a Vice Chairman by the President, if any, or in their absence by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Action by Directors Without a Meeting. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 2.9. Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of directors.

ARTICLE III

Committees

Section 3.1. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable law and provided in the resolution of the Board or in these by-laws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in these by-laws or as may be determined from time to time by resolution adopted by the Board of Directors. The committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required. If the committee is for the purpose of managing the business of a division of the Corporation, at the option of the Board of Directors and provided that two directors serve on such committee, one or more of the members of the committee may be an officer or officers or employee or employees of the Corporation or a subsidiary thereof who are not directors, provided further that neither the quorum nor any action of the committee shall be determined by the presence or vote of any such member who is not a director.

The Executive Committee, if one shall be designated, to the extent permitted by applicable law shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Except as otherwise provided from time to time in resolutions passed by a majority of the whole Board of Directors, the powers and authority of the Executive Committee shall include the power and authority to declare a dividend on stock, to authorize the issuance of stock and to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law.

The Audit Committee, if one shall be designated, shall be composed of at least three directors, all of whom shall be persons who are not officers or employees of the Corporation or any of its parents or affiliates. Such Committee shall have the duty to advise the Board of Directors and the officers generally in matters relating to audits of the records of account of the Corporation and its subsidiaries. Such Committee shall recommend to the Board of Directors the nomination of the independent public accountants for the ensuing fiscal year, shall meet from time to time with the independent public accountants to review the scope of any proposed audit and to review the financial statements of the corporation and its subsidiaries and the public accountants# certificate relating thereto, and may also meet with such internal auditors as may be employed by the Corporation or its subsidiaries.

The Finance Committee, if one shall be designated, shall direct the financial and investment policy of the Corporation. Subject to the control of the Board of Directors, it shall have power to invest and reinvest the assets of the Corporation in such securities or other property as it may elect and to change such investments at such time or times as it may deem proper, all subject to the requirements of law, and to assist, counsel and advise the Finance and Investment Committees of the Corporation#s subsidiaries. All action taken by the Finance Committee shall be reported to the Board at its meeting next succeeding such action.

Section 3.2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these by-laws.

ARTICLE IV

Officers

Section 4.1. Officers; Election. As soon as practicable after the annual meeting of stockholders in each year, the Board of Directors shall elect a Chairman and a Secretary, and it may, if it so determines, elect one or more Vice Chairman and a President. The Board may also elect one or more Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as the Board may deem desirable or appropriate and may give any of them such further designations or alternate titles as it considers desirable. Any number of offices may be held by the same person.

Section 4.2. Term of Office; Resignation; Removal Vacancies. Except as otherwise provided in the resolution of the Board of Directors electing any officer each officer shall hold office until the first meeting of the Board after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Board or to the Chairman or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and no acceptance of such resignation shall be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board at any regular or special meeting.

Section 4.3. Chairman. The Chairman shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. The Chairman shall be the chief executive officer and shall have general charge and supervision of the business of the Corporation and, in general, shall perform all duties incident to the office of chairman of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 4.4. Vice Chairman. In the absence of the Chairman, a Vice Chairman, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present and shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 4.5. President. In the absence of the Chairman and a Vice Chairman, the President, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present and shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 4.6. Vice Presidents. The Vice President or Vice Presidents, at the request or in the absence of the President or during the President#s inability to act, shall perform the duties of the President, and when so acting shall have the powers of the President. Vice Presidents include all Executive Vice Presidents and Senior Vice Presidents. If there be more than one

Vice President, the Board of Directors may determine which one or more of the Vice Presidents shall perform any of such duties; or if such determination is not made by the Board, the Chairman may make such determination; otherwise any of the Vice Presidents may perform any of such duties. The Vice President or Vice Presidents shall have such other powers and shall perform such other duties as may, from time to time, be assigned to him or her or them by the Board or the Chairman or as may be provided by law.

Section 4.7. Secretary. The Secretary shall have the duty to record the proceedings of the meetings of the stockholders, the Board of Directors and any committees in a book to be kept for that purpose, shall see that all notices are duly given in accordance with the provisions of these by-laws or as required by law, shall be custodian of the records of the Corporation, may affix the corporate seal to any document the execution of which, on behalf of the Corporation, is duly authorized, and when so affixed may attest the same, and, in general, shall perform all duties incident to the office of secretary of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or the Chairman or as may be provided by law.

Section 4.8. Treasurer. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation and shall deposit or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by or under authority of the Board of Directors. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his or her duties, with such surety or sureties as the Board may detain. The Treasurer shall keep or cause to be kept full and accurate records of all receipts and disbursements in books of the Corporation, shall render to the Chairman and to the Board, whenever requested, an account of the financial condition of the Corporation, and, in general, shall perform all the duties incident to the office of treasurer of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or the Chairman or as may be provided by law.

Section 4.9. Other Officers. The other officers, if any, of the Corporation, including any Assistant Vice Presidents, shall have such powers and duties in the management of the Corporation as shall be stated in a resolution of the Board of Directors which is not inconsistent with these by-laws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board. The Board may require any officer, agent or employee to give security for the faithful performance of his or her duties.

ARTICLE V

Stock

Section 5.1. Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or a Vice Chairman, if any, or the President, if any, or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by such holder in the Corporation. If such certificate is manually signed by one officer or manually countersigned by a transfer agent or by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates: Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen-or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner#s legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

Miscellaneous

Section 6.1. Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

Section 6.2. Seal. The Corporation may have a corporate seal which shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 6.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these by-laws, a written waiver

thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

Section 6.4. Indemnification of Directors, Officers and Employees. The Corporation shall indemnify to the full extent authorized by law any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or such person#s testator or intestate is or was a director, officer or employee of the Corporation or serves or served at the request of the Corporation any other enterprise as a director, officer, employee or agent. For purposes of this by-law, the term "Corporation" shall include any predecessor of the Corporation and any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger: the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Corporation" shall include service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiary; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

Section 6.5. Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if: (1) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

Section 6.6. Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs or any other information storage device, provided that the records so kept can be converted into clearly legible for within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 6.7. Dividends. Subject to the provisions of the certificate of incorporation, the Board of Directors may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient. Before declaring any dividend, the Board may cause to be set apart out of any funds of the Corporation available for dividends, such sum or sums as the directors from time to time in their discretion deem proper forworking capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purposes as the directors shall deem conducive to the interests of the Corporation.

Section 6.8. Checks. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

Section 6.9. Amendment of By-Laws. These by-laws may be amended or repealed, and new by-laws adopted, by the affirmative vote of a majority of the Board of Directors, but the holders of a majority of the shares then entitled to vote may adopt additional by-laws and may amend or repeal any by-law whether or not adopted by them.

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "AMERICAN INTERNATIONAL GROUP. INC.", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF NOVEMBER, A.D. 1994, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS FOR RECORDING.

0658607 8100

944231025

[SEAL] /s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

AUTHENTICATION: 7320247

DATE: 12-01-94

Exhibit 11

Computation of Earnings Per Share

American International Group, Inc. and Subsidiaries

(in thousands, except per share amounts)

YEARS ENDED DECEMBER 31,	1994	1993	1992	1991	1990
Average outstanding shares used in the computation of per share earnings:					
Common shares issued (a)	337,391	337,392	337,395	337,392	329,351
Common stock in treasury (a)	(20,805)	(19,931)	(19,758)	(19,020)	(18,883)
Average outstanding shares	316,586	317,461	317,637	318,372	310,468
Income before cumulative effect of accounting changes	$2,175,515	$1,917,035	$1,620,544	$1,545,747	$1,432,606
Cumulative effect of accounting changes, net of tax					
AIG	--	--	31,941	--	--
Minority-owned insurance operations	--	20,695	--	--	--
Net income (applicable to common stock) (b)	$2,175,515	$1,937,730	$1,652,485	$1,545,747	$1,432,606
Earnings per common share: (c)					
Income before cumulative effect of accounting changes	$6.87	$6.04	$5.10	$4.86	$4.61
Cumulative effect of accounting changes, net of tax					
AIG	--	--	0.10	--	--
Minority-owned insurance operations	--	0.07	--	--	--
Net income	$6.87	$6.11	$5.20	$4.86	$4.61

(a) Adjusted for a 50 percent common stock split in the form of a common stock dividend paid July 30, 1993.

(b) After deductions in 1993, 1992, 1991 and 1990 of preferred stock dividends of $1,043, $4,471, $7,262 and $9,688, respectively.

(c) The effect of all other common stock equivalents is not significant; therefore, this information is not presented.

Exhibit 12

Computation of Ratios of
Earnings to Fixed Charges   American International Group, Inc. and Subsidiaries

(in thousands, except ratios)

YEARS ENDED DECEMBER 31,	1994	1993	1992	1991	1990
Income before income taxes and cumulative effect of accounting changes	$2,951,979	$2,601,081	$2,137,048	$2,022,575	$1,811,534
Less-Equity income of less than 50% owned persons	54,091	43,966	40,148	35,534	31,774
Add-Dividends from less than 50% owned persons	4,660	4,349	5,147	4,444	3,525
	2,902,548	2,561,464	2,102,047	1,991,485	1,783,285
Add-Fixed charges	1,408,266	1,213,487	1,233,132	977,816	672,500
Less-Capitalized interest	46,023	42,699	38,725	40,313	13,772
Income before income taxes, cumulative effect of accounting changes and fixed charges	$4,264,791	$3,732,252	$3,296,454	$2,928,988	$2,442,013
Fixed charges:					
Interest costs	$1,335,300	$1,146,654	$1,166,732	$ 911,349	$ 616,333
Rental expense*	72,966	66,833	66,400	66,467	56,167
Total fixed charges	$1,408,266	$1,213,487	$1,233,132	$ 977,816	$ 672,500
Ratio of earnings to fixed charges	3.03	3.08	2.67	3.00	3.63

* The proportion deemed representative of the interest factor.

The ratios shown are significantly affected as a result of the inclusion of the fixed charges and operating results of AIG Financial Products Corp. and its subsidiaries (AIGFP). AIGFP structures borrowings through guaranteed investment agreements and engages in other complex financial transactions, including interest rate and currency swaps. In the course of its business, AIGFP enters into borrowings that are primarily used to purchase assets that yield rates greater than the rates on the borrowings with the intent of earning a profit on the spread and to finance the acquisition of securities utilized to hedge certain transactions. The pro forma ratios of earnings to fixed charges, excluding the effects of the operating results of AIGFP, are 5.23, 5.66, 5.15, 5.40 and 7.27 for 1994, 1993, 1992, 1991 and 1990, respectively. As AIGFP will continue to be a subsidiary, AIG expects that these ratios will continue to be lower than they would be if the fixed charges and operating results of AIGFP were not included therein.

Exhibit 21

Subsidiaries of Registrant

NAME OF CORPORATION	JURISDICTION OF INCORPORATION	% OF VOTING SECURITIES OWNED BY ITS IMMEDIATE PARENT(1)
Starr	Delaware	(2)
SICO	Panama	(2)
AIG (Registrant)(3)	Delaware	(4)
AICCO	New Hampshire	100%
AIG Aviation, Inc.	Georgia	100%
AIG Capital Corp.	Delaware	100%
AIG Capital Management	Delaware	100%
AIG Claim Services, Inc.	Delaware	100%
AIG Financial Products Corp.	Delaware	100%
AIG Funding, Inc.	Delaware	100%
AIG Global Investors, Inc.	New Jersey	100%
AIG Life Insurance Company	Delaware	78.9%(5)
AIG Life Insurance Company of Puerto Rico	Puerto Rico	100%
AIG Marketing, Inc.	Delaware	100%
AIG Investment Corporation	Delaware	100%
AIG Realty, Inc.	New Hampshire	(6)
American International Realty Corp.	Delaware	100%
AIG Risk Management, Inc.	New York	100%
AIG Trading Group Inc.	Delaware	80%
AIU Insurance Company	New York	52%(7)
AIU North America, Inc.	New York	100%
American International Underwriters Corporation	New York	100%
American Home	New York	100%
AIG Hawaii Insurance Company, Inc.	Hawaii	100%
American International Insurance Company	New York	100%
American International Insurance Company of California	California	100%
Minnesota Insurance Company	Minnesota	100%
Transatlantic		
Holdings, Inc.	Delaware	34.15%(8)
American International Group Data Center, Inc.	New Hampshire	100%
American International Life Assurance Company of New York	New York	77.52%(9)
American International Reinsurance Company Limited	Bermuda	100%
AIA	Hong Kong	100%
Australian American Assurance Company Limited	Australia	100%
American International Assurance Company (Bermuda) Limited	Bermuda	100%
Nan Shan Life Insurance Company, Ltd.	Taiwan	94.12%
AIUO	Bermuda	100%
AIG Europe (Ireland) Ltd.	Ireland	100%
Universal Insurance Co., Ltd.	Thailand	100%
Interamericana Compania de Seguros Gerais (Brazil)	Brazil	100%
La Seguridad de Centroamerica, Compania de Seguros, Sociedad Anonima	Guatemala	100%
American International Insurance Company of Puerto Rico	Puerto Rico	100%
La Interamerica Compania de Seguros Generales S.A.	Colombia	100%
American International Underwriters G.m.b.H.	Germany	100%
Underwriters Adjustment Company, Inc.	Panama	100%
American Life Insurance Company	Delaware	100%
Kenya American Insurance Company Limited	Kenya	100%
ALICO	France	89%

Subsidiaries of Registrant--(continued)

NAME OF CORPORATION	JURISDICTION OF INCORPORATION	% OF VOTING SECURITIES OWNED BY ITS IMMEDIATE PARENT(1)
Birmingham Fire Insurance Company of Pennsylvania	Pennsylvania	100%
China America Insurance Company, Ltd.	Delaware	50%
Commerce and Industry Insurance Company	New York	100%
Commerce and Industry Insurance Company of Canada	Ontario	100%
Delaware American Life Insurance Company	Delaware	100%
Hawaii Insurance Consultants, Ltd.	Hawaii	100%
The Insurance Company of the State of Pennsylvania	Pennsylvania	100%
Landmark Insurance Company	California	100%
Le Metropolitana de Seguros, C. por A.	Dominican Republic	100%
Mt. Mansfield Company, Inc.	Vermont	100%
National Union	Pennsylvania	100%
American International Specialty Lines Insurance Company	Alaska	70%(10)
International Lease Finance Corporation	California	100%
Lexington	Delaware	70%(10)
JI Accident & Fire Insurance Co. Ltd.	Japan	50%
National Union Fire Insurance Company of Louisiana	Louisiana	100%
NHIG Holding Corp.	Delaware	100%
Audubon Insurance Company	Louisiana	100%
Audubon Indemnity Company	Mississippi	100%
Agency Management Corporation	Louisiana	100%
The Gulf Agency, Inc.	Alabama	100%
New Hampshire	Pennsylvania	100%
AIG Europe, S.A.	France	(11)
A.I. Network Corporation	New Hampshire	100%

Marketpac International, Inc.	Delaware	100%
American International Pacific Insurance Company	Colorado	100%
American Global Insurance Company	Pennsylvania	100%
Granite State Insurance Company	Pennsylvania	100%
New Hampshire Indemnity Company, Inc.	Pennsylvania	100%
Illinois National Insurance Co.	Illinois	100%
New Hampshire Insurance Services, Inc.	New Hampshire	100%
PHILAM	Philippines	99%
Pacific Union Assurance Company	California	100%
The Philippine American General Insurance Company, Inc.	Philippines	100%
Philam Insurance Company, Inc.	Philippines	100%
The Philippine American Assurance Company, Inc.	Philippines	25%

NAME OF CORPORATION	JURISDICTION OF INCORPORATION	% OF VOTING SECURITIES OWNED BY ITS IMMEDIATE PARENT(1)
Risk Specialist Companies, Inc.	Delaware	100%
Ticino Societa d' Assicurazioni Sulla Vita	Switzerland	99.8%
UeberseeBank, AG	Switzerland	100%
UGC	North Carolina	36.31%(12)
United Guaranty Residential Insurance Company of North Carolina	North Carolina	100%
United Guaranty Residential Insurance Company	North Carolina	75%(13)
United Guaranty Commercial Insurance Company of North Carolina	North Carolina	100%
United Guaranty Commercial Insurance Company	North Carolina	100%
United Guaranty Credit Insurance Company	North Carolina	100%
United Guaranty Services, Inc.	North Carolina	100%

(1) Percentages include directors' qualifying shares.

(2) The directors and officers of AIG as a group own 88.17 percent of the voting common stock of Starr and 81.82 percent of the voting stock of SICO. Six of the directors of AIG also serve as directors of Starr and SICO.

(3) All subsidiaries listed except for minority-owned Transatlantic Holdings, Inc., which is included under the equity method, are consolidated in the accompanying financial statements. Certain subsidiaries have been omitted from the tabulation. The omitted subsidiaries, when considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary.

(4) The common stock is owned 16.0 percent by SICO, 2.4 percent by Starr and 3.6 percent by The Starr Foundation.

(5) Also owned 21.1 percent by Commerce & Industry Insurance Company.

(6) Owned by 13 AIG subsidiaries.

(7) Also owned 8 percent by The Insurance Company of the State of Pennsylvania, 32 percent by National Union, and 8 percent by Birmingham.

(8) Also owned 12.25 percent by American International Group, Inc.

(9) Also owned 22.48% by American Home.

(10) Also owned 20 percent by The Insurance Company of the State of Pennsylvania and 10 percent by Birmingham.

(11) Under reorganization plan, 100 percent to be held with other AIG companies.

(12) Also owned 45.88 percent by National Union, 16.95 percent by New Hampshire and 0.86 percent by The Insurance Company of the State of

Pennsylvania.

(13) Also owned 25 percent by United Guaranty Residential Insurance Company of North Carolina.

Exhibit 23

Consent of Independent Accountants

We consent to the incorporation by reference in the Registration Statements of American International Group, Inc. on Forms S-3 and S-8 (No. 2-38768, No. 2-44043, No. 2-45346, No. 2-51498, No. 2-59317, No. 2-61858, No. 2-62760, No. 2-64336, No. 2-67600, No. 2-72058, No. 2-75874, No. 2-75875, No. 2-78291, No. 2-87005, No. 2-82989, No. 2-90756, No. 2-91945, No. 2-95589, No. 2-97439, No. 33-8495, No. 33-13874, No. 33-18073, No. 33-25291 No. 33-41643, No. 33-48996 and No. 33-57250) of our report dated February 23, 1995, on our audits of the consolidated financial statements and financial statement schedules of American International Group, Inc. and subsidiaries as of December 31, 1994 and 1993 and for each of the three years in the period ended December 31, 1994, which report is included in the Annual Report on Form 10-K of American International Group, Inc. for the year 1994, and to the reference to our firm under the heading "Financial Statements" included in the Prospectuses.

COOPERS & LYBRAND L.L.P.

New York, New York
March 29, 1995.

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Exhibit 27

AMERICAN INTERNATIONAL GROUP, INC.
Financial Data Schedule
For the twelve months ended December 31, 1994
(In thousands, except per share amounts)

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Exhibit 99

Undertakings

(a) The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 unless the information required to be included in such post-effective amendment is contained in a periodic report filed by registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and incorporated herein by reference,

(ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement unless the information required to be included in such post-effective amendment is contained in a periodic report filed by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and incorporated herein by reference, and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

(4) that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given, a copy of the registrant's annual report to shareholders for its last fiscal year, unless such employee otherwise has received a copy of such report in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120-day period the annual report for the last fiscal year will be furnished to each such employee.

(c) The undersigned registrant hereby undertakes to transmit or cause to be transmitted to all employees participating in the plan, who do not otherwise receive such material as shareholders of the registrant, at the time and in the manner such material is sent to its shareholders, copies of all reports, proxy statements and other communications distributed to its shareholders generally.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.