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, 1993

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 0-4652

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, 1994 was approximately $ 20,974,828,000 computed upon the basis of the closing sales price of the Common Stock on that date.

As of January 31, 1994, there were outstanding 317,648,221 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 16, 1994 is incorporated by reference in Part III of this Form 10-K.

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 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, 1994, beneficial ownership of approximately 15.9 percent, 3.7 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, 1993, AIG and its subsidiaries had approximately 33,000 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 reinsurance 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.)

(in thousands)

Years Ended December 31,	1993	1992	1991	1990	1989
GENERAL INSURANCE OPERATIONS:					
Gross premiums written	$ 14,901,255	$ 13,615,715	$ 13,336,248	$ 11,926,850	$ 11,615,938
Net premiums written	10,025,903	9,138,528	9,146,394	9,267,201	8,940,427
Net premiums earned	9,566,640	9,209,390	9,104,632	9,149,414	8,529,106
Adjusted underwriting profit (loss)(a)	10,391	(195,084)	(4,809)	75,184	57,084
Net investment income	1,340,480	1,252,086	1,163,461	1,059,161	954,867
Realized capital gains	65,264	67,134	89,275	120,000	86,050
Operating income	1,416,135	1,124,136	1,247,927	1,254,345	1,098,001
Identifiable assets	46,981,720	42,416,509	29,278,641	27,993,993	25,124,984
LIFE INSURANCE OPERATIONS:					
Premium income	5,746,046	4,853,087	4,059,354	3,477,598	2,994,882
Net investment income	1,499,714	1,313,838	1,139,793	977,343	805,542
Realized capital gains (losses)	54,576	43,257	23,219	(6,347)	42,206
Operating income	781,611	667,453	561,839	462,862	453,960
Identifiable assets	28,381,164	23,472,687	19,986,909	16,319,156	13,630,174
Insurance in-force at end of year	257,162,102	210,605,862	193,226,288	160,373,296	131,983,324
AGENCY AND SERVICE FEE OPERATIONS:					
Commissions, management and other fees	237,738	225,686	211,210	205,679	209,578
Net investment income	1,903	2,611	4,754	5,226	6,083
Operating income	60,247	52,570	46,202	36,663	34,911
Identifiable assets	179,297	157,280	188,638	168,846	150,509
FINANCIAL SERVICES OPERATIONS:					
Commissions, transaction and other fees	1,595,449	1,404,902	1,073,553	704,201	504,777
Operating income	390,038	346,442	222,156	132,505	149,798
Identifiable assets	25,514,258	27,138,230	20,485,838	14,472,483	6,866,037
EQUITY IN INCOME OF MINORITY-OWNED REINSURANCE OPERATIONS	39,589	27,929	28,806	24,050	21,496
OTHER REALIZED CAPITAL LOSSES	(12,742)	(11,293)	(14,144)	(14,258)	(4,563)
REVENUES (b)	20,134,657	18,388,627	16,883,913	15,702,067	14,150,024
TOTAL ASSETS	101,014,848	92,722,182	69,389,468	58,201,835	46,036,966

(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) 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 reinsurance 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, 1993. (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	$ 9,566,640	$6,664,792	$ 2,901,848	69.7%	30.3%
Adjusted underwriting profit (loss)	10,391	(130,275)	140,666	--	--
Net investment income	1,340,480	1,085,953	254,527	81.0	19.0
Realized capital gains	65,264	27,341	37,923	41.9	58.1
Operating income	1,416,135	983,019	433,116	69.4	30.6
Identifiable assets	46,981,720	37,334,348	9,647,372	79.5	20.5
LIFE INSURANCE OPERATIONS:					
Premium income	5,746,046	268,358	5,477,688	4.7	95.3
Net investment income	1,499,714	471,459	1,028,255	31.4	68.6
Realized capital gains	54,576	24,133	30,443	44.2	55.8
Operating income	781,611	43,455	738,156	5.6	94.4
Identifiable assets	28,381,164	6,959,646	21,421,518	24.5	75.5
AGENCY AND SERVICE FEE OPERATIONS:					
Commissions, management and other fees	237,738	232,937	4,801	98.0	2.0
Net investment income	1,903	1,879	24	98.7	1.3
Operating income	60,247	56,066	4,181	93.1	6.9
Identifiable assets	179,297	161,673	17,624	90.2	9.8
FINANCIAL SERVICES OPERATIONS:					
Commissions, transaction and other fees	1,595,449	1,200,420	395,029	75.2	24.8
Operating income	390,038	276,995	113,043	71.0	29.0
Identifiable assets	25,514,258	20,239,195	5,275,063	79.3	20.7
EQUITY IN INCOME OF MINORITY-OWNED REINSURANCE OPERATIONS	39,589	37,237	2,352	94.1	5.9
OTHER REALIZED CAPITAL GAINS (LOSSES)	(12,742)	(27,778)	15,036	--	--
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	2,601,081	1,329,908	1,271,173	51.1	48.9
REVENUES	20,134,657	9,986,731	10,147,926	49.6	50.4
TOTAL ASSETS	101,014,848	64,482,527	36,532,321	63.8	36.2

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.

In early 1994, AIG announced that it was considering the sale of Audubon, since its agency operations do not have a strategic fit with AIG's brokerage operations.

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.

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 1993 domestic general and foreign general insurance business accounted for 69.9 percent and 30.1 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:

(dollars in thousands)

	1993		1992		1991	
YEARS ENDED DECEMBER 31,	WRITTEN	EARNED	Written	Earned	Written	Earned
Gross premiums	$14,901,255	$14,405,992	$13,615,715	$13,616,700	$13,336,248	$13,234,486
Reinsurance ceded	(4,875,352)	(4,839,352)	(4,477,187)	(4,407,310)	(4,189,854)	(4,129,854)
Net premiums	$10,025,903	$ 9,566,640	$ 9,138,528	$ 9,209,390	$ 9,146,394	$ 9,104,632

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 18 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 statutory ratios, by major operating category for the year ended December 31, 1993. (See also Note 19(b) of Notes to Financial Statements.)

(dollars in thousands)

	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED	RATIO OF LOSSES AND LOSS EXPENSES INCURRED TO NET PREMIUMS EARNED	RATIO OF UNDERWRITING EXPENSES INCURRED TO NET PREMIUMS WRITTEN	COMBINED RATIO
Foreign	$ 3,019,300	$2,901,800	60.6	34.3	94.9
Commercial casualty(a)	5,368,200	5,174,300	82.1	13.4	95.5
Commercial property	241,400	180,700	108.2	21.8	130.0
Pools and associations(b)	746,400	723,100	135.8	16.3	152.1
Personal lines(c)	471,800	432,400	80.1	24.0	104.1
Mortgage guaranty	178,800	154,300	30.2	28.6	58.8
Total	$10,025,900	$9,566,600	79.2	20.9	100.1

(a) Including workers' compensation and retrospectively rated risks.
(b) Including involuntary pools.
(c) Including mass marketing and specialty programs.

Statutory 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 WRITTEN	NET PREMIUMS EARNED	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*
1993	$10,025,903	$9,566,640	79.2	20.9	100.1	(0.1)	110.3
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
1989	8,940,427	8,529,106	79.5	20.5	100.0	--	109.7

* Source: Best's Aggregates & Averages (Stock insurance companies, after dividends to policyholders). The ratio for 1993 reflects estimated results provided by Conning & Company.

During 1993, of the direct general insurance premiums written (gross premiums less return premiums and cancellations, excluding reinsurance assumed and before deducting reinsurance ceded), 10.0 percent and 10.6 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, 1993. During that year, 32.2 percent of general insurance premiums were written outside of the United States and Canada.

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 very 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 1983 through 1993. 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 $2,800.1 million as of December 31, 1983, by the end of 1993 (ten years later) $2,998.3 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 $2,800.1 million was reestimated to be $3,361.5 million at December 31, 1993. 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 deficiency of $50.2 million at December 31, 1993 related to December 31, 1992 net loss and loss expense reserves of $16,756.8 million represents the cumulative amount by which reserves for 1992 and prior years have developed deficiently during 1993.

ANALYSIS OF CONSOLIDATED NET LOSS AND LOSS EXPENSE RESERVE DEVELOPMENT

(in millions)

	1983	1984	1985	1986	1987	1988
Reserve for Net Losses and Loss Expenses, December 31,	$2,800.1	$3,132.7	$4,034.9	$6,199.3	$8,670.7	$11,086.1
Paid (Cumulative) as of:						
One Year Later	926.7	1,288.8	1,576.1	2,300.1	2,619.2	3,266.9
Two Years Later	1,670.4	2,183.9	2,823.2	3,676.4	4,315.9	5,451.5
Three Years Later	2,066.8	2,723.9	3,321.1	4,340.7	5,496.6	6,904.5
Four Years Later	2,370.8	2,934.6	3,589.5	4,919.1	6,207.5	7,966.2
Five Years Later	2,484.9	3,072.9	3,886.5	5,260.3	6,757.2	8,792.1
Six Years Later	2,567.1	3,235.6	4,055.3	5,593.1	7,246.1	
Seven Years Later	2,675.0	3,329.8	4,267.7	5,902.7		
Eight Years Later	2,736.1	3,496.2	4,464.7			
Nine Years Later	2,867.2	3,640.0				
Ten Years Later	2,998.3					
Net Liability Reestimated as of:						
End of Year	2,800.1	3,132.7	4,034.9	6,199.3	8,670.7	11,086.1
One Year Later	2,713.0	3,269.9	4,164.2	6,268.3	8,523.6	10,923.8
Two Years Later	2,917.3	3,447.0	4,404.2	6,354.3	8,492.4	10,856.9
Three Years Later	2,995.1	3,638.8	4,502.0	6,397.5	8,488.1	10,811.9
Four Years Later	3,100.6	3,669.6	4,573.4	6,491.1	8,472.3	10,774.9
Five Years Later	3,101.6	3,744.2	4,672.4	6,531.2	8,472.0	10,805.1
Six Years Later	3,170.4	3,819.0	4,728.9	6,598.0	8,470.0	
Seven Years Later	3,218.3	3,861.2	4,824.5	6,681.0		
Eight Years Later	3,246.4	3,953.3	4,925.6			
Nine Years Later	3,296.6	3,970.4				
Ten Years Later	3,361.5					
Redundancy/(Deficiency)	(561.4)	(837.7)	(890.7)	(481.7)	200.7	281.0

(in millions)

	1989	1990	1991	1992	1993
Reserve for Net Losses and Loss Expenses, December 31,	$12,958.5	$14,699.2	$15,839.9	$16,756.8	$17.557.0
Paid (Cumulative) as of:					
One Year Later	3,940.3	4,315.2	4,747.8	4,882.7	
Two Years Later	6,476.6	7,349.7	8,015.4		
Three Years Later	8,350.8	9,561.0			
Four Years Later	9,721.3				
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	12,958.5	14,699.2	15,839.9	16,756.8	17,557.0
One Year Later	12,844.5	14,596.2	15,828.1	16,807.0	
Two Years Later	12,843.9	14,595.4	15,902.9		
Three Years Later	12,809.2	14,723.7			
Four Years Later	12,896.4				
Five Years Later					
Six Years Later					

Seven Years Later				
Eight Years Later				
Nine Years Later				
Ten Years Later				
Redundancy/(Deficiency)	62.1	(24.5)	(63.0)	(50.2)

The trend depicted in the latest development year in the reestimated liability portion of the "Analysis of Consolidated Net Loss and Loss Expense Reserve Development" table indicates that the overall position of AIG's 1992 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)

	1993	1992	1991
Net reserve for losses and loss expenses at beginning of year	$16,756.8	$15,839.9	$14,699.2
Losses and loss expenses incurred:			
Current year	7,530.7	7,497.1	7,263.6
Prior years*	45.3	6.4	(77.1)
	7,576.0	7,503.5	7,186.5
Losses and loss expenses paid:			
Current year	1,893.1	1,838.8	1,730.6
Prior years	4,882.7	4,747.8	4,315.2
	6,775.8	6,586.6	6,045.8
Net reserve for losses and loss expenses at end of year	$17,557.0	$16,756.8	$15,839.9

* Does not include the effects of foreign exchange adjustments as described above, which are reflected in the table on page 5.

Approximately 50 percent of the net loss and loss expense reserves are paid out within two years of the date incurred. The remaining net loss 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, 1993, 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, 1993 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 loss and loss expenses is prior to reinsurance and represents the accumulation for reported losses and IBNR. Management reviews the adequacy of established gross loss reserves in a manner as previously described for net loss reserves.

The "Analysis of Consolidated Gross Loss and Loss Expense Reserve Development", which follows, presents the development of gross loss and loss expense reserves for calendar years 1992 and 1993. As with the net loss and loss expense reserve development, the deficiency of $96.6 million is relatively insignificant both in terms of an aggregate amount and as a percentage of the initial reserve balance.

Analysis of Consolidated Gross Loss and Loss Expense Reserve Development
(in millions)

	1992	1993
Reported as of December 31,		
Gross loss and loss expense reserve	$28,156.8	$30,046.2
Reinsurance recoverable	11,400.0	12,489.2
Net loss and loss expense reserve	16,756.8	17,557.0
Reestimated one year later,		
Gross loss and loss expense reserve	28,253.4	
Reinsurance recoverable	11,446.4	
Net loss and loss expense reserve	16,807.0	
Gross deficiency	(96.6)	

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 4.7 percent of total life premium income in 1993.

Life insurance operations in foreign countries comprised 95.3 percent of life premium income in 1993 and accounted for 94.4 percent of operating income. AIG operates overseas through two main subsidiary companies, ALICO and AIA. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. 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.

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 ALICO and AIA, AIG also has subsidiary operations in Taiwan (Nan Shan), Switzerland (Ticino Societa d'Assicurazioni Sulla Vita), Puerto Rico (AIG Life Insurance Company of Puerto Rico) and the Philippines (PHILAM), and conducts life insurance business through AIUO subsidiary companies in certain countries in Central and South America.

The foreign life companies have over 96,000 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, 1993. (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	$4,263,339	$ 915,802	$453,730	$197,346,575(b)	7.6%	1.9%
Annuity	59,068	325,747	17,714	(c)		
Accident and health	762,157	51,299	215,395	(c)		
Group:						
Life	336,623	20,440	16,816	59,815,527	10.6%	12.0%
Pension	6,561	175,453	16,140	(c)		
Accident and health	318,298	17,036	19,003	(c)		
Realized capital gains	--	--	54,576	(c)		
Consolidation adjustments	--	(6,063)	(11,763)	(c)		
Total	$5,746,046	$1,499,714	$781,611	$257,162,102		

(a) Including income related to investment type products.
(b) Including $114.05 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, 1993:

(dollars in thousands)

	General	Life	Total	Percent of Total	Percent Distribution Domestic	Percent Distribution Foreign
Bonds:						
Taxable	$ 4,234,800	$13,387,800	$17,622,600	39.5%	38.4%	61.6%
Tax-exempt	12,346,700	--	12,346,700	27.7	100.0	--
Short-term investments, including time deposits, and cash	1,820,500	2,878,600	4,699,100	10.6	23.1	76.9
Common stocks	2,761,800	1,527,200	4,289,000	9.6	36.1	63.9
Mortgage loans on real estate, policy and collateral loans	96,300	2,678,200	2,774,500	6.2	24.6	75.4
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	599,700	629,600	1,229,300	2.7	53.2	46.8
Total	$22,573,800	$22,037,300	$44,611,100	100.0%	53.0%	47.0%

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)

YEARS ENDED DECEMBER 31,	ANNUAL AVERAGE CASH AND INVESTED ASSETS: CASH (INCLUDING SHORT-TERM INVESTMENTS)	INVESTED ASSETS(a)	TOTAL	NET INVESTMENT INCOME(b)	RATE OF RETURN: TOTAL(c)	INVESTED ASSETS(d)	REALIZED CAPITAL GAINS
1993	$1,779,647	$19,493,536	$21,273,183	$1,340,480	6.3%	6.9%	$65,264
1992	1,766,031	17,982,498	19,748,529	1,252,086	6.3	7.0	67,134
1991	1,828,346	16,615,150	18,443,496	1,163,461	6.3	7.0	89,275
1990	1,842,262	14,818,073	16,660,335	1,059,161	6.4	7.1	120,000
1989	1,762,081	12,943,542	14,705,623	954,867	6.5	7.4	86,050

(a) Including investment income due and accrued.
(b) Net investment income is after deduction of investment expenses and excludes realized capital gains.
(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)

YEARS ENDED DECEMBER 31,	ASSETS AT END OF PERIOD: CASH (INCLUDING SHORT-TERM INVESTMENTS)	INVESTED ASSETS(a)	TOTAL	NET INVESTMENT INCOME(b)	NET YIELD ON MEAN ASSETS(c)	REALIZED CAPITAL GAINS (LOSSES)
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)
1989	1,059,995	9,106,918	10,166,913	805,542	9.1	42,206

(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. During the year ended December 31, 1993, AICCO financed gross property and casualty premiums exceeding $2.1 billion. AIGFP structures borrowings through guaranteed investment agreements and engages in other complex financial transactions, including interest rate and currency swaps. 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. AIG Funding, Inc. provides funding for 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, 1993. (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	$ 8,555,356
Securities available for sale, at market value	4,991,105
Trading securities, at market value	2,516,166
Spot commodities, at market value	764,215
Net unrealized gain on interest rate and currency swaps, options and forward transactions	640,120
Securities purchased under agreements to resell, at contract value	2,737,507
Receivables from securities brokers and dealers	1,328,391
Other, including short-term investments	1,424,404
Total financial services invested assets	$22,957,264
Financial services liabilities:	
Borrowings under obligations of guaranteed investment agreements	$ 6,735,579
Securities sold under agreements to repurchase, at contract value	2,299,563
Payables to securities brokers and dealers	1,688,147
Securities sold but not yet purchased, principally obligations of the U.S. Government and Government agencies, at market value	696,454
Spot commodities sold but not yet purchased, at market value	285,757
Deposits due to banks and other depositors	557,372
Commercial paper	1,618,979
Notes, bonds and loans payable	5,021,941
Total financial services liabilities	$18,903,792

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

AIG Global Investors, Inc. and AIG Investment Corporation and its subsidiaries manage the investment portfolios of various AIG subsidiaries. Other smaller 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, 1994, AIG holds a 46.5 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 a 20 percent interest through a purchase of 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.

LOCATIONS OF CERTAIN ASSETS

As of December 31, 1993, approximately 36 percent of the consolidated assets of AIG were located in foreign countries (other than Canada), including $164.7 million and $814.0 million of cash and securities, respectively, 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, 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.

Each of AIG's domestic, general and life insurer's statutory surplus exceeds the risk based capital requirements as of December 31, 1993.

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 3,100 other stock companies, specialty insurance organizations, mutual companies and other underwriting organizations. AIG's life insurance companies compete in the United States with some 1,300 other companies. 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.

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 and Morris County, New Jersey; 70 Pine Street, 99 John 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. (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 1993.

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	65	1984
Marshall A. Cohen	Director	58	1992
Barber B. Conable, Jr.	Director	71	1991
Marion E. Fajen	Director	73	1984
Martin S. Feldstein	Director	54	1987
Houghton Freeman	Director	72	1967
Leslie L. Gonda	Director	74	1990
Pierre Gousseland	Director	72	1977
M. R. Greenberg*	Director, Chairman, and Chief Executive Officer	68	1967
Carla A. Hills	Director	60	1993
Frank J. Hoenemeyer	Director	74	1985
John I. Howell*	Director	77	1969
Edward E. Matthews	Director and Vice Chairman-Finance	62	1973
Dean P. Phypers	Director	65	1979
John J. Roberts*	Director and Vice Chairman-External Affairs	71	1967
Ernest E. Stempel*	Director and Vice Chairman-Life Insurance	77	1967
Thomas R. Tizzio*	Director and President	56	1982
Brian Duperreault	Executive Vice President-Foreign General Insurance	46	1993
Jeffrey W. Greenberg	Executive Vice President-Domestic General Insurance-Brokerage	42	1987
Edmund S. W. Tse	Executive Vice President-Life Insurance	56	1991
Lawrence W. English	Senior Vice President-Administration	52	1985
Axel I. Freudmann	Senior Vice President-Human Resources	47	1986
John G. Hughes	Senior Vice President-Worldwide Claims	63	1978
Kevin H. Kelley	Senior Vice President-Domestic General Insurance-Brokerage	43	1991
R. Kendall Nottingham	Senior Vice President-Life Insurance	55	1991
Petros K. Sabatacakis	Senior Vice President-Financial Services	47	1992
Robert M. Sandler	Senior Vice President, Senior Casualty Actuary and Senior Claims Officer	51	1980
Howard I. Smith	Senior Vice President and Comptroller	49	1984
Stephen Y. N. Tse	Senior Vice President	63	1974
Wayland M. Mead	Acting General Counsel	62	1975
Aloysius B. Colayco	Vice President-Foreign Investments	43	1986
Robert K. Conry	Vice President and Director of Internal Audit	41	1992
Patrick J. Foley	Vice President	63	1982
Robert E. Lewis	Vice President and Chief Credit Officer	43	1993
Christian M. Milton	Vice President-Reinsurance	46	1985
Nicholas A. O'Kulich	Vice President-Life Insurance	50	1991
Douglas A. Paul	Vice President-Strategic Planning	45	1983
Frank Petralito II	Vice President and Director of Taxes	57	1978
Kathleen E. Shannon	Vice President and Secretary	44	1986
Joseph H. Umansky	Vice President and Deputy Comptroller	46	1992
John T. Wooster, Jr.	Vice President-Communications	54	1989
William N. Dooley	Treasurer	40	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. From January, 1988 until joining AIG in October, 1989, Mr. Wooster headed his own corporate communications and investor relations firm, Wooster Communications, in New York. Prior to that, he was President of The Hannaford Company, a Washington-based public relations and public affairs firm.

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 1993 and 1992. All prices are as reported by the National Quotation Bureau, Incorporated.

	1993		1992	
	HIGH	LOW	High	Low
First Quarter	85 1/8	75	65 3/8	57 1/8
Second Quarter	88	79 1/8	59 5/8	55 3/8
Third Quarter	100	85 1/2	70 5/8	58 1/2
Fourth Quarter	97 7/8	83 5/8	80 3/8	69 1/8

(b) 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. In 1992, AIG paid a quarterly dividend of 8.3 cents in March and June and 9.3 cents in September and December for a total cash payment of 35.2 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. During 1992, serial preferred stock consisted of 750 shares of Series M-1 Preferred Stock and 750 shares of Series M-2 Preferred Stock. AIG redeemed the Series M-1 on April 2, 1993 and the Series M-2 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, 1994, based upon the number of record holders, was 14,700.

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,	1993	1992	1991	1990	1989
Revenues(a)	$ 20,134,657	$18,388,627	$16,883,913	$15,702,067	$14,150,024
General insurance:					
Net premiums written	10,025,903	9,138,528	9,146,394	9,267,201	8,940,427
Net premiums earned	9,566,640	9,209,390	9,104,632	9,149,414	8,529,106
Adjusted underwriting profit (loss)	10,391	(195,084)	(4,809)	75,184	57,084
Net investment income	1,340,480	1,252,086	1,163,461	1,059,161	954,867
Realized capital gains	65,264	67,134	89,275	120,000	86,050
Operating income	1,416,135	1,124,136	1,247,927	1,254,345	1,098,001
Life insurance:					
Premium income	5,746,046	4,853,087	4,059,354	3,477,598	2,994,882
Net investment income	1,499,714	1,313,838	1,139,793	977,343	805,542
Realized capital gains (losses)	54,576	43,257	23,219	(6,347)	42,206
Operating income	781,611	667,453	561,839	462,862	453,960
Agency and service fee operating income	60,247	52,570	46,202	36,663	34,911
Financial services operating income	390,038	346,442	222,156	132,505	149,798
Equity in income of minority-owned reinsurance operations	39,589	27,929	28,806	24,050	21,496
Other realized capital losses	(12,742)	(11,293)	(14,144)	(14,258)	(4,563)
Income before income taxes and cumulative effect of accounting changes	2,601,081	2,137,048	2,022,575	1,811,534	1,705,688
Income taxes	683,003	512,033	469,566	369,240	338,213
Income before cumulative effect of accounting changes	1,918,078	1,625,015	1,553,009	1,442,294	1,367,475
Cumulative effect of accounting changes, net of tax:					
AIG	--	31,941	--	--	--
Minority-owned reinsurance operations	20,695	--	--	--	--
Net income	1,938,773	1,656,956	1,553,009	1,442,294	1,367,475
Earnings per common share:					
Income before cumulative effect of accounting changes	6.04	5.10	4.86	4.61	4.42
Cumulative effect of accounting changes, net of tax:					
AIG	--	.10	--	--	--
Minority-owned reinsurance operations	.07	--	--	--	--
Net income	6.11	5.20	4.86	4.61	4.42
Cash dividends per common share	.39	.35	.31	.27	.23
Total assets	101,014,848	92,722,182	69,389,468	58,201,835	46,036,966
Long-term debt(b)	10,955,963	9,517,595	7,591,385	6,780,211	4,060,937
Capital funds (shareholders' equity)	15,224,195	12,782,152	11,463,454	9,904,442	8,405,083

(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 reinsurance operations and realized capital gains. (See also tables under Item 1, "Business".)

(b) 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

In AIG's general insurance operations, 1993 net premiums written and net premiums earned increased 9.7 percent and 3.9 percent, respectively, from those of 1992. In 1992, net premiums written decreased 0.1 percent and net premiums earned increased 1.2 percent when compared to 1991. In 1991, declines occurred in both net premiums written of 1.3 percent and net premiums earned of 0.5 percent when compared to 1990.

The growth in net premiums written in 1993 over 1992 resulted from a mix of several factors. AIG achieved general price increases in domestic commercial property and some specialty casualty markets while overseas, price and volume increases were realized. During 1992 and 1991, the slowing of growth in net premiums written was due in part to the competitive pricing environment in the property-casualty industry in the United States, particularly in commercial lines. In addition, AIG had withdrawn from certain classes of business, primarily agency lines and certain segments of workers' compensation business, because returns on allocated capital or equity were deemed unacceptable. The estimated impact of AIG's strategy when comparing results for 1992 to those of 1991 was to reduce net premiums written by approximately $680 million, following a similar reduction of approximately $330 million in 1991.

Net premiums written are initially deferred and earned based upon the terms of the underlying policies. The net unearned premium reserve constitutes the deferred earnings 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.

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 the deferral of acquisition costs. (See also Note 4 of Notes to Financial Statements.) The adjusted underwriting profit in 1993 was $10.4 million compared to adjusted underwriting losses of $195.1 million recorded in 1992 and $4.8 million in 1991.

The statutory general insurance ratios were as follows:

	1993	1992	1991
Loss Ratio	79.19	81.48	78.93
Expense Ratio	20.88	20.88	21.49
Combined Ratio	100.07	102.36	100.42

The gross and net impacts of the catastrophe losses during 1993 were approximately $134 million and $70 million, respectively. This was significantly below the approximately $567 million and $192 million in gross and net catastrophe losses, respectively, recorded in 1992, which included the three major storms Andrew, Iniki and Omar. Losses of $99 million and $68 million, respectively, were recorded in 1991. If the catastrophes were excluded from the losses incurred in each period, the pro forma statutory general insurance ratios would be as follows:

	1993	1992	1991
Loss Ratio	78.46	79.40	78.19
Expense Ratio	20.88	20.88	21.49
Combined Ratio	99.34	100.28	99.68

The maintenance of the 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.

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 1993, 1992 and 1991 were $14.1 million, $27.7 million and $37.9 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.

At December 31, 1993, general insurance reserves for losses and loss expenses (loss reserves) amounted to $30.05 billion, an increase of $1.89 billion or 6.7 percent over the prior year end. General insurance net loss reserves represent the accumulation of estimates of ultimate losses, including provisions for losses incurred but not reported (IBNR), and loss expenses, reduced by reinsurance recoverable net of an allowance for unrecoverable reinsurance and very minor amounts of discounting related to certain workers' compensation claims. The net loss reserves increased $800.2 million or 4.8 percent to $17.56 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, 1993. 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.

AIG's reinsurance recoverable results from its reinsurance arrangements. These arrangements do not relieve AIG from its direct obligation to its insureds. Thus, a contingent liability of approximately $12 billion existed at December 31, 1993 with respect to general reinsurance reserves for loss and loss expenses ceded (reinsurance recoverable) to the extent that reinsurers are unable to meet their obligations assumed under the reinsurance agreements. However, AIG holds substantial collateral as security under related reinsurance agreements in the form of funds, securities and/or irrevocable letters of credit which can be drawn on for amounts that remain unpaid beyond specified time periods. Although a provision is recorded for estimated unrecoverable reinsurance, AIG has been largely successful in prior recovery efforts. (See also Note 5 of Notes to Financial Statements.)

AIG enters into certain intercompany reinsurance transactions for both 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.

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 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 have ranged from 7 percent to 22 percent of average loss costs, 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, asbestos and other environmental pollutants and alleged damages to cover the clean-up costs of hazardous waste dump sites (environmental claims). The vast majority of these environmental claims emanate from policies written in 1984 and prior years. Commencing in 1985, standard policies contained an absolute exclusion for pollution related damage. AIG has established a special environmental claims unit which investigates and adjusts all such claims.

Estimation of environmental claims loss reserves is a difficult process. These 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 environmental claims are the inconsistent court resolutions, the broadening of 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 coverage 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 in 1994 is dramatically changed 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. 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 the current reserves held. This emergence cannot now be reasonably estimated, but could have a material impact on AIG's future operating results and financial condition. The reserves carried for these claims as at December 31, 1993 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 those 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 gross and net IBNR included in the reserve for loss and loss expenses at December 31, 1993 for environmental claims approximated $245 million and $85 million, respectively; for 1992, $225 million and $75 million, respectively; for 1991, $210 million and $60 million, respectively. Most of the claims included in the following table relate to policies written in 1984 and prior years.

The majority of AIG's exposures for 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 environmental claims at December 31, 1993, 1992 and 1991 is as follows:

(in millions)

	1993		1992		1991	
	GROSS	NET	Gross	Net	Gross	Net
Reserve for loss and loss expenses at beginning of year	$1,222.1	$318.0	$ 896.5	$262.0	$828.5	$241.0
Loss and loss expenses incurred	584.8	202.6	516.4	120.4	281.0	89.0
Loss and loss expenses paid	(328.4)	(134.3)	(190.8)	(64.4)	(213.0)	(68.0)
Reserve for loss and loss expenses at end of year	$1,478.5	$386.3	$1,222.1	$318.0	$896.5	$262.0

General insurance net investment income in 1993 was $1.34 billion, an increase of 7.1 percent from 1992. In 1992, net investment income increased 7.6 percent to $1.25 billion from the $1.16 billion earned in 1991. 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. The decline in the rate of growth is a reflection of the general worldwide downward trend in interest rates. (See also the discussion under "Liquidity" herein.)

General insurance realized capital gains were $65.3 million in 1993, $67.1 million in 1992 and $89.3 million in 1991. 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 fixed maturities, including redemptions of fixed maturities.

General insurance operating income in 1993 was $1.42 billion, an increase of 26.0 percent when compared to $1.12 billion in 1992. The 1992 results reflect a decrease of 9.9 percent from 1991. The 1992 operating results were significantly impacted by the aforementioned catastrophes. The contribution of general insurance operating income to income before income taxes and the cumulative effect of accounting changes was 54.4 percent in 1993 compared to 52.6 percent in 1992 and 61.7 percent in 1991. The changes in the contribution percentages were due to the aforementioned factors and, in 1992 and 1991, the growth of the financial services operations relative to general insurance operating income.

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 13.9 percent in 1993, 1.7 percent in 1992 and 5.1 percent in 1991. The increase in the growth rate of 1993 over 1992 after the aforementioned adjustments was a result of the increased net investment income as previously discussed and improvement in underwriting results. The decline in the growth rate in 1992 as compared to 1991 is primarily a result of the higher level of incurred losses and the general downward trend in interest rates, as discussed above.

LIFE INSURANCE OPERATIONS

AIG's life insurance operations continued to show growth as a result of overseas operations, particularly in Asia. AIG's life premium income of $5.75 billion in 1993 represented an 18.4

percent increase from the prior year. This compares with increases of 19.6 percent and 16.7 percent in 1992 and 1991, respectively. The foreign ordinary life products were the major contributor to premium growth in all three years. In 1993, foreign life operations produced 95.3 percent of the life premium income and 94.4 percent of the operating income. (See also Notes 1, 4 and 6 of Notes to Financial Statements.)

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 being sold in Japan.

The risks associated with the traditional 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 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, 1993. (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 determine if a liquidity excess or deficit is perceived to exist. 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 5.3 years, while the related policy liabilities are estimated to be 7.4 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 support of 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.

Life insurance net investment income increased 14.1 percent to $1.50 billion in 1993 compared to increases of 15.3 percent and 16.6 percent in 1992 and 1991, respectively. 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 life insurance operating cash flow and included the compounding of previously earned and reinvested net investment income. The decline in the rate of growth is a reflection of the general worldwide downward trend in interest rates. (See also the discussion under "Liquidity" herein.)

Life insurance realized capital gains were $54.6 million in 1993, $43.3 million in 1992 and $23.2 million in 1991. 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 redemption of fixed maturities and, to a smaller extent, from the disposition of equity securities.

Life insurance operating income in 1993 increased 17.1 percent to $781.6 million compared to increases of 18.8 percent and 21.4 percent in 1992 and 1991, respectively. Excluding realized capital gains from life insurance operating income, the percent increases would be 16.5 percent, 15.9 percent and 14.8 percent in 1993, 1992 and 1991, respectively. The contribution of life insurance operating income to income before income taxes and the cumulative effect of accounting changes amounted to 30.0 percent in 1993 compared to 31.2 percent in 1992 and 27.8 percent in 1991.

AGENCY AND SERVICE FEE OPERATIONS

Agency and service fee operating income in 1993 increased 14.6 percent to $60.2 million compared to an increase of 13.8 percent in 1992 and an increase of 26.0 percent in 1991. The increases in operating income in all three years resulted from the growth of risk management services. Agency and service fee operating income contributed 2.3 percent to AIG's income before income taxes and the cumulative effect of accounting changes in 1993 compared to 2.5 percent in 1992 and 2.3 percent in 1991.

FINANCIAL SERVICES OPERATIONS

Financial services operating income amounted to $390.0 million in 1993, an increase of 12.6 percent. This compares with operating income in 1992 and 1991 of $346.4 million and $222.2 million, respectively, or increases of 55.9 percent and 67.7 percent in 1992 and 1991, respectively. The financial services operating income in 1993 increased over that of 1992 as a result of increases in the operating income of International Lease Finance Corporation (ILFC) and AIG Trading Group Inc. and its subsidiaries (AIGTG). The financial services operating income in 1992 increased over that of 1991 as a result of increases in the operating income of AIG Financial Products Corp. and its subsidiaries (AIGFP), ILFC and AIGTG. The primary reason for the increase in financial services operating income in 1991 was the inclusion of twelve months results of operations of ILFC and AIGTG.

Through AIGFP and AIGTG, AIG participates in the derivatives market, which has expanded significantly during the past several years. Derivative products typically take the form of futures, forward, swap and option contracts and derive their values from underlying interest rate, foreign exchange, equity or commodity instruments. End users find derivatives to be a cost effective approach to managing market risks associated with traditional on-balance sheet financial instruments. As a dealer of derivative contracts, AIG typically acts as a counterparty to end users or other dealers. Consequently, AIG may build up substantial positions in derivatives which are managed by taking offsetting positions in other derivatives, commodities or financial instruments. AIG's counterparties include financial services companies, governmental units, banks and industrial companies. In considering AIG's derivative activities, it is also important to note that all significant derivative activities are conducted through AIGFP and AIGTG and that AIG's other units, including its insurance subsidiaries, are not significant end users of derivative products.

Although the notional amounts of derivatives are not recorded on the balance sheet, dealer or principal-related derivatives are carried at their estimated fair values. Substantially all of AIG's derivative positions at December 31, 1993 were dealer or principal-related and thus accounted for in that manner. The notional amounts used to express the extent of AIG's involvement in derivatives transactions do not represent a quantification of the market or credit risks of the positions. The notional amounts represent the amounts used to calculate contractual cash flows to be exchanged and are generally not actually paid or received, except for certain contracts such as currency swaps and foreign exchange forwards. Furthermore, other factors such as offsetting transactions, master netting agreements and collateral must all be thoroughly considered in any measurement of risk.

The market risk of derivatives arises principally from the potential for changes in volatility, interest rates, foreign exchange rates, and equity and commodity prices. The credit risk of derivatives arises from the potential for a counterparty to default on its contractual obligations. Credit risk exists at a particular point in time when a derivative has a positive market value. Derivatives, other than options, may be in an unrealized gain or unrealized loss position depending on market rates and contract terms. Purchased options contracts with positive market values have credit risk.

AIGFP conducts, primarily as principal, an interest rate, currency, equity and commodity derivative products business. AIGFP also enters into long dated forward foreign exchange, option, synthetic security, liquidity facility and investment contract transactions.

AIGFP generally manages its exposures by taking offsetting positions, including swaps, options, bonds, forwards or futures contracts. AIGFP manages its credit risk by internally evaluating the creditworthiness of counterparties and consulting with widely accepted credit rating services. In addition, AIGFP enters into master netting agreements, which incorporate the right of set-off to provide for the net settlement of covered contracts with the same counterparty, in the event of default or other cancellation of the agreement. Also, AIGFP requires collateral on certain transactions based on the credit worthiness of the counterparty.

AIGFP monitors and controls its risk exposure on a daily basis through financial, credit and legal reporting systems and, accordingly, 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, 1993.

Revenues generated by AIGFP for 1993 were primarily comprised of interest rate swaps activity, which represented over 50 percent of total AIGFP revenues.

In August of 1993, the chief executive officer and minority shareholder of AIGFP left the company and a new management team was put in place. A full and satisfactory settlement was reached between AIG and the former minority shareholder. Most members of AIGFP's core group central to the AIGFP operation have remained at the company.

During 1993, certain investments held by AIGFP experienced financial difficulties and suffered significant 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. The charge for the aforementioned impairments relates to investments made before the new management team was in place. Based on the latest information available, AIG believes that no further significant impairments exist.

AIGTG engages as principal in trading activities in certain foreign exchange, precious and base metals, petroleum and petroleum products and natural gas markets. AIGTG is exposed to risk of loss through the potential non-performance of a counterparty on its contractual obligations (credit risk) and through the potential for changes in value due to fluctuations in interest and foreign exchange rates and in prices of commodities (market risk). Generally, AIGTG manages its credit risk through credit reviews, transaction limits and/or margin requirements. AIGTG manages the market risk of its various positions and transactions through offsetting transactions such as purchasing and selling options and forward and futures contracts.

Revenues generated by AIGTG for 1993 were primarily comprised of foreign exchange activities, which represented over 60 percent of total AIGTG revenues.

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. In addition, ILFC is engaged in the remarketing of commercial jets for airlines and financial institutions. ILFC is exposed to loss through non-performance of aircraft lessees and through owning and 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, 1993, only one of 230 aircraft owned was not leased. This aircraft is being converted for freighter service. Currently, 76.5 percent of the fleet is leased to foreign carriers.

See also the discussions under "Capital Resources" and "Liquidity" herein and Notes 1, 9, 11 and 16 of Notes to Financial Statements.

Financial services operating income represented 15.0 percent of AIG's income before income taxes and the cumulative effect of accounting changes in 1993. This compares to 16.2 percent and 11.0 percent in 1992 and 1991, respectively.

OTHER OPERATIONS

In 1993, AIG's equity in income of minority-owned reinsurance operations was $39.6 million compared to $27.9 million in 1992 and $28.8 million in 1991. The equity interest in reinsurance companies, which includes two equity operations which commenced business during 1993, represented 1.5 percent of income before income taxes and the cumulative effect of accounting changes in 1993, compared to 1.3 percent in 1992 and 1.4 percent in 1991.

Other realized capital losses amounted to $12.7 million, $11.3 million and $14.1 million in 1993, 1992 and 1991, respectively.

Other income (deductions)-net includes AIG's equity in certain minor majority-owned subsidiaries and certain partially-owned companies, minority interest in certain consolidated 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 1993, net deductions amounted to $73.8 million. In both 1992 and 1991, net deductions amounted to $70.2 million.

Income before income taxes and the cumulative effect of accounting changes amounted to $2.60 billion in 1993 and $2.14 billion in 1992. Income before income taxes was $2.02 billion in 1991.

In 1993, AIG recorded a provision for income taxes of $683.0 million compared to the provisions of $512.0 million and $469.6 million in 1992 and 1991, respectively. These provisions represent effective tax rates of 26.3 percent, 24.0 percent and 23.2 percent in the same respective years. 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 effective tax rate was influenced by higher state and local income taxes.

The increase in the effective tax rate for 1992 resulted from the adoption of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (FASB 109). That is, fresh start adjustments resulting from loss reserve discounting and salvage recoveries are no longer recognized periodically. The provision for income taxes in 1991 reflects a benefit of approximately $28 million relating to the fresh start adjustment. (See Note 3 of Notes to Financial Statements.)

Income before the cumulative effect of accounting changes amounted to $1.92 billion in 1993, $1.63 billion in 1992 and $1.55 billion in 1991. 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 reinsurance operations was positively impacted by the cumulative effect of accounting changes on such operations from the adoption of 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 $1.94 billion in 1993, $1.66 billion in 1992 and $1.55 billion in 1991. The increases in net income over the three year period resulted from those factors described above.

CAPITAL RESOURCES

At December 31, 1993, AIG had total capital funds of $15.22 billion and total borrowings of $15.69 billion.

Total borrowings at December 31, 1993 and 1992 were as follows:

(in thousands)

DECEMBER 31,	1993	1992
Borrowings under Obligations of Guaranteed Investment Agreements (GIA) -- AIGFP	$ 6,735,600	$ 6,697,800
Commercial Paper:		
AIG Funding, Inc.	891,700	985,200
ILFC	1,442,400*	942,800*
AICCO	638,200	514,300
AIGFP	176,600	183,000
Total	3,148,900	2,625,300
Medium Term Notes:		
ILFC	1,753,700*	1,428,000*
AIG	295,000	237,000
Total	2,048,700	1,665,000
Notes and Bonds Payable:		
ILFC	2,550,000*	1,800,000*
AIGFP	521,400	145,500
AIG: Lire bonds	159,100	159,100
Zero coupon notes	59,100	53,100
Total	3,289,600	2,157,700
Loans and Mortgages Payable ($196,900 was not guaranteed by AIG in 1993 and 1992.)	466,300	318,500
Total Borrowings	15,689,100	13,464,300
Borrowings not guaranteed by AIG	5,943,000	4,367,700
Matched GIA borrowings	6,735,600	6,697,800
	12,678,600	11,065,500
Remaining borrowings of AIG	$ 3,010,500	$ 2,398,800

* AIG does not guarantee or support these borrowings.

See also Note 9 of Notes to Financial Statements.

GIAs serve as the source of proceeds for AIGFP's investments in a diversified portfolio of securities. (See also the discussions under "Operational Review" and "Liquidity" herein and Notes 1, 9 and 11 of Notes to Financial Statements.)

AIG Funding, Inc. 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 Note 9 of Notes to Financial Statements.)

ILFC primarily uses the proceeds of its borrowings to acquire new and used commercial jet aircraft to lease and/or remarket to airlines around the world. During 1993, ILFC increased the aggregate principal amount outstanding of its medium term and term notes to $4.30 billion at December 31, 1993, a net increase of $1.08 billion from 1992. At December 31, 1993, ILFC had $1 billion in aggregate principal amount of debt securities registered for issuance from time to time. (See also the discussions under "Operational Review" and "Liquidity" herein and Notes 1, 9 and 16 of Notes to Financial Statements.)

ILFC sold $100 million of Market Auction Preferred Stock in each of November 1993 and December 1992.

During 1993, AIG issued $125.0 million in aggregate principal amount of medium term notes. The proceeds of these notes were used for general corporate purposes. During 1993, $67.0 million of previously issued notes matured. At December 31, 1993, AIG had $247.0 million in aggregate principal amount of debt securities registered for issuance from time to time. (See also Note 9 of Notes to Financial Statements.)

AIG's capital funds have increased $2.44 billion in 1993. Unrealized appreciation of investments, net of taxes, increased $792.8 million, primarily as a result of the general market trends worldwide, particularly overseas, and to a lesser extent, the adoption of Financial Accounting Standards No. 115 "Accounting for Certain Debt and Equity Securities" (FASB 115). Unrealized appreciation of investments, net of taxes, will now be subject to increased volatility resulting from the changes in the market value of bonds available for sale. (See also the discussion under "Accounting Standards" herein.) The cumulative translation adjustment loss, net of taxes, increased $14.3 million, and retained earnings increased $1.81 billion, resulting from net income less dividends.

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, 1993 there were no significant statutory or regulatory issues which would impair AIG's financial condition or results of operations. (See also the discussion under "Liquidity" herein and Note 10 of Notes to Financial Statements.)

LIQUIDITY

At December 31, 1993, AIG's consolidated invested assets included approximately $5.23 billion of cash and short-term investments. Consolidated net cash provided from operating activities in 1993 amounted to approximately $6.47 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 $5.7 billion in pretax operating cash flow during 1993. The underwriting cash flow approximated $2.8 billion in 1993. Underwriting cash flow represents periodic premium collections and paid loss recoveries less reinsurance premiums, losses, benefits, and acquisition and operating expenses paid. 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 operations generated approximately $2.9 billion in investment income cash flow during 1993. 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 $4.70 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 $11 billion from the maturities, sales and redemptions of fixed income securities and from the sales of marketable equity securities, AIG purchased approximately $15 billion of fixed income securities and marketable equity securities.

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

(dollars in thousands)

	Invested Assets	Percent of Total
General insurance	$22,573,800	33.2%
Life insurance	22,037,300	32.4
Financial services	22,957,300	33.7
Other	464,100	0.7
Total	$68,032,500	100.0%

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, 1993:

(dollars in thousands)

					PERCENT DISTRIBUTION	
	GENERAL	LIFE	TOTAL	PERCENT OF TOTAL	DOMESTIC	FOREIGN
Bonds:						
Taxable	$ 4,234,800	$13,387,800	$17,622,600	39.5%	38.4%	61.6%
Tax-exempt	12,346,700	--	12,346,700	27.7	100.0	--
Short-term investments, including time deposits, and cash	1,820,500	2,878,600	4,699,100	10.6	23.1	76.9
Common stocks	2,761,800	1,527,200	4,289,000	9.6	36.1	63.9
Mortgage loans on real estate, policy and collateral loans	96,300	2,678,200	2,774,500	6.2	24.6	75.4
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	599,700	629,600	1,229,300	2.7	53.2	46.8

Total	$22,573,800	$22,037,300	$44,611,100	100.0%	53.0%	47.0%

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

Approximately two-thirds of the fixed maturity investments are domestic securities. Approximately 43 percent of such domestic securities were rated AAA and approximately 2 percent were below investment grade.

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, credit quality rating services similar to the aforementioned rating agencies 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 49 percent of the foreign fixed income investments were rated AAA and approximately one percent were deemed below investment grade at December 31, 1993.

Although AIG's fixed income insurance portfolios contain 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.

Approximately 6 percent of the fixed maturities portfolio are Collateralized Mortgage Obligations (CMOs). All the CMOs are investment grade and nearly all the CMOs are backed by various U.S. government agencies. Thus, credit risk is minimal. There are no interest only or principal only CMOs. 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.

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 consider entering into derivative transactions. To date, such activities have been insignificant.

Short-term investments represent amounts invested in various internal and external money market funds, time deposits and cash.

Mortgage loans on real estate, policy, collateral and guaranteed loans comprise 6.2 percent of AIG's insurance invested assets at December 31, 1993. AIG's insurance holdings of real estate mortgages amounted to $1.31 billion of which 36.4 percent was domestic. At December 31, 1993, no domestic mortgages and only a nominal amount of foreign mortgages were in default. At December 31, 1993, AIG's insurance holdings of collateral loans amounted to $482.4 million, all of which were foreign. It is AIG's practice to maintain a maximum loan to value ratio of 75 percent.

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.

There exist in certain jurisdictions significant regulatory and/or foreign governmental barriers 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, including real estate, at December 31, 1993:

(dollars in thousands)

	Invested Assets	Percent of Total
Flight equipment, primarily under operating leases, net of accumulated depreciation	$ 8,555,400	37.3%
Securities available for sale, at market value	4,991,100	21.7
Trading securities, at market value	2,516,200	11.0
Securities purchased under agreements to resell, at contract value	2,737,500	11.9
Receivables from securities brokers and dealers	1,328,400	5.8
Spot commodities, at market value	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	1,424,400	6.2
Total	$22,957,300	100.0%

As previously discussed, the cash 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 1993, ILFC obtained net financing of $1.59 billion for the acquisition of flight equipment costing $2.41 billion. Additional funds were provided by the proceeds from the issuance of its preferred stock and the disposal of flight equipment.

At December 31, 1993, ILFC had committed to purchase 227 aircraft deliverable from 1994 through 1999 at an estimated aggregate purchase price of

$12.9 billion and had options to purchase an additional 58 aircraft deliverable through 1999 at an estimated aggregate exercisable price of $3.4 billion. As of March 1, 1994, ILFC has entered into leases, letters of intent to lease or is in various stages of negotiation for 52 of 56 aircraft to be delivered in 1994 and 40 of 171 aircraft to be delivered subsequent to 1994. 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. ILFC has been successful to date both in placing its new aircraft on lease or sales contract and obtaining adequate financing.

Securities available for sale, and securities purchased under agreements to resell are primarily purchased with the proceeds of AIGFP's GIA financings. The securities purchased involve varying degrees of credit risk. The average credit rating of AIGFP's securities available for sale at December 31, 1993 was AA. 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 customer credit exposure and requiring additional collateral to be deposited when deemed necessary.

AIGFP for its own account enters into interest rate, currency, equity and commodity swaps and forward commitments. AIGFP evaluates the credit worthiness of its counter-parties by internal credit evaluation and consultation with widely accepted credit-rating services. The average credit rating of AIGFP's counterparties as a whole, as measured by AIGFP, was AA-- at December 31, 1993. Swaps, options and forward transactions are carried at estimated fair value based on the use of valuation models that utilize, among other things, current interest, foreign exchange and volatility rates, as applicable, with the resulting unrealized gains or losses reflected in the current period's income. These values are also reviewed by reference to the market levels at which AIGFP hedges its transactions, and are adjusted as deemed appropriate by management. The recorded values may be different than the values that might be realized if AIGFP were to sell or close out the transactions because of limited liquidity for these instruments.

AIGTG acts as principal in certain foreign exchange, precious and base metals, petroleum and petroleum products and natural gas trading activities. AIGTG owns and may maintain substantially hedged inventories in the commodities in which it trades. AIGTG supports its trading activities largely through payables to securities brokers and dealers, securities sold under agreements to repurchase and spot commodities sold but not yet purchased. Thus, AIGTG's liquidity is provided through its high volume and rapid turnover activities in trading, market making and hedging. AIGTG uses derivatives to hedge various trading positions and transactions from adverse movement in interest rates, exchange rates and commodity prices.

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, 1993, the adjusted capital of each of AIG's four domestic life companies exceeded each of their RBC standards by multiples ranging from two to more than four.

RBC standards for property and casualty insurers were finalized in principle in December 1993 and will be effective with the 1994 statutory financial statements to be filed in 1995. Applying these RBC standards to AIG's domestic general operations at December 31, 1993 reveals that the capital of each of the domestic general insurance companies exceeds the RBC requirements. 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 1993. However, there was no impact on AIG's 1993 GAAP consolidated life insurance operating income presented herein.

In January 1994, the Los Angeles area of California suffered severe damage as a result of an earthquake. The impact of the insured losses on AIG's 1994 results of operations is currently estimated to be approximately $55 million net of reinsurance recoverable of approximately $95 million.

ACCOUNTING STANDARDS

Standards adopted during 1993:

At January 1, 1993, AIG adopted Statement of Financial 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, the reserve for unearned premiums and future policy benefits for life and accident and health insurance contracts have been presented gross of ceded reinsurance in the accompanying December 31, 1993 balance sheet. A reinsurance asset was established to include the aforementioned ceded reinsurance balances. The balance sheet at December 31,

1992 has been appropriately reclassified to reflect the new presentation. 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. (See also Note 5 of Notes to Financial Statements.)

In May 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in 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:

o 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.

o 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.

o 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.

This statement has significantly changed and narrowed the meaning of the held to maturity category from previous generally accepted accounting principles. (See also Notes 1(c) and 8 of Notes to Financial Statements.)

During 1993, the Emerging Issues Task Force (EITF) of FASB adopted an accounting rule "Accounting for Multiple-Year Retrospectively Rated Contracts 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 there was no significant impact on AIG's results of operations or financial condition.

Standards to be adopted in the future:

In March 1992, 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, whereas AIG's current policy is 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 will be no effect on AIG's operating income upon the adoption of the Interpretation, AIG will be required to present certain of its financial services assets and liabilities on a gross basis, thus increasing both assets and liabilities in the consolidated balance sheet. The effect of presenting these assets and liabilities on a gross basis on AIG's consolidated balance sheet will not be significant.

In November of 1992, FASB issued Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Post-employment 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 is effective for the 1994 financial statements and will have no material effect on AIG's results of operations or financial condition.

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. This methodology is not expected to produce a material effect on AIG's results of operations or financial condition.

FASB 114 will be effective for the 1995 financial statements. AIG does not anticipate adoption prior to the effective date.

ITEM 8. Financial Statements and Supplementary Data

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

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 26 of this Form 10-K. These financial statements and the financial statement schedules 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, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note 1(w) to the 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

New York, New York
February 24, 1994.

CONSOLIDATED BALANCE SHEET

American International Group, Inc. and Subsidiaries

(in thousands)

DECEMBER 31,	1993	1992
ASSETS:		
Investments and cash:		
Fixed maturities:		
Bonds held to maturity, at amortized cost (market value: 1993-$13,278,300; 1992-$24,371,600)	$ 12,193,701	$23,175,004
Bonds available for sale, at market value (cost: $16,599,600)	17,562,411	--
Bonds trading securities, at market value (cost: $307,900)	310,834	--
Preferred stocks, at amortized cost (market value: 1993-$18,000; 1992-$100,100)	17,428	99,908
Bonds, at market value (cost: $3,184,000)	--	3,215,453
Equity securities:		
Common stocks (cost: 1993-$3,720,000; 1992-$2,481,100)	4,364,410	2,584,810
Non-redeemable preferred stocks (cost: 1993-$108,200; 1992-$109,100)	123,837	120,294
Mortgage loans on real estate, policy and collateral loans	3,576,516	3,079,560
Financial services assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation (1993-$599,800; 1992-$358,400)	8,555,356	6,697,179
Securities held for investment, at amortized cost	--	4,172,671
Securities available for sale, at market value (cost: $4,971,800)	4,991,105	--
Trading securities, at market value	2,516,166	1,947,220
Spot commodities, at market value	764,215	631,717
Net unrealized gain on interest rate and currency swaps, options and forward transactions	640,120	1,422,700
Receivables from securities brokers and dealers	1,328,391	4,340,417
Securities purchased under agreements to resell, at contract value	2,737,507	4,317,312
Other invested assets	1,265,056	1,172,535
Short-term investments, at cost which approximates market value	5,072,893	4,648,879
Cash	157,481	136,628
Total investments and cash	66,177,427	61,762,287
Investment income due and accrued	808,268	782,391
Premiums and insurance balances receivable-net	8,364,096	7,693,179
Reinsurance assets	15,883,788	14,342,602
Deferred policy acquisition costs	4,249,409	3,657,818
Investments in partially-owned companies	571,680	440,267
Real estate and other fixed assets, net of accumulated depreciation (1993-$950,000; 1992-$835,700)	1,615,742	1,405,837
Separate and variable accounts	1,914,815	1,723,229
Other assets	1,429,623	914,572
TOTAL ASSETS	$101,014,848	$92,722,182

See Accompanying Notes to Financial Statements.

(in thousands, except share amounts)

DECEMBER 31,	1993	1992
LIABILITIES:		
Reserve for losses and loss expenses	$ 30,046,172	$28,156,767
Reserve for unearned premiums	5,515,670	4,956,727
Future policy benefits for life and accident and health insurance contracts	14,638,382	11,804,484
Policyholders' contract deposits	4,439,839	4,486,702
Other policyholders' funds	1,739,290	1,526,477
Reserve for commissions, expenses and taxes	1,113,397	924,805
Insurance balances payable	1,458,383	583,420
Funds held by companies under reinsurance treaties	406,902	331,515
Income taxes payable:		
Current	358,219	128,048
Deferred	447,790	184,347
Financial services liabilities:		
Borrowings under obligations of guaranteed investment agreements	6,735,579	6,697,819
Securities sold under agreements to repurchase, at contract value	2,299,563	3,632,205
Payables to securities brokers and dealers	1,688,147	3,216,637
Securities sold but not yet purchased, principally obligations of the U.S. Government and Government agencies, at market value	696,454	417,391
Spot commodities sold but not yet purchased, at market value	285,757	1,536,675
Deposits due to banks and other depositors	557,372	1,001,610
Commercial paper	1,618,979	1,125,762
Notes, bonds and loans payable	5,021,941	3,578,983
Commercial paper	1,529,906	1,499,547
Notes, bonds, loans and mortgages payable	782,660	562,206
Separate and variable accounts	1,914,815	1,723,229
Other liabilities	2,295,436	1,764,674
TOTAL LIABILITIES	85,590,653	79,840,030
COMMITMENTS AND CONTINGENT LIABILITIES		
PREFERRED SHAREHOLDERS' EQUITY IN SUBSIDIARY COMPANY	200,000	100,000
CAPITAL FUNDS:		
Preferred stock, exchangeable money market cumulative serial, $5.00 par value; $100,000 liquidation value; 1,500 shares authorized; issued and outstanding 1993-0; 1992-1,500	--	8
Common stock, $2.50 par value; 500,000,000 shares authorized; shares issued 1993-337,390,986; 1992-224,929,520	843,477	562,324
Additional paid-in capital	572,142	1,014,947
Unrealized appreciation of investments, net of taxes	922,646	129,816
Cumulative translation adjustments, net of taxes	(348,186)	(333,882)
Retained earnings	13,301,529	11,486,615
Treasury stock; 1993-19,762,919; 1992-13,300,507 shares of common stock (including 18,747,224 and 12,534,285 shares held by subsidiaries)	(67,413)	(77,676)
TOTAL CAPITAL FUNDS	15,224,195	12,782,152
TOTAL LIABILITIES AND CAPITAL FUNDS	$101,014,848	$92,722,182

See Accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF INCOME — American International Group, Inc. and Subsidiaries

(in thousands, except per share amounts)

YEARS ENDED DECEMBER 31,	1993	1992	1991
GENERAL INSURANCE OPERATIONS:			
Net premiums written	$10,025,903	$ 9,138,528	$ 9,146,394
Change in unearned premium reserve	(459,263)	70,862	(41,762)
Net premiums earned	9,566,640	9,209,390	9,104,632
Net investment income	1,340,480	1,252,086	1,163,461
Realized capital gains	65,264	67,134	89,275
	10,972,384	10,528,610	10,357,368
Losses incurred	6,310,099	6,172,111	6,021,724
Loss expenses incurred	1,265,917	1,331,393	1,164,824
Underwriting expenses (principally policy acquisition costs)	1,980,233	1,900,970	1,922,893
	9,556,249	9,404,474	9,109,441
OPERATING INCOME	1,416,135	1,124,136	1,247,927
LIFE INSURANCE OPERATIONS:			
Premium income	5,746,046	4,853,087	4,059,354
Net investment income	1,499,714	1,313,838	1,139,793
Realized capital gains	54,576	43,257	23,219
	7,300,336	6,210,182	5,222,366
Death and other benefits	2,374,112	1,849,238	1,525,982
Increase in future policy benefits	2,517,245	2,274,638	1,967,206
Acquisition and insurance expenses	1,627,368	1,418,853	1,167,339
	6,518,725	5,542,729	4,660,527
OPERATING INCOME	781,611	667,453	561,839
AGENCY AND SERVICE FEE OPERATING INCOME	60,247	52,570	46,202
FINANCIAL SERVICES OPERATING INCOME	390,038	346,442	222,156
EQUITY IN INCOME OF MINORITY-OWNED REINSURANCE OPERATIONS	39,589	27,929	28,806
OTHER REALIZED CAPITAL LOSSES	(12,742)	(11,293)	(14,144)
OTHER INCOME (DEDUCTIONS) - NET	(73,797)	(70,189)	(70,211)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	2,601,081	2,137,048	2,022,575
INCOME TAXES (BENEFITS):			
Current	772,032	556,332	469,078
Deferred	(89,029)	(44,299)	488
	683,003	512,033	469,566
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	1,918,078	1,625,015	1,553,009
CUMULATIVE EFFECT OF ACCOUNTING CHANGES, NET OF TAX			
AIG	--	31,941	--
MINORITY-OWNED REINSURANCE OPERATIONS	20,695	--	--
NET INCOME	$ 1,938,773	$ 1,656,956	$ 1,553,009
EARNINGS PER COMMON SHARE:			
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	$6.04	$ 5.10	$ 4.86
CUMULATIVE EFFECT OF ACCOUNTING CHANGES, NET OF TAX			
AIG	--	.10	--
MINORITY-OWNED REINSURANCE OPERATIONS	.07	--	--
NET INCOME	$6.11	$ 5.20	$ 4.86
AVERAGE SHARES OUTSTANDING	317,461	317,637	318,372

See Accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF CAPITAL FUNDS

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES

(in thousands, except per share amounts)

YEARS ENDED DECEMBER 31,	1993	1992	1991
PREFERRED STOCK:			
Series M-1 and M-2, exchangeable money market cumulative serial:			
Balance at beginning of year	$ 8	$ 8	$ 8
Redemption of preferred stock	(8)	--	--
Balance at end of year	--	8	8
COMMON STOCK:			
Balance at beginning of year	562,324	562,324	562,276
Issued under stock option and purchase plans	--	--	48
Stock split effected as dividend	281,153	--	--
Balance at end of year	843,477	562,324	562,324
ADDITIONAL PAID-IN CAPITAL:			
Balance at beginning of year	1,014,947	1,029,733	1,035,124
Excess (deficit) of proceeds over (under) par value of common stock or cost of treasury common stock issued under stock option and purchase plans	(10,131)	(13,353)	(5,391)
Stock split effected as dividend	(281,153)	--	--
Redemption of preferred stock	(149,992)	--	--
Other	(1,529)	(1,433)	--
Balance at end of year	572,142	1,014,947	1,029,733
UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS, NET OF TAXES:			
Balance at beginning of year	129,816	114,826	(38,030)
Changes during year	719,824	26,812	226,625
Deferred income tax (expense) benefit on changes	(177,971)	(11,822)	(73,769)
Cumulative effect of accounting change, net of taxes of $156,521	250,977	--	--
Balance at end of year	922,646	129,816	114,826
CUMULATIVE TRANSLATION ADJUSTMENTS, NET OF TAXES:			
Balance at beginning of year	(333,882)	(167,567)	(128,661)
Changes during year	8,742	(212,541)	(57,068)
Applicable income tax (expense) benefit on changes	(23,046)	46,226	18,162
Balance at end of year	(348,186)	(333,882)	(167,567)
RETAINED EARNINGS:			
Balance at beginning of year	11,486,615	9,946,335	8,500,343
Net income	1,938,773	1,656,956	1,553,009
Cash dividends to shareholders:			
Preferred	(1,043)	(4,471)	(7,262)
Common ($.39, $.35 and $.31 per share, respectively)	(122,816)	(112,205)	(99,755)
Balance at end of year	13,301,529	11,486,615	9,946,335
TREASURY STOCK, AT COST:			
Balance at beginning of year	(77,676)	(22,205)	(26,618)
Cost of shares acquired during year	(13,148)	(82,096)	(12,675)
Issued under stock option and purchase plans	23,411	26,625	17,088
Balance at end of year	(67,413)	(77,676)	(22,205)
TOTAL CAPITAL FUNDS AT END OF YEAR	$ 15,224,195	$ 12,782,152	$ 11,463,454

See Accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

American International Group, Inc. and Subsidiaries

(in thousands)

YEARS ENDED DECEMBER 31,	1993	1992	1991
SUMMARY:			
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,467,451	$ 2,983,661	$ 3,679,255
NET CASH USED IN INVESTING ACTIVITIES	(7,998,990)	(5,944,009)	(5,488,067)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,552,392	2,948,448	1,862,231
CHANGE IN CASH	20,853	(11,900)	53,419
CASH AT BEGINNING OF YEAR	136,628	148,528	95,109
CASH AT END OF YEAR	$ 157,481	$ 136,628	$ 148,528
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,938,773	$ 1,656,956	$ 1,553,009
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	4,770,443	3,755,753	3,146,970
Premiums and insurance balances receivable and payable-net	204,046	(119,083)	(249,251)
Reinsurance assets	(1,541,186)	(980,757)	--
Deferred policy acquisition costs	(591,591)	(415,142)	(465,252)
Investment income due and accrued	(25,877)	(72,442)	(38,941)
Funds held under reinsurance treaties	75,387	14,332	(65,811)
Other policyholders' funds	212,813	(163,971)	55,243
Current and deferred income taxes-net	141,143	(46,695)	80,630
Reserve for commissions, expenses and taxes	188,592	82,052	72,144
Other assets and liabilities-net	15,711	366,672	278,671
Receivables from and payables to securities brokers and dealers--net	1,483,536	(1,537,589)	192,181
Trading securities, at market value	(568,946)	(322,323)	(184,441)
Spot commodities, at market value	(132,498)	313,274	(808,903)
Net unrealized gain on interest rate and currency swaps, options and forward transactions	782,580	(880,117)	(173,802)
Securities purchased under agreements to resell	1,579,805	(1,132,296)	(1,305,659)
Securities sold under agreements to repurchase	(1,332,642)	1,881,101	772,416
Securities sold but not yet purchased	279,063	(594,152)	586,299
Spot commodities sold but not yet purchased, at market value	(1,250,918)	1,290,089	215,996
Realized capital gains	(107,098)	(99,098)	(98,350)
Equity in income of partially-owned companies and other invested assets	(61,934)	(19,041)	(9,562)
Depreciation expenses, principally flight equipment	472,247	391,865	325,144
Cumulative effect of accounting changes	(20,695)	(31,941)	--
Change in cumulative translation adjustments	8,742	(212,541)	(57,068)
Other-net	(52,045)	(141,245)	(142,408)
Total adjustments	4,528,678	1,326,705	2,126,246
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,467,451	$ 2,983,661	$ 3,679,255

See Accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

American International Group, Inc. and Subsidiaries

(in thousands)

YEARS ENDED DECEMBER 31,	1993	1992	1991
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cost of fixed maturities, at amortized cost, sold	$ 1,319,187	$ 1,189,167	$ 3,830,880
Cost of fixed maturities, at amortized cost, matured or redeemed	2,202,289	1,544,986	885,680
Cost of bonds, at market, sold	5,251,475	5,301,328	2,606,636
Cost of bonds, at market, matured or redeemed	556,881	769,043	5,038
Cost of equity securities sold	1,885,439	1,699,855	2,500,354
Realized capital gains	107,098	99,098	98,350
Purchases of fixed maturities	(11,965,103)	(11,656,635)	(10,191,021)
Purchases of equity securities	(2,868,385)	(2,043,295)	(2,645,141)
Mortgage, policy and collateral loans granted	(1,234,780)	(869,290)	(1,190,760)
Repayments of mortgage, policy and collateral loans	691,284	789,158	820,189
Sales or maturities of securities held for investment	1,902,814	2,385,465	1,712,165
Purchases of securities held for investment	(2,714,813)	(2,751,823)	(2,055,569)
Sales of flight equipment	301,353	210,927	123,034
Purchases of flight equipment	(2,410,816)	(1,746,762)	(1,261,872)
Net additions to real estate and other fixed assets	(389,390)	(249,705)	(221,606)
Sales or distributions of other invested assets	325,077	255,497	223,589
Investments in other invested assets	(436,660)	(232,317)	(425,626)
Change in short-term investments	(424,014)	(547,229)	(279,991)
Investments in partially-owned companies	(97,926)	(91,477)	(22,396)
NET CASH USED IN INVESTING ACTIVITIES	$ (7,998,990)	$ (5,944,009)	$ (5,488,067)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in policyholders' contract deposits	$ (46,863)	$ 709,298	$ 417,813
Change in deposits due to banks and other depositors	(444,238)	789,579	20,145
Change in commercial paper	523,576	856,092	(783,938)
Proceeds from notes, bonds, loans and mortgages payable	2,479,559	2,388,701	3,199,194
Repayments on notes, bonds, loans and mortgages payable	(822,147)	(1,639,780)	(2,140,700)
Liquidation of zero coupon notes payable	--	(4,647)	--
Proceeds from guaranteed investment agreements	4,244,133	3,024,305	3,916,397
Maturities of guaranteed investment agreements	(4,206,373)	(3,088,167)	(2,658,733)
Proceeds from subsidiary company preferred stock issued	98,472	98,567	--
Proceeds from common stock issued	13,280	13,272	11,691
Cash dividends to shareholders	(123,859)	(116,676)	(107,017)
Acquisition of treasury stock	(13,148)	(82,096)	(12,675)
Redemption of preferred stock	(150,000)	--	--
Other-net	--	--	54
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 1,552,392	$ 2,948,448	$ 1,862,231

See Accompanying 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 1992 and 1991 financial statements to conform to their 1993 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, equity and commodity derivative products business. It also enters into long dated forward foreign exchange, option, synthetic security, liquidity facility and investment contract transactions. In the course of conducting its business, AIG also engages in a variety of other related transactions.

AIG engages as principal in trading activities in certain foreign exchange, precious and base metals, petroleum and petroleum products and natural gas markets. AIG owns and maintains substantial inventories in the commodities in which it trades. Substantially all spot commodities are hedged by futures and forward contracts to minimize exposure to market risk. Additionally, AIG acts as an adviser in evaluating and subsequently customizing specific programs for customers to manage their foreign exchange exposure.

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 consist 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 values. 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. Bond trading securities are carried at market value, as it is AIG's intention to sell these securities in the near term. Common and preferred stocks available for sale are carried at market value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 carrying value and estimated net realizable value.

(D) MORTGAGE LOANS ON REAL ESTATE, POLICY AND COLLATERAL LOANS: Mortgage loans on real estate, policy loans and collateral loans are carried at unpaid principal balances.

(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 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. In 1992 these securities were carried at amortized cost.

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

(H) SPOT COMMODITIES, AT MARKET VALUE: Spot commodities, which include commodities and foreign currency options, are valued at market and are recorded on a trade date basis. The unrealized gains and losses are reflected in income currently. Substantially all spot commodities are hedged by futures and forward contracts. These contracts are valued at market and are recorded as contractual commitments on a trade basis. The unrealized gains and losses on open contracts are reflected in income currently.

(I) NET UNREALIZED GAIN 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 estimated fair value based on the use of valuation models that utilize, among other things, current interest, foreign exchange and volatility rates, as applicable, with the resulting unrealized gains or losses reflected in the current period's income. These values are also reviewed by reference to the market levels at which AIG hedges its transactions, and are adjusted, as deemed appropriate by management. The recorded values may be different than the values that might be realized if AIG were to sell or close out the transactions because of limited liquidity for these instruments. AIGmanages its economic risk with a variety of transactions, including swaps, options, bonds, forwards or futures contracts and other transactions as appropriate.

(J) RECEIVABLES FROM AND PAYABLES TO SECURITIES BROKERS AND DEALERS: Receivables from and payables to securities brokers and dealers 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 forward settlement contracts and next day settlements on securities and swap payments.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(M) REINSURANCE ASSETS: Reinsurance assets include the balances due from other insurance companies under the terms of AIG's reinsurance arrangements for paid and unpaid losses and loss expenses, unearned reinsurance premium ceded and for future policy benefits for life and accident and health insurance contracts and benefits paid. 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 reinsurance 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, 1993, AIG's significant investments in partially-owned companies included its 45.4 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, 1993, the market value of AIG's investment in Transatlantic exceeded its carrying value by approximately $193.1 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. 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.

(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 1993: 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. The balance sheet at December 31, 1992 has been appropriately reclassified to reflect the new presentation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, the Financial Accounting Standards Board (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:

o 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.

o 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.

o 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.

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 there was no significant impact on AIG's results of operations or financial condition.

(ii) Standards Adopted Prior to 1993: In 1990, the Financial Accounting Standards Board (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.

(iii) Standards to Be Adopted: In March, 1992, 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, whereas AIG's current policy is 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 will be no effect on AIG's operating income upon the adoption of the Interpretation, AIG will be required to present certain of its financial services assets and liabilities on a gross basis, thus increasing both assets and liabilities in the consolidated balance sheet. The effect of presenting these assets and liabilities on a gross basis on AIG's consolidated balance sheet will not be significant.

In November of 1992, the Financial Accounting Standards Board (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 is effective for the 1994 financial statements. There will be no material effect on AIG's results of operations or financial condition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. This methodology is not expected to produce a material effect on AIG's results of operations or financial condition.

FASB 114 will be effective for the 1995 financial statements. AIG does not anticipate adoption prior to the effective date.

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 noninsurance 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 36 percent of consolidated assets at both December 31, 1993 and 1992, and 50 percent, 47 percent and 43 percent of revenues for the years ended December 31, 1993, 1992 and 1991, 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 and 1986 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 $2.2 billion at December 31, 1993. The unrecognized deferred tax liability has not been determined as it is not practicable. 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.

The Tax Reform Act of 1986 (the 1986 Act) required that, for tax purposes, AIG recalculate its property and casualty loss reserves to a discounted basis as of December 31, 1986. The discount of these loss reserves was the "Fresh Start" adjustment and any current tax benefit was deferred and amortizable over future periods. Effective January 1, 1992, the remaining future tax effect of this Fresh Start adjustment was recognized as a component of deferred taxes receivable. Prior to January 1, 1992, this adjustment was amortized into subsequent years' income, giving rise to a current tax benefit only. For 1991, this tax benefit approximated $16,000,000.

Income taxes paid in 1993, 1992 and 1991 amounted to $466,600,000, $328,900,000 and $376,800,000, respectively.

The Consolidated Omnibus Budget Reconciliation Act of 1990 (the 1990 Act) requires that life insurers capitalize and amortize policy acquisition expenses that relate to specified insurance contracts. This provision has no significant effect on current income taxes or future net income of AIG. The 1990 Act also requires that property and casualty insurers, for tax purposes, reduce the effects of the discounted loss and loss expenses reserve change by a discounted estimate of recoveries from the salvage and subrogation of claims. The tax effect applicable to 87 percent of the discounted December 31, 1989 anticipated recovery balance was a Fresh Start benefit to be amortized over four years. Thus, the provision for income taxes in 1991 reflects benefits of approximately $12,000,000. Effective January 1, 1992, a deferred tax receivable was recognized for the remainder of the discounted recoveries from salvage and subrogation.

The Omnibus Budget Reconciliation Act of 1993 (the 1993 Act) increased the highest tax rate on corporations to 35 percent for 1993. 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.

3. FEDERAL INCOME TAXES (continued)

(b) The U.S. Federal income tax rate is 35 percent for 1993 and 34 percent for 1992 and 1991. 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,	1993		1992		1991	
	AMOUNT	PERCENT OF PRE-TAX INCOME	Amount	Percent Of Pre-tax Income	Amount	Percent Of Pre-tax Income
"Expected" tax expense	$910,378	35.0%	$726,596	34.0%	$687,675	34.0%
Adjustments:						
Tax exempt interest	(248,887)	(9.6)	(228,883)	(10.7)	(209,946)	(10.4)
Dividends received deduction	(9,357)	(0.4)	(8,726)	(0.4)	(9,782)	(0.5)
Fresh start adjustments(a)	--	--	--	--	(28,000)	(1.4)
State income taxes	48,424	1.9	22,307	1.0	34,700	1.7
Foreign income not expected to be taxed in the U.S., less foreign income taxes	10,481	0.4	18,780	0.9	15,086	0.8
Other	(28,036)	(1.0)	(18,041)	(0.8)	(20,167)	(1.0)
Actual tax expense	$683,003	26.3%	$512,033	24.0%	$469,566	23.2%
Foreign and domestic components of actual tax expense:						
Foreign:						
Current	$219,799		$159,113		$ 85,689	
Deferred	17,736		21,998		20,750	
Domestic(b):						
Current	552,233		397,219		383,389	
Deferred	(106,765)		(66,297)		(20,262)	
Total (a)	$683,003		$512,033		$469,566	

(a) See discussion in Note 3(a).
(b) Including U.S. tax on foreign income.

(c) The components of the net deferred tax liability as of December 31, 1993 and December 31, 1992 were as follows:

(in thousands)

	1993	1992
Deferred tax assets:		
Loss reserve discount	$1,266,010	$1,169,629
Unearned premium reserve reduction	212,588	190,141
Accruals not currently deductible	294,630	277,561
Adjustment to life policy reserves	272,236	128,601
Cumulative translation adjustment	1,847	28,324
Other	70,173	48,584
	2,117,484	1,842,840
Deferred tax liabilities:		
Deferred policy acquisition costs	937,046	789,151
Financial service products mark to market differential	346,262	474,643
Depreciation of flight equipment	350,779	232,836
Acquisition net asset basis adjustments	275,765	299,658
Unrealized appreciation of investments	404,264	69,769
Other	251,158	161,130
	2,565,274	2,027,187
Net deferred tax liability	$ 447,790	$ 184,347

(d) Under APB 11, deferred income tax expenses or benefits resulted from timing differences in the recognition of revenues and expenses for tax and financial statement purposes.

The sources of these differences and the tax effect of each are summarized as follows:

(in thousands)

YEAR ENDED DECEMBER 31,*	1991

Deferred policy acquisition costs	$ 61,787
Deferred credits	(1,747)
Accrual of bond discount	6,938
Accruals not currently deductible	(3,766)
Financial service products mark to market differential	53,596
Loss reserve discount	(102,215)
Unearned premium reserve reduction	(2,518)
Unearned premium reserve phase-in	(19,717)
Adjustment to life policy reserves	(26,476)
Other	34,606
Deferred income tax expense	$ 488

* 1993 and 1992 information is not required under FASB 109.

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,	1993	1992	1991
General insurance operations:			
Balance at beginning of year	$ 880,257	$ 872,012	$ 813,213
Acquisition costs deferred			
Commissions	475,511	418,527	459,112
Other	492,944	428,694	387,958
	968,455	847,221	847,070
Amortization charged to income			
Commissions	416,134	453,328	384,384
Other	423,033	385,648	403,887
	839,167	838,976	788,271
Balance at end of year	$1,009,545	$ 880,257	$ 872,012
Life insurance operations:			
Balance at beginning of year	$2,777,561	$2,370,664	$1,964,211
Acquisition costs deferred			
Commissions	604,906	551,121	465,550
Other	294,636	246,839	219,072
	899,542	797,960	684,622
Amortization charged to income			
Commissions	304,276	265,600	215,671
Other	165,034	129,275	117,385
	469,310	394,875	333,056
Increase due to foreign exchange	32,071	3,812	54,887
Balance at end of year	$3,239,864	$2,777,561	$2,370,664
Total deferred policy acquisition costs	$4,249,409	$3,657,818	$3,242,676

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 its business and limit its 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 $1,000,000 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
1993		
Gross premiums	$14,901,255	$14,405,992
Reinsurance ceded	(4,875,352)	(4,839,352)
Net premiums	$10,025,903	$ 9,566,640
1992		
Gross premiums	$13,615,715	$13,616,700
Reinsurance ceded	(4,477,187)	(4,407,310)

Net premiums	$ 9,138,528	$ 9,209,390
1991		
Gross premiums	$13,336,248	$13,234,486
Reinsurance ceded	(4,189,854)	(4,129,854)
Net premiums	$ 9,146,394	$ 9,104,632

In the normal course of their operations, certain AIG subsidiaries are provided reinsurance coverages from AIG's minority-owned reinsurance companies. During 1993, 1992 and 1991, the premiums written which were ceded to Transatlantic amounted to $238,100,000, $210,700,000 and $257,700,000, respectively.

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

Life insurance net premium income was comprised of the following:

(in thousands)

YEARS ENDED DECEMBER 31,	1993	1992
Gross premium income	$5,924,557	$5,023,534
Reinsurance ceded	(178,511)	(170,447)
Net premium income	$5,746,046	$4,853,087

Life insurance recoveries, which reduced death and other benefits, approximated $169.8 million and $125.0 million respectively, for each of the years ended December 31, 1993 and 1992.

AIG's reinsurance arrangements do not relieve AIG from its direct obligation to its insureds. Thus, a contingent liability exists with respect to both general and life reinsurance ceded to the extent that any reinsurer is unable to meet the obligations

5. REINSURANCE (continued)

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 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.

Life insurance ceded to other insurance companies was as follows:

(in thousands)

YEARS ENDED DECEMBER 31,	1993	1992	1991
Life insurance in-force	$13,006,000	$11,344,000	$11,737,000

Life insurance assumed represented 1 percent of gross life insurance in-force at December 31, 1993, and 2 percent for both 1992 and 1991, and 0.1 percent, 0.2 percent and 0.3 percent of gross premium income for each of the periods ended December 31, 1993, 1992 and 1991, respectively.

A reconciliation of the Balance Sheet at December 31, 1992 reflecting the adoption of FASB 113 is as follows:

(in thousands)

	PREVIOUSLY REPORTED	RECLASSIFIED
Reserves for losses and loss expenses	$(16,756,800)	$(28,156,800)
Future policy benefits for life and accident and health insurance contracts	(11,527,500)	(11,804,500)
Premium and insurance balances receivable -- net	9,010,400	7,693,200
Funds held under reinsurance treaties	138,400	--
Reserve for unearned premiums	(3,746,700)	(4,956,700)
Reinsurance assets	--	14,342,600

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

(in thousands)

	AS REPORTED	NET OF REINSURANCE
Reserve for losses and loss expenses	$(30,046,200)	$(17,557,000)
Future policy benefits for life and accident and health insurance contracts	(14,638,400)	(14,344,900)
Premium and insurance balances receivable -- net	8,364,100	10,122,700
Funds held under reinsurance treaties	--	96,500
Reserve for unearned premiums	(5,515,700)	(4,269,700)
Reinsurance assets	15,883,800	--

6. FUTURE LIFE POLICY BENEFITS AND POLICYHOLDERS' CONTRACT DEPOSITS

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

(in thousands)

Future policy benefits:	
Long duration contracts	$14,223,502
Short duration contracts	414,880
Total	$14,638,382
Policyholders' contract deposits:	
Annuities	$ 2,686,439
Guaranteed investments contracts (GICs)	729,679

Universal life	507,922
Other investment contracts	515,799
Total	$ 4,439,839

(b) 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 2.2 percent to 12.0 percent within the first 20 years. Interest rates on immediate/terminal funding annuities are at a maximum of 13.3 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 9 percent.

(iii) The portion of net income and unrealized appreciation (depreciation) 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 (depreciation) 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 29 percent of the gross insurance in-force at December 31, 1993 and 48 percent of gross premium income in 1993. 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.

6. FUTURE LIFE POLICY BENEFITS AND POLICYHOLDERS' CONTRACT DEPOSITS (continued)

(c) 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 4.8 percent. Credited interest rate guarantees are generally for a period of one year. Withdrawal charges generally range from 6 percent to 10 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 4.8 percent to 9.2 percent and maturities range from 2 to 7 years. Overseas, primarily in the United Kingdom, GIC type contracts are credited at rates ranging from 4.0 percent to 9.0 percent with maturities generally being 1 to 2 years. Contracts in other foreign locations have interest rates, maturities and withdrawal charges based upon local economic and regulatory conditions.

(d) 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,	1993	1992	1991
Statutory surplus:			
General insurance	$7,164,367	$6,552,960	$6,156,899
Life insurance	3,275,078	2,141,637	1,762,257
Statutory net income (including net realized capital gains and losses):			
General insurance	1,206,387	875,231	1,014,383
Life insurance	570,570	378,704	302,777

AIG's insurance subsidiaries file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by domestic or foreign insurance regulators. 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 the change in the market value of the bonds available for sale, deferred policy acquisition costs and deferred income taxes.

8. INVESTMENT INFORMATION

(A) STATUTORY DEPOSITS: Cash in the amount of $165,111,000 and $84,763,000 and securities with a carrying value of $2,787,900,000 and $2,372,400,000 were deposited by AIG's subsidiaries under requirements of regulatory authorities as of December 31, 1993 and 1992 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,	1993	1992	1991
General insurance:			
Fixed maturities	$1,136,120	$1,108,643	$1,048,383
Equity securities	96,311	34,964	40,375
Short-term investments	62,156	72,334	98,005
Other (net of interest expense on funds held)	97,150	83,410	31,602
Total investment income	1,391,737	1,299,351	1,218,365
Investment expenses	51,257	47,265	54,904
Net investment income	$1,340,480	$1,252,086	$1,163,461
Life insurance:			
Fixed maturities	$ 981,128	$ 907,983	$ 777,208
Equity securities	38,361	18,692	11,451
Short-term investments	220,050	157,976	123,215
Interest on mortgage, policy			

and collateral loans	242,014	232,472	196,120
Other	100,785	63,851	86,476
Total investment income	1,582,338	1,380,974	1,194,470
Investment expenses	82,624	67,136	54,677
Net investment income	$1,499,714	$1,313,838	$1,139,793

(C) INVESTMENT GAINS AND LOSSES: The realized capital gains and change in unrealized appreciation of investments for 1993, 1992 and 1991 were as follows:

(in thousands)

YEARS ENDED DECEMBER 31,	1993	1992	1991
Realized capital gains (losses) on investments:			
Fixed maturities*	$ 125,296	$130,698	$ 45,305
Equity securities	65,090	57,616	117,890
Other	(83,288)	(89,216)	(64,845)
Realized capital gains	$ 107,098	$ 99,098	$ 98,350
Change in unrealized appreciation of investments:			
Cumulative effect of accounting change	$ 407,498	$ --	$ --
Fixed maturities	31,382	38,592	117,098
Equity securities	545,074	(75,771)	112,356
Other	143,368	63,991	(2,829)
Change in unrealized appreciation	$1,127,322	$ 26,812	$226,625

* A majority of the gains realized resulted from sales of bonds carried at market value.

8. INVESTMENT INFORMATION (continued)

During 1993, 1992 and 1991, gross gains of $99,162,000, $87,776,000 and $79,315,000, respectively and gross losses of $43,094,000, $35,635,000 and $62,797,000, 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, 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.

At December 31, 1992, the balance of the unrealized appreciation of investments in equity securities (before applicable taxes) included gross gains of approximately $423,100,000 and gross losses of approximately $308,200,000.

The deferred tax payable related to the net unrealized appreciation of investments was $404,264,000 at December 31, 1993 and $69,769,000 at December 31, 1992.

The amortized cost and estimated market value of investments in fixed maturities carried at amortized cost at December 31, 1993 and December 31, 1992 were as follows:

(in thousands)

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
1993				
Fixed maturities held to maturity and carried at amortized cost:				
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
1992				
Fixed maturities carried at amortized cost:				
Bonds:				
U.S.Government(a)	$ 212,736	$ 43,948	$ 612	$ 256,072
States(b)	12,508,078	852,917	10,326	13,350,669
Foreign governments	2,572,456	42,648	10,483	2,604,621
All other corporate	7,881,734	362,306	83,835	8,160,205
Total bonds	23,175,004	1,301,819	105,256	24,371,567
Redeemable preferred stocks	99,908	3,489	3,258	100,139
Total fixed maturities	$23,274,912	$1,305,308	$108,514	$24,471,706

(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, 1993 were as follows:

(in thousands)

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
1993				
Fixed maturities available for sale carried at market value:				
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 values of fixed maturities held to maturity and of fixed maturities available for sale at December 31, 1993, 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	$ 94,619	$ 102,345
Due after one year through five years	992,121	1,078,163
Due after five years through ten years	4,807,474	5,234,307
Due after ten years	6,316,915	6,881,508
Total held to maturity	$12,211,129	$13,296,323
Fixed maturities available for sale:		
Due in one year or less	$ 827,803	$ 860,664
Due after one year through five years	5,406,925	5,686,841
Due after five years through ten years	6,415,371	6,767,401
Due after ten years	3,949,503	4,247,505
Total available for sale	$16,599,602	$17,562,411

(E) CMOs: CMOs, held by AIG's domestic life companies, are principally U.S. government and government agency backed and AAA rated securities. These represent 95 percent of the CMOs held. Whole loans represent 5 percent of the CMOs held and are investment grade. These CMOs are held by AIG's domestic life company which operates overseas.

8. INVESTMENT INFORMATION (continued)

At December 31, 1993 and 1992, the market value of the CMO portfolio was $1.8 billion and $1.6 billion, respectively; the estimated amortized cost was approximately $1.7 billion in 1993 and $1.5 billion in 1992. AIG's CMO portfolio is readily marketable. There were no derivative (high risk) CMO securities contained in this portfolio at December 31, 1993.

The distribution of the CMOs at December 31, 1993 and 1992 was as follows:

	1993	1992
GNMA	48%	59%
FNMA	22	20
FHLMC	21	20
VA	4	--
Other	5	1
	100%	100%

At December 31, 1993, the gross weighted average coupon of this portfolio was 8.8 percent. The gross weighted average life of this portfolio was 6.5 years.

(F) FIXED MATURITIES BELOW INVESTMENT GRADE: At December 31, 1993, the fixed maturities 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, 1993, non-income producing assets were insignificant.

9. DEBT OUTSTANDING

At December 31, 1993, AIG had the following debt outstanding:

(in thousands)	
Commercial paper:	
Financial services:	
ILFC	$ 1,442,413
AIGFP	176,566
	1,618,979
AIG Funding Inc. (Funding)	891,692
AICCO	638,214
	1,529,906
Total commercial paper	3,148,885
Borrowings under obligations of guaranteed investment agreements -- AIGFP	6,735,579
Notes, bonds, loans and mortgages payable:	
Financial services:	
ILFC medium term notes	1,753,685
ILFC notes payable	2,550,000
AIGFP notes and bonds payable	521,393
Loans payable	196,863
	5,021,941
AIG medium term notes	295,000
AIG lire bonds	159,067
AIG zero coupon notes	59,116
Loans and mortgages payable	269,477
	782,660
Total notes, bonds, loans and mortgages payable	5,804,601
Total debt*	$15,689,065

*At December 31, 1993, borrowings not guaranteed by AIG were $5,942,961.

(A) COMMERCIAL PAPER: At December 31, 1993, the commercial paper issued and outstanding was as follows:

(in thousands)

	NET BOOK VALUE	UNAMORTIZED DISCOUNT	FACE AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE MATURITY
Funding	$ 891,692	$2,204	$ 893,896	3.3%	27 days
AICCO	638,214	911	639,125	3.3	17 days
ILFC	1,442,413	2,564	1,444,977	3.3	31 days
AIGFP	176,566	768	177,334	6.4*	47 days
Total	$3,148,885	$6,447	$3,155,332	--	--

*Reflects the nominal Deutschemark rate available at December 31, 1993. Economically, this rate is reduced by various hedging transactions to an effective rate approximating those presented above.

Commercial paper issued by Funding and AIGFP is guaranteed by AIG. AIG has entered into an agreement in support of AICCO's commercial paper.

9. DEBT OUTSTANDING (continued)

(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 9.8 percent.

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
1994	$3,519,670
1995	760,612
1996	662,467
1997	58,966
1998	43,556
Remaining years after 1998	1,690,308
Total	$6,735,579

At December 31, 1993, the market value of securities pledged as collateral with respect to these obligations approximated $976 million.

(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, 1993 is as follows:

(in thousands)

MEDIUM TERM NOTE SERIES:	A	B	C	D	TOTAL
Balance December 31, 1992	$17,000	$ 40,000	$115,000	$ 65,000	$237,000
Issued during year	--	--	--	125,000	125,000
Matured during year	(17,000)	--	(10,000)	(40,000)	(67,000)
Balance December 31, 1993	$ --	$40,000	$105,000	$150,000	$295,000

The interest rates on this debt range from 3.13 percent to 8.45 percent. To the extent deemed appropriate, AIG enters into swap transactions to reduce its effective borrowing rate.

At December 31, 1993, the maturity schedule for AIG's outstanding Medium Term Notes was as follows:

(in thousands)

	PRINCIPAL AMOUNT
1994	$140,000
1995	40,000
1996	75,000
1997	--
1998	40,000
Total	$295,000

At December 31, 1993, 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, 1993, notes in aggregate principal amount of $1,753,685,000 were outstanding with maturity dates varying from 1994 to 2003 at interest rates ranging from 3.57 percent to 10.25 percent. These notes provide for a single principal payment at the maturity of each note.

At December 31, 1993, the maturity schedule for ILFC's outstanding Medium Term Notes was as follows:

(in thousands)

	PRINCIPAL AMOUNT
1994	$ 389,750
1995	274,900
1996	282,550
1997	340,000
1998	314,235
Remaining years after 1998	152,250
Total	$1,753,685

(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 30.92 percent currently, to 89.88 percent after August

9. DEBT OUTSTANDING (continued)

15, 2003, of the principal amount at stated maturity together with accrued amortization of original issue discount from the preceding August 15. During 1993, no notes were repurchased. During 1992, AIG repurchased notes with a face value of $17,500,000, realizing a loss of $2,126,000. At December 31, 1993, the notes outstanding have a face value of $189,200,000, an unamortized discount of $130,084,000 and a net book value of $59,116,000. 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 Italian Lire 200 billion 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 Italian Lire 200 billion and interest thereon.

(iii) Term Notes Issued by ILFC: ILFC has issued unsecured obligations which may not be redeemed prior to maturity. $200,000,000 of such term notes are at floating interest rates and the remainder are at fixed rates.

As of December 31, 1993, notes in aggregate principal amount of $2,550,000,000 were outstanding with maturity dates varying from 1994 to 2001 and interest rates ranging from 3.56 percent to 8.88 percent. These notes provide for a single principal payment at maturity.

At December 31, 1993, the maturity schedule for ILFC's Term Notes was as follows:

(in thousands)

	PRINCIPAL AMOUNT
1994	$ 350,000
1995	500,000
1996	600,000
1997	450,000
1998	300,000
Remaining years after 1998	350,000
Total	$2,550,000

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

(E) LOANS AND MORTGAGES PAYABLE: Loans and mortgages payable at December 31, 1993 consisted of the following:

(in thousands)

	FINANCIAL SERVICES	AIG	TOTAL
Uncollateralized loans payable	$148,335	$139,977	$288,312
Collateralized loans and mortgages payable	48,528	129,500	178,028
Total	$196,863	$269,477	$466,340

(F) INTEREST EXPENSE FOR ALL INDEBTEDNESS: Total interest expense for all indebtedness, net of capitalized interest, aggregated $1,103,955,000 in 1993, $1,128,007,000 in 1992 and $871,036,000 in 1991. Interest expense paid approximated $1,017,066,000 in 1993, $1,051,976,000 in 1992 and $797,000,000 in 1991.

10. CAPITAL FUNDS

(a) At December 31, 1993, 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, 1992 and 1991, dividends paid on the MMP aggregated $1,043,000, $4,471,000 and $7,262,000, 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 53 percent of consolidated capital funds were restricted from immediate transfer to AIG parent at December 31, 1993.

10. CAPITAL FUNDS (continued)

(c) The common stock activity for the three years ended December 31, 1993 was as follows:

	1993	1992	1991
Shares outstanding at beginning of year	211,629,013	212,269,558	212,142,912
Acquired during year	(148,872)	(963,062)	(155,703)
Issued under stock option and purchase plans	350,848	322,517	282,349
Stock split effected as dividend	112,461,475	--	--
Other*	(6,664,397)	--	--
Shares outstanding at end of year	317,628,067	211,629,013	212,269,558

* 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.

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, 1993 and 1992, these commitments, made principally by AIG Capital Corp., approximated $140,700,000 and $167,300,000 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.

AIG and certain of its subsidiaries become parties to financial instruments with off-balance-sheet risk as a result of trading 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.

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.

Forward and future contracts are contracts for delivery of foreign currencies, commodities, securities, equity indexes or money market instruments 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 deviations in current market conditions from contracted levels and the potential inability of counterparties to meet the terms of their contracts. The notional amounts for each AIGFP contract are converted to five-year equivalent amounts, a measurement used to standardize the various maturities within the portfolio. At December 31, 1993, the notional principal amount of forward contracts entered into by AIGFP, expressed in five-year equivalent amounts, approximated $247 million. The contractual amounts of futures commitments to purchase and commitments to sell approximated $25.5 billion and $4.6 billion, respectively.

As a writer of options, AIGFP generally receives a premium at the outset and then follows a policy of minimizing interest rate, commodity, equity and currency risks underlying the option. At December 31, 1993, the notional principal amount of interest rate, commodity, equity and currency options written, expressed in five-year equivalent amounts, approximated $813 million.

AIGFP, for its own account, enters into interest rate, currency, equity and commodity swaps and forward commitments. Interest rate swap and swaption 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, 1993, the notional principal amount of the sum of the swap pays and receives expressed in five-year equivalent amounts, approximated $118 billion, primarily related to interest rate swaps ($90 billion). Assuming simultaneous nonperformance by all counterparties on all contracts potentially subject to a loss, the maximum potential loss, based on the cost of replacement at market rates prevailing at December 31, 1993, approximated $5.4 billion.

AIGFP evaluates the creditworthiness of its counterparties by internally evaluating counterparties by individual credits and consulting with widely accepted credit-rating services. 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 swaps and forward commitments as a function of maturity and market conditions.

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

At December 31, 1993, the breakdown by industry of maximum potential loss was as follows:

(in thousands)	
Non-U.S. banks	$2,200,932
Insured municipalities	552,447
U.S. industrials	550,405
Governmental	466,373
Non-U.S. financial services companies	460,706
Non-U.S. industrials	422,871
Structured/Collateral	293,949
U.S. banks	195,595
U.S. financial services companies	174,340
Supranationals	104,053
Total	$5,421,671

AIGFP has entered into commitments to provide liquidity for certain insured variable rate bonds issued by municipal entities. The bond agreements allow the holder, in certain circumstances, to tender the bonds to the issuer at par value. In the event a remarketing agent of the 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 aggregated $685 million at December 31, 1993 and extend through December 31, 1997. 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, credit and legal 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, 1993.

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

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.

Forward and futures contracts are contracts for delivery of foreign currencies or money market instruments 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 markets from contracted levels and the potential inability of counterparties to meet the terms of their contracts. At December 31, 1993, the notional principal amount of open purchase and sale forward and futures contracts of AIGTG approximated $101 billion. The notional or contractual amounts used to summarize the volume of financial instruments do not represent the amount of financial instruments subject to off-balance sheet risks. Assuming simultaneous nonperformance by all counterparties on all contracts of AIGTG potentially subject to loss, the maximum potential loss, based on the cost of replacement at market rates prevailing at December 31, 1993, approximated $800 million.

As a writer of foreign exchange options, AIGTG generally receives a premium at the outset and then follows a policy of minimizing the currency risk underlying the option. At December 31, 1993, the notional principal amount of foreign currency options written approximated $15 billion.

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, 1993, AIGTG did not have a significant concentration of credit risk from either an individual counterparty or group of counterparties.

At December 31, 1993, ILFC had committed to purchase 227 aircraft deliverable from 1994 through 1999 at an estimated aggregate purchase price of $12.9 billion. Concurrently, at December 31, 1993, ILFC had options to purchase 58 aircraft deliverable through 1999 at an estimated aggregate purchase price of $3.4 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.

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, asbestos and other environmental pollutants and alleged damages to cover the clean-up costs of hazardous waste dump sites (environmental claims). Estimation of 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. Environmental claims development is affected by factors such as inconsistent court resolutions, the broadening of the intent of policies and scope

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

of coverage and increasing number of new claims. AIGand 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 and financial condition. The reserves carried for these claims as at December 31, 1993 ($1.48 billion gross; $368.3 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

Financial Accounting Standards Board Statement 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.

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.

Receivables from and payables to securities brokers and dealers: Fair values for receivables from and payables to securities brokers and dealers 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.

Net unrealized gains 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. The unrealized gains for transactions related to GIAs were $526.3 million at December 31, 1993.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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: The carrying amounts for these financial instruments approximate fair values.

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.

The carrying values and fair values of AIG's financial instruments at December 31, 1993 and December 31, 1992 were as follows:

(in thousands)

	1993		1992	
	CARRYING VALUE	FAIR VALUE	Carrying Value	Fair Value
Fixed maturities	$30,084,374	$31,169,569	$26,490,365	$27,687,159
Equity securities	4,488,247	4,488,247	2,705,104	2,705,104
Mortgage loans on real estate, policy and collateral loans	3,576,516	3,662,300	3,079,560	3,120,174
Securities held for investment	--	--	4,172,671	4,049,509
Securities available for sale	4,991,105	4,991,105	--	--
Trading securities	2,516,166	2,516,166	1,947,220	1,947,220
Spot commodities	764,215	764,215	631,717	631,717
Net unrealized gain on interest rate and currency swaps, options and forward transactions	640,120	640,120	1,422,700	1,422,700
Receivables from securities brokers and dealers	1,328,391	1,328,391	4,340,417	4,340,417
Securities purchased under agreement to resell	2,737,507	2,737,507	4,317,312	4,317,312
Other invested assets	1,265,056	1,265,056	1,172,535	1,172,535
Short-term investments	5,072,893	5,072,893	4,648,879	4,648,879
Cash	157,481	157,481	136,628	136,628
Policyholders' contract deposits	4,439,839	4,566,204	4,486,702	4,649,140
Borrowings under obligations of guaranteed investment agreements	6,735,579	7,261,330	6,697,819	7,045,211
Securities sold under agreements to repurchase	2,299,563	2,299,563	3,632,205	3,632,205
Payables to securities brokers and dealers	1,688,147	1,688,147	3,216,637	3,216,637
Securities sold but not yet purchased, principally obligations of the U.S. Government and Government agencies	696,454	696,454	417,391	417,391
Spot commodities sold but not yet purchased	285,757	285,757	1,536,675	1,536,675
Deposits due to banks and other depositors	557,372	557,372	1,001,610	1,001,610
Commercial paper	3,148,885	3,148,885	2,625,309	2,625,309
Notes, bonds, loans and mortgages payable	5,804,601	5,965,912	4,141,189	4,230,953

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 1993, there were 84,055 shares of common stock subscribed to at a weighted average price of $75.97 per share pursuant to grants of privileges under the 1984 plan. There were 93,447 shares, 92,220 shares and 122,072 shares issued under the 1984 plan at weighted average prices of $54.46, $49.66 and $41.33 for the years ended December 31, 1993, 1992 and 1991, 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 352,040 shares available for the grant of future purchase privileges under the 1984 plan at December 31, 1993.

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, 1993, 2,108,950 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, 1993, there were 2,622,259 shares reserved for issuance under the 1991, 1987 and 1982 plans.

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, 1993, outstanding options granted with respect to 1,981,273shares 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, 1993 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, 1993	2,622,259	$14.87-99.13	$140,037
Shares under option exercisable at December 31, 1993	1,552,882	14.87-79.50	62,814
Shares under option exercised during year ended:			
December 31, 1993	314,938	15.63-79.50	8,456
December 31, 1992	391,566	11.87-60.92	8,658
December 31, 1991	300,503	11.87-51.20	6,645
Shares under option granted during year ended:			
December 31, 1993	347,575	84.33-99.13	30,869
December 31, 1992	486,300	54.67-79.50	37,967
December 31, 1991	458,175	48.00-60.92	24,963
Shares under option forfeited during year ended:			
December 31, 1993	38,137	16.37-88.75	1,844
December 31, 1992	55,208	11.87-60.92	2,306
December 31, 1991	80,586	11.87-51.20	2,808

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

15. EMPLOYEE BENEFITS (continued)

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. Effective January 1, 1991, the Supplemental Plan also provides a benefit equal to the reduc-tion 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, 1993 were as follows:

	RANGE OF NON-U.S. PLANS*	U.S. PLANS
Discount rate	6-15%	7%
Salary increase rate	3-13	5
Expected long-term rate of return on plan assets	7-15	9

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

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, 1993 and 1992:

(in thousands)

	1993			1992		
	NON-U.S. PLANS	U.S. PLANS	TOTAL	Non-U.S. Plans	U.S. Plans	Total
Plan assets at fair value*	$131,391	$139,129	$270,520	$113,709	$113,704	$227,413
Actuarial present value of benefit obligations:						
Accumulated benefits earned prior to valuation date:						
Vested	143,614	94,717	238,331	80,382	63,745	144,127
Nonvested	21,038	15,747	36,785	17,855	10,256	28,111
Additional benefits based on estimated future salary levels	48,973	66,652	115,625	59,188	59,840	119,028
Projected benefit obligation	213,625	177,116	390,741	157,425	133,841	291,266
Projected benefit obligation in excess of plan assets	82,234	37,987	120,221	43,716	20,137	63,853
Unrecognized prior service cost	(9,486)	(2,786)	(12,272)	(5,945)	1,169	(4,776)
Unrecognized net gain (loss)	(6,344)	1,321	(5,023)	21,530	13,928	35,458
Unamortized balance of the initial transition amounts	(23,266)	(13,692)	(36,958)	(21,786)	(15,196)	(36,982)
Net amounts to be applied to future periods	(39,096)	(15,157)	(54,253)	(6,201)	(99)	(6,300)
Adjustment to reflect minimum liability	23,268	1,896	25,164	1,498	1,607	3,105
Accrued pension liability	$ 66,406	$ 24,726	$ 91,132	$ 39,013	$ 21,645	$ 60,658

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

15. EMPLOYEE BENEFITS (continued)

Net pension cost for the years ended December 31, 1993, 1992 and 1991 included the following components:

(in thousands)

	1993	1992	1991
Cost of benefits earned during the period	$33,258	$25,175	$26,289
Interest cost on the projected benefit obligation	23,243	18,135	16,628
Actual return on all retirement plan assets	(29,613)	(13,574)	(30,554)
Net amortization and deferral of actuarial gains and losses	7,542	(4,856)	13,394
Amortization of the initial transition amount	3,389	2,014	1,608
Net pension expense*	$37,819	$26,894	$27,365

* Net pension expense included $20,999, $13,478 and $13,433 related to non-U.S. plans for 1993, 1992 and 1991, respectively.

(b) AIG sponsors a voluntary savings plan for domestic employees (a 401(k) plan), which provides 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. Contri-butions 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 serv- ice 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.

AIG adopted FASB 106 effective January 1, 1992. Prior to adoption, AIG expensed these postretirement benefits on a pay-as-you-go basis. The cumulative effect of the accounting change relative to the adoption of FASB 106 was $54.8 million, net of tax.

Assumptions associated with the accrued postretirement benefit liability at December 31, 1993 were as follows:

	NON-U.S. PLANS	U.S. PLANS
Discount rate	8.0-10.5%	7.0%
Salary increase rate	7.0-8.0	--
Medical trend rate year 1*	14.0	12.5
Medical trend rate year 8 and 9	6.0	5.5

* The Medical trend rate grades downward from years 1 through 8 domestically and years 1 through 9 for the foreign benefits. The trend rates remain level thereafter.

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, 1993 and 1992. These plans are not funded currently.

(in thousands)

	NON-U.S.	U.S.

	PLANS	PLANS	TOTAL
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
1992			
Accumulated postretirement benefit obligation:			
Retirees	$ 1,911	$34,894	$36,805
Fully eligible active employees	3,666	14,643	18,309
Other active employees	4,156	32,704	36,860
Accrued postretirement benefit liabilities	$ 9,733	$82,241	$91,974

15. EMPLOYEE BENEFITS (continued)

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

(in thousands)

	MEDICAL PLANS	LIFE INSURANCE PLANS	TOTAL
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 post-retirement benefit obligations as of December 31, 1993 by $5.0 million and the aggregate service and interest cost components of the periodic postretirement benefit costs for 1993 by $468,000.

During 1991, AIG recognized the cost of providing current medical and life insurance benefits by recording the annual insurance premiums as an expense. During 1991 these costs approximated $32,000,000. The cost of providing these benefits for retirees was not separable from the cost of providing benefits for active employees prior to 1992.

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, 1993, the future minimum lease payments under operating leases were as follows:

(in thousands)

1994	$ 146,433
1995	121,871
1996	96,228
1997	82,119
1998	75,078
Remaining years after 1998	695,347
Total	$1,217,076

Rent expense approximated $200,500,000, $199,200,000, and $199,400,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

(b) Minimum future rental income on noncancelable operating leases of flight equipment which have been delivered at December 31, 1993 was as follows:

(in thousands)

1994	$ 717,735
1995	638,449
1996	473,211
1997	318,759
1998	188,990
Remaining years after 1998	126,574
Total	$2,463,718

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 $25,800,000 in 1993, $21,200,000 in 1992 and $19,600,000 in 1991, from which Starr is required to pay commissions due originating brokers and its operating expenses. AIG also received approximately $11,800,000 in 1993, $11,500,000 in 1992 and $10,500,000 in 1991 from Starr and paid approximately $60,000 in 1993 and $50,000 in 1992 and 1991 to Starr as reimbursement for services provided at cost. AIG also received approximately $600,000 in 1993 and $800,000 in 1992 and 1991 from SICO and paid approximately $1,100,000 in 1993, $900,000 in 1992 and $800,000 in 1991 to SICO as reimbursement for services rendered at cost. AIG also paid to SICO $3,400,000 in 1993, $3,800,000 in 1992 and $4,700,000 in 1991 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, 1993 and 1992 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)	1993	1992	1993	1992
Revenues	$4,643,240	$4,363,488	$5,015,236	$ 4,530,285
Income before cumulative effect of accounting changes	$ 475,226	$ 407,703	$ 481,634	$ 419,583
Cumulative effect of accounting changes (a)	$ 20,695	$ 31,941	$ --	$ --
Net income	$ 495,921	$ 439,644	$ 481,634	$ 419,583
Income before cumulative effect of accounting changes per common share	$1.49	$1.28	$1.52	$ 1.32
Net income per common share	$1.56	$1.38	$1.52	$ 1.32
Average shares outstanding	317,484	318,324	317,360	317,448

	THREE MONTHS ENDED			
	SEPTEMBER 30,		DECEMBER 31,	
(in thousands, except per share amounts)	1993	1992	1993	1992
Revenues	$5,119,228	$4,635,922	$5,356,953	$4,858,932
Income before cumulative effect of accounting changes	$ 451,061	$ 338,874	$ 510,157	$ 458,855
Cumulative effect of accounting changes (a)	$ --	$ --	$ --	$ --
Net income	$ 451,061	$ 338,874	$ 510,157	$ 458,855
Income before cumulative effect of accounting changes per common share	$1.42	$1.06	$1.61	$ 1.44
Net income per common share	$1.42	$1.06	$1.61	$ 1.44
Average shares outstanding	317,438	317,289	317,577	317,389

(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 reinsurance operations in 1993 and by AIG in 1992.

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, 1993, 1992 and 1991:

	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

	Industry Segments-1991				
(in thousands)	Parent	General Insurance	Life Insurance	Agency And Service Fee	Financial Services
Revenues(b)	$ 381,877(c)	$10,357,369	$ 5,222,366	$215,964	$ 1,073,553
Income before income taxes	$ 381,877(c)	$ 1,247,927	$ 561,839	$ 46,202	$ 222,156
Equity in net income (loss) of partially-owned companies	$ 3,654	$ 26,232	$ 8,508	$ 24	$ (85)
Depreciation expense	$ 428	$ 51,240	$ 35,093	$ 4,409	$ 184,912
Capital expenditures	$ --	$ 43,344	$ 117,960	$ 3,984	$ 1,164,496(d)
Identifiable assets(e)	$12,919,992	$29,278,641	$19,986,909	$188,638	$20,485,838

	Industry Segments-1991	
(in thousands)	Adjustments And Eliminations(a)	Consolidated
Revenues(b)	$ (367,216)	$ 16,883,913
Income before income taxes	$ (437,426)	$ 2,022,575
Equity in net income (loss) of partially-owned companies	$ 70	$ 38,403
Depreciation expense	$ 49,062	$ 325,144
Capital expenditures	$ 40,456	$ 1,370,240(d)
Identifiable assets(e)	$ (13,470,550)	$ 69,389,468

(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, 1993, 1992 and 1991:

	NET PREMIUMS					
	WRITTEN			EARNED		
(in thousands)	1993	1992	1991	1993	1992	1991
Underwriting:						
Foreign	$ 3,019,300	$2,573,900	$2,322,900	$2,901,800	$2,496,600	$2,278,900
Commercial casualty(a)	5,368,200	5,209,300	5,320,700	5,174,300	5,350,000	5,282,600
Commercial property	241,400	166,700	285,600	180,700	210,300	314,900
Pools and associations(b)	746,400	753,300	826,100	723,100	760,200	860,500
Personal lines(c)	471,800	295,900	266,200	432,400	266,000	258,800
Mortgage guaranty	178,800	139,400	124,900	154,300	126,300	108,900
Total underwriting	$10,025,900	$9,138,500	$9,146,400	$9,566,600	$9,209,400	$9,104,600
Net investment income						
Realized capital gains						
General insurance operating income						

	OPERATING INCOME		
(in thousands)	1993	1992	1991
Underwriting:			
Foreign	$ 140,700	$ 95,000	$ 78,700
Commercial casualty(a)	253,800	169,500	272,200
Commercial property	(51,700)	(23,400)	(51,500)
Pools and associations(b)	(377,500)	(389,500)	(265,400)
Personal lines(c)	(22,300)	(77,200)	(49,800)
Mortgage guaranty	67,400	30,500	11,000
Total underwriting	10,400	(195,100)	(4,800)
Net investment income	1,340,500	1,252,100	1,163,500
Realized capital gains	65,200	67,100	89,200
General insurance operating income	$1,416,100	$1,124,100	$1,247,900

(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 64 percent, 67 percent and 71 percent of AIG's consolidated life insurance operating income before realized capital gains or losses for the years ended December 31, 1993, 1992 and 1991, respectively. For those years, 97 percent, 98 percent and 99 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-1993			
(in thousands)	DOMESTIC(a)	FAR EAST	OTHER FOREIGN	CONSOLIDATED
Revenues(b)	$ 9,986,700	$ 6,911,700	$ 3,236,300	$ 20,134,700
Income before income taxes and cumulative effect of accounting changes	$ 1,329,900	$ 900,700	$ 370,500	$ 2,601,100
Identifiable assets(c)	$64,482,500	$18,667,500	$17,864,800	$101,014,800

	Geographic Segments-1992			
(in thousands)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues(b)	$ 9,767,700	$ 5,876,900	$ 2,744,000	$18,388,600
Income before income taxes and cumulative effect of accounting changes	$ 1,035,200	$ 799,500	$ 302,300	$ 2,137,000
Identifiable assets(c)	$59,443,500	$14,720,100	$18,558,600	$92,722,200

	Geographic Segments-1991			
(in thousands)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues(b)	$ 9,561,600	$ 4,879,000	$ 2,443,300	$16,883,900
Income before income taxes	$ 1,093,400	$ 685,300	$ 243,900	$ 2,022,600
Identifiable assets(c)	$41,110,400	$13,284,600	$14,994,500	$69,389,500

(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 reinsurance 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, 1993.

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, 1993, 1992, 1991, 1990 and 1989.
   - 12-- Computation of Ratios of Earnings to Fixed Charges for the Years Ended December 31, 1993, 1992, 1991, 1990 and 1989.
   - 21-- Subsidiaries of Registrant.
   - 23-- Consent of Coopers & Lybrand.
   - 24-- Power of Attorney.
   - 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, 1993.

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 30th day of March, 1994.

AMERICAN INTERNATIONAL GROUP, INC.
By /s/ M. R. Greenberg

(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 30th day of March, 1994 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/ M.R. Greenberg (M.R. Greenberg)	Chairman and Director (Principal Executive Officer)
/s/ Edward E. Matthews (Edward E. Matthews)	Vice Chairman and Director (Principal Financial Officer)
/s/ Howard I. Smith (Howard I. Smith)	Senior Vice President and Comptroller (Principal Accounting Officer)
/s/ Bernard Aidinoff (M. Bernard Aidinoff)	Director
(Marshall A. Cohen)	Director
/s/ Barber B. Conable, Jr. (Barber B. Conable, Jr.)	Director
/s/ Marion E. Fajen (Marion E. Fajen)	Director
/s/ Martin S. Feldstein (Martin S. Feldstein)	Director
/s/ Houghton Freeman (Houghton Freeman)	Director

SIGNATURES--(CONTINUED)

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

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION	LOCATION
2		Plan of acquisition, reorganization, arrangement, liquidation or successsion	None
3(i)	(a)	Restated Certificate of Incorporation of AIG at April 8, 1969	Filed as exhibit to AIG's Registration Statement (File No. 2-31223) and incorporated herein by reference.
	(b)	Amendment to Restated Certificate of Incorporation of AIG, May 4, 1972 . . .	Filed as exhibit to AIG's Registration Statement (File No. 2-59317) and incorporated herein by reference.
	(c)	Amendment to Restated Certificate of Incorporation of AIG, April 23, 1976 .	Filed as exhibit to AIG's Registration Statement (File No. 2-59317) and incorporated herein by reference.
	(d)	Amendment to Restated Certificate of Incorporation of AIG, September 20, 1978	Filed as exhibit to AIG's Registration Statement (File No. 2-64336) and incorporated herein by reference.
	(e)	Amendment to Restated Certificate of Incorporation of AIG, June 1, 1982 . .	Filed as exhibit to AIG's Registration Statement (File No. 2-78291) and incorporated herein by reference.
	(f)	Amendment to Restated Certificate of Incorporation of AIG, May 19, 1986 . .	Filed as exhibit to AIG's Registration Statement (File No. 33-8495) and incorporated herein by reference.
	(g)	Amendment to Restated Certificate of Incorporation of AIG, June 1, 1987 . .	Filed as exhibit to AIG's Registration Statement (File No. 33-18073) and incorporated herein by reference.
	(h)	Amendment to Restated Certificate of Incorporation of AIG, May 22, 1992 . .	Filed as exhibit to AIG's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-4652) and incorporated herein by reference herewith.
3(ii)		By-laws of AIG	Filed as exhibit to AIG's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-4652) and incorporated herein by reference 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).
	(k)P Policy for directors and officers liability insurance	Filed herewith under request for confidential treatment.
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	Filed herewith.
24	Power of attorney	Included on the signature page hereof.
27	Financial Data Schedule	Not required to be filed.
28 P	Information from reports furnished to state insurance regulatory authorities	Filed herewith 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 11

COMPUTATION OF EARNINGS PER SHARE — American International Group, Inc. and Subsidiaries

(in thousands, except per share amounts)

YEARS ENDED DECEMBER 31,	1993	1992	1991	1990	1989
Average outstanding shares used in the computation of per share earnings:					
Common shares issued(a)	337,392	337,395	337,392	329,351	325,556
Common stock in treasury(a)	(19,931)	(19,758)	(19,020)	(18,883)	(18,879)
Average outstanding shares	317,461	317,637	318,372	310,468	306,677
Income before cumulative effect of accounting changes	$1,917,035	$1,620,544	$1,545,747	$1,432,606	$1,356,591
Cumulative effect of accounting changes, net of tax					
AIG	--	31,941	--	--	--
Minority-owned reinsurance operations	20,695	--	--	--	--
Net income (applicable to common stock)(b)	$1,937,730	$1,652,485	$1,545,747	$1,432,606	$1,356,591
Earnings per common share:(c)					
Income before cumulative effect of accounting changes	$6.04	$5.10	$4.86	$4.61	$4.42
Cumulative effect of accounting changes, net of tax					
AIG	--	0.10	--	--	--
Minority-owned reinsurance operations	0.07	--	--	--	--
Net income	$6.11	$5.20	$4.86	$4.61	$4.42

(a) Adjusted for the common shares split in the form of a 50 percent stock dividend paid July 30, 1993.
(b) After deductions in 1993, 1992, 1991, 1990 and 1989 of preferred stock dividends of $1,043, $4,471, $7,262, $9,688 and $10,884, 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,	1993	1992	1991	1990	1989
Income before income taxes and cumulative effect of accounting changes	$2,601,081	$2,137,048	$2,022,575	$1,811,534	$1,705,688
Less-Equity income of less than 50% owned persons	43,966	40,148	35,534	31,774	39,730
Add-Dividends from less than 50% owned persons	4,349	5,147	4,444	3,525	12,430
	2,561,464	2,102,047	1,991,485	1,783,285	1,678,388
Add-Fixed charges	1,213,487	1,233,132	977,816	672,500	506,753
Less-Capitalized interest	42,699	38,725	40,313	13,772	1,030
Income before income taxes, cumulative effect of accounting changes and fixed charges	$3,732,252	$3,296,454	$2,928,988	$2,442,013	$2,184,111
Fixed charges:					
Interest costs	$1,146,654	$1,166,732	$ 911,349	$ 616,333	$ 462,286
One-third rental expense*	66,833	66,400	66,467	56,167	44,467
Total fixed charges	$1,213,487	$1,233,132	$ 977,816	$ 672,500	$ 506,753
Ratio of earnings to fixed charges	3.08	2.67	3.00	3.63	4.31

* The proportion deemed representative of the interest factor.

The decline in the ratios over the period from 1989-1992 is primarily the result of the inclusion of the fixed charges and operating results of AIGFP, which 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. Due to the comparable level of interest costs for 1993 and 1992 and the growth in earnings, the ratio shown has increased in 1993. The pro forma ratios of earnings to fixed charges, excluding the effects of the operating results of AIGFP, are 5.66, 5.15, 5.40, 7.27 and 10.10 for 1993, 1992, 1991, 1990 and 1989, 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%
A.I. Global, Inc.	Delaware	100%
AIG Aviation, Inc.	Georgia	100%
AIG Capital Corp.	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	100%
AIU Insurance Company	New York	52%(7)
American International Healthcare, Inc.	Delaware	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%
Transatlantic Holdings, Inc.	New York	34.24%(8)
AIG Claim Services, Inc.	Delaware	100%
American International Group Data Center, Inc.	New Hampshire	100%
American International Life Assurance Company of New York	New York	100%
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%
Delaware American Life Insurance Company	Delaware	100%

SUBSIDIARIES OF REGISTRANT-(continued)

NAME OF CORPORATION	JURISDICTION OF INCORPORATION	% OF VOTING SECURITIES OWNED BY ITS IMMEDIATE PARENT(1)
Le Metropolitana de Seguros, C. por A.	Dominican Republic	100%
Birmingham Fire Insurance Company of Pennsylvania	Pennsylvania	100%
China America Insurance Company, Ltd.	Delaware	50%
China America International Insurance Company, Ltd.	Bermuda	50%
Commerce and Industry Insurance Company	New York	100%
Commerce and Industry Insurance Company of Canada	Ontario	100%
Hawaii Insurance Consultants, Ltd.	Hawaii	100%
The Insurance Company of the State of Pennsylvania	Pennsylvania	100%
International Lease Finance Corporation	California	100%
Landmark Insurance Company	California	100%
Mt. Mansfield Company, Inc.	Vermont	100%
National Union	Pennsylvania	100%
American International Specialty Lines Insurance Company	Alaska	70%(9)
Lexington	Delaware	70%(9)
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	(10)
A.I. Network Corporation	New Hampshire	100%
Marketpac International, Inc.	Delaware	100%
American Fidelity Company	Vermont	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%

SUBSIDIARIES OF REGISTRANT--(continued)

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%(11)
United Guaranty Residential Insurance Company of North Carolina	North Carolina	100%
United Guaranty Residential Insurance Company	North Carolina	75%(12)
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 90.23 percent of the voting common stock of Starr and 72.72 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 15.9 percent by SICO, 2.4 percent by Starr and 3.7 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 11.23 percent by American International Group, Inc.
(9) Also owned 20 percent by The Insurance Company of the State of Pennsylvania and 10 percent by Birmingham.
(10) Under reorganization plan, 100 percent to be held with other AIG companies.
(11) 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.
(12) 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 24, 1994, on our audits of the consolidated financial statements and financial statement schedules of American International Group, Inc. and subsidiaries as of December 31, 1993 and 1992 and for each of the three years in the period ended December 31, 1993, which report is included in the Annual Report on Form 10-K of American International Group, Inc. for the year 1993, and to the reference to our firm under the heading "Financial Statements" included in the Prospectuses.

COOPERS & LYBRAND

New York, New York
March 30, 1994.

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.

SCHEDULE I

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUMMARY OF INVESTMENTS--OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 1993

(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	$ 1,225,346	$ 1,295,583	$ 1,294,864
States, municipalities and political subdivisions	14,247,986	15,454,522	14,370,853
Foreign governments	4,466,167	4,697,867	4,697,867
Public utilities	2,010,793	2,187,542	2,187,497
All other corporate	7,150,869	7,516,062	7,515,865
Total bonds	29,101,161	31,151,576	30,066,946
Preferred stocks	17,428	17,993	17,428
Total fixed maturities	29,118,589	31,169,569	30,084,374
Equity securities:			
Common stocks:			
Public utilities	78,950	99,996	99,996
Banks, trust and insurance companies	378,353	521,680	521,680
Industrial, miscellaneous and all other	3,262,720	3,742,734	3,742,734
Total common stocks	3,720,023	4,364,410	4,364,410
Non-redeemable preferred stocks	108,222	123,837	123,837
Total equity securities	3,828,245	4,488,247	4,488,247
Mortgage loans on real estate, policy and collateral loans	3,576,516		3,576,516
Financial services assets:			
Flight equipment primarily under operating leases, net of accumulated depreciation	8,555,356		8,555,356
Securities available for sale, at market value	4,971,815	4,991,105	4,991,105
Trading securities, at market value		2,516,166	2,516,166
Spot commodities, at market value		764,215	764,215
Net unrealized gain on interest rate and currency swaps, options and forward transactions		640,120	640,120
Receivables from securities brokers and dealers	1,328,391		1,328,391
Securities purchased under agreements to resell, at contract value	2,737,507		2,737,507
Other invested assets	1,265,056		1,265,056
Short-term investments, at cost which approximates market value	5,072,893		5,072,893
Total investments	$60,454,368		$66,019,946

SCHEDULE II

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS
AND EMPLOYEES OTHER THAN RELATED PARTIES
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

	1993				1992			
NAME OF DEBTOR*	BALANCE JANUARY 1	ADDITIONS	PRINCIPAL AMOUNT COLLECTED	BALANCE DECEM-BER 31	Balance January 1	Additions	Principal Amount Collected	Balance Decem-ber 31
J. Smith	$ --	--	--	--	$110,774	--	$110,774	--
W. Dolphin	$210,000	--	--	$210,000	$210,000	--	--	$210,000
A.H. Francis	$ --	--	--	--	--	--	--	--
R. Hirst	$ --	--	--	--	--	--	--	--
R. Hirst	$ --	--	--	--	$294,320	--	$294,320	--
J. Made	$121,647	--	$ 3,756	$117,891	--	$125,000	$ 3,353	$121,647

	1991					
Name of Debtor*	Balance January 1	Additions	Principal Amount Collected	Balance Decem-ber 31		Notes
J. Smith	$112,752	--	$ 1,978	$110,774	Due Date:	June 1, 2010
					Interest:	10%
					Repayment Terms:	$13,164 per Annum including interest
					Collateral:	Residential property
W. Dolphin	$210,000	--	--	$210,000	Due Date:	Upon sale of property
					Interest:	1% plus N.Y. Prime
					Repayment Terms:	Due upon sale of property
					Collateral:	Residential property
A.H. Francis	$128,322	--	$128,322	--	Due Date:	August 25, 2009
					Interest:	8%
					Repayment Terms:	$13,967 per annum including interest
					Collateral:	Residential property and life insurance policy
R. Hirst	$127,902	--	$127,902	--	Due Date:	January 25, 1992
					Interest:	7.8%
					Repayment Terms:	Interest payable monthly and at maturity
					Collateral:	Rental deposit
R. Hirst	$294,320	--	--	$294,320	Due Date:	May 11, 1995
					Interest:	7.6%
					Repayment Terms:	Interest payable semi-annually
					Collateral:	None
J. Made	--	--	--	--	Due Date:	November 30, 2006
					Interest:	12%
					Repayment Terms:	Interest and principal payable monthly

Collateral: Residential property

SCHEDULE II

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS
AND EMPLOYEES OTHER THAN RELATED PARTIES--(Continued)
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

	1993				1992			
NAME OF DEBTOR*	BALANCE JANUARY 1	ADDITIONS	PRINCIPAL AMOUNT COLLECTED	BALANCE DECEMBER 31	Balance January 1	Additions	Principal Amount Collected	Balance December 31
D. Hupp	$ --	$ 150,000	--	$150,000	--	--	--	--
G. Davis	$ --	--	--	--	$ 622,500	--	$622,500	--
J. Littman	$ 200,000	--	$ 200,000	--	--	$ 200,000	--	$200,000
A. Kamha	$ 209,602	--	$ 9,682	$199,920	$ 248,129	--	$ 38,527	$209,602
R. Rubin	$ --	--	--	--	$1,181,667	--	$1,181,667	--
E. Nakamura	$ 320,126	--	$ 15,947	$304,179	$ 333,297	--	$ 13,171	$320,126

	1991					
Name of Debtor*	Balance January 1	Additions	Principal Amount Collected	Balance December 31		Notes
D. Hupp	--	--	--	--	Due Date:	July 1, 2003
					Interest:	1 year Treasury plus 15 basis points
					Repayment Terms:	Payable in full on due date
					Collateral:	Residential property
G. Davis	$1,500,000	$ 100,000	$ 977,500	$ 622,500	Due Date:	March 16, 1995
					Interest:	LIBOR
					Repayment Terms:	Interest payable quarterly
					Collateral:	AIG Trading Group Inc. preferred stock and one half of incentive compensation
J. Littman	--	--	--	--	Due Date:	December 31, 1994
					Interest:	LIBOR
					Repayment Terms:	Interest payable quarterly
					Collateral:	AIG Trading Group Inc. preferred stock and one half of incentive compensation
A. Kamha	$ 73,612	$ 176,513	$ 1,996	$ 248,129	Due Date:	October 8, 2011
					Interest:	6% and 8%
					Repayment Terms:	Loan 1-$6,423 per Annum Loan 2-$15,175 per Annum
					Collateral:	Residential property and life insurance policy
R. Rubin	$ 83,267	$ 1,766,667	$ 668,267	$ 1,181,667	Due Date:	December 31, 1992
					Interest:	LIBOR reset quarterly
					Repayment Terms:	Payable in full on due date
					Collateral:	None
E. Nakamura	$ 346,412	--	$ 13,115	$ 333,297	Due Date:	March 25, 2009

Interest:	4%
Repayment Terms:	Interest and principal payable monthly
Collateral:	Building and land

Not included in the schedule above are collateralized loans for the purchase of personal residences provided in the ordinary course of business to employees.

* All debtors listed above are employees of AIG.

SCHEDULE III

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

(in thousands)

December 31,	1993	1992
ASSETS:		
Cash	$ 607	$ 763
Short-term investments	2,762	114,209
Invested assets	220,819	135,709
Carrying value of subsidiaries and partially-owned companies, at equity	15,754,002	13,570,242
Due from affiliates - net	25,898	--
Premiums and insurance balances receivable-net	60,340	91,588
Other assets	228,473	148,725
TOTAL ASSETS	$16,292,901	$14,061,236
LIABILITIES:		
Insurance balances payable	$ 129,151	$ 143,460
Due to affiliates-net	--	514,519
Medium term notes payable	295,000	237,000
Zero coupon notes	59,116	53,117
Italian Lire bonds	159,067	159,067
Other liabilities	426,372	171,921
TOTAL LIABILITIES	1,068,706	1,279,084
CAPITAL FUNDS:		
Preferred stock	--	8
Common stock	843,477	562,324
Additional paid-in capital	572,142	1,014,947
Unrealized appreciation of investments, net of taxes	922,646	129,816
Cumulative translation adjustments, net of taxes	(348,186)	(333,882)
Retained earnings	13,301,529	11,486,615
Treasury stock	(67,413)	(77,676)
TOTAL CAPITAL FUNDS	15,224,195	12,782,152
TOTAL LIABILITIES AND CAPITAL FUNDS	$16,292,901	$14,061,236

STATEMENT OF INCOME--PARENT COMPANY ONLY

(in thousands)

YEARS ENDED DECEMBER 31,	1993	1992	1991
Agency income	$ 2,027	$ 5,716	$ 1,500
Dividend income from consolidated subsidiaries:			
Cash	907,432	528,807	380,421
Other	--	107,941	1,018
Dividend income from partially-owned companies	744	591	438
Equity in undistributed net income of consolidated subsidiaries and partially-owned companies	1,201,155	1,036,038	1,309,699
Other income (deductions)-net	(50,683)	148,445	17,594
Income before income taxes and cumulative effect of accounting changes	2,060,675	1,827,538	1,710,670
Income taxes	121,902	168,374	157,661
Income before cumulative effect of accounting changes	1,938,773	1,659,164	1,553,009
Cumulative effect of accounting changes, net of tax	--	(2,208)	--
Net income	$1,938,773	$1,656,956	$ 1,553,009

SCHEDULE III

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,	1993	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$1,938,773	$1,656,956	$ 1,553,009
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	(1,201,155)	(1,036,038)	(1,309,699)
Cumulative effect of accounting changes	--	2,208	--
Non-cash dividends from subsidiaries	--	(107,941)	(1,018)
Change in premiums and insurance balances receivable and payable-net	16,939	23,905	(4,002)
Change in cumulative translation adjustments	(7,088)	(2,319)	(9,623)
Other-net	13,657	208,449	103,771
Total adjustments	(1,177,647)	(911,736)	(1,220,571)
NET CASH PROVIDED BY OPERATING ACTIVITIES	761,126	745,220	332,438
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cost of investments sold or matured	--	11,035	26,936
Purchase of investments	(35,226)	(27,220)	(276)
Change in short-term investments	111,447	(42,322)	(63,575)
Change in collateral and guaranteed loans	(2,500)	(14,500)	--
Contributions to subsidiaries and investments in partially-owned companies	(237,899)	(183,949)	(150,618)
Other-net	(3,796)	(4,539)	(10,092)
NET CASH USED IN INVESTING ACTIVITIES	(167,974)	(261,495)	(197,625)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in medium term notes	58,000	(169,500)	306,300
Proceeds from common stock issued	13,280	13,272	11,691
Change in loans payable	(377,581)	(128,782)	(489,957)
Issuance of Italian Lire bonds	--	--	159,067
Liquidation of zero coupon notes payable	--	(4,647)	--
Cash dividends to shareholders	(123,859)	(116,676)	(107,017)
Acquisition of treasury stock	(13,148)	(82,096)	(12,675)
Redemption of preferred stock	(150,000)	--	--
Other-net	--	--	54
NET CASH USED IN FINANCING ACTIVITIES	(593,308)	(488,429)	(132,537)
CHANGE IN CASH	(156)	(4,704)	2,276
CASH AT BEGINNING OF YEAR	763	5,467	3,191
CASH AT END OF YEAR	$ 607	$ 763	$ 5,467

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 1992 and 1991 financial statements to conform to their 1993 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 reinsurance operations.
(5) See also Notes to Consolidated Financial Statements.

SCHEDULE V

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
AS OF DECEMBER 31, 1993, 1992 AND 1991 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
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
1991					
General Insurance	$ 872,012	$15,839,878	$3,822,079	$ --	$ 9,104,632
Life Insurance	2,370,664	9,772,268	--	281,742	4,059,354
	$ 3,242,676	$25,612,146	$3,822,079	$ 281,742	$13,163,986

(in thousands)

SEGMENT	NET INVESTMENT INCOME	LOSSES AND LOSS EXPENSES INCURRED, BENEFITS	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS(b)	OTHER OPERATING EXPENSES	NET PREMIUMS WRITTEN
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
1991					
General Insurance	$1,163,461	$ 7,186,548	$ 788,271	$1,134,622	$ 9,146,394
Life Insurance	1,139,793	3,493,188	333,056	834,283	--
	$2,303,254	$10,679,736	$1,121,327	$1,968,905	$ 9,146,394

(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 VI

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
REINSURANCE
AS OF DECEMBER 31, 1993, 1992 AND 1991 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
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%
1991					
Life insurance in-force	$193,226,288	$11,736,586	$3,523,203	$ 185,012,905	1 .9%
Premiums:					
General insurance	$ 12,414,290	$ 4,189,854	$ 921,958	$ 9,146,394	10.1%
Life insurance	4,206,917	161,286	13,723	4,059,354	0 .3%
Total premiums	$ 16,621,207	$ 4,351,140	$ 935,681	$ 13,205,748	7 .1%

SCHEDULE IX

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SHORT-TERM BORROWINGS
AS OF DECEMBER 31,

(dollars in thousands)

CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (a)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD (b)
Commercial Paper					
1993					
A.I. Credit Corp.	$ 638,214	3.3%	$ 667,640	$ 594,018	3.2%
AIG Funding, Inc.	891,692	3.3	987,757	565,848	3.2
International Lease Finance Corporation	1,442,413	3.3	1,491,364	1,184,988	3.3
AIG Financial Products Corp.	176,566	6.4(d)	231,360	109,396	7.8
	$ 3,148,885	--	$3,378,121	$2,454,250	--
1992					
A.I. Credit Corp.	$ 514,321	3.4%	$ 515,351	$ 430,492	3.8%
AIG Funding, Inc.	985,226	3.5	997,002	598,613	3.9
International Lease Finance Corporation	942,809	3.5	1,189,764	987,901	3.9
AIG Financial Products Corp.	182,953	8.5(d)	206,358	147,880	8.6
	$ 2,625,309	--	$2,908,475	$2,164,886	--
1991					
A.I. Credit Corp.	$ 376,684	5.4%	$ 601,885	$ 475,460	6.4%
AIG Funding, Inc.	683,087	4.5	1,380,974	685,485	6.4
International Lease Finance Corporation	709,446	5.3	797,747	666,511	6.2
	$ 1,769,217	--	$2,780,606	$1,827,456	--
Bank Loans(c)					
1993					
AIG Financial Products Corp.	$ --	--%	$ 25,000	$ 208	3.0%
AIG Trading Group Inc.	117,900	3.4	298,000	62,549	3.5
AIG Funding, Inc.	50,000	3.2	66,000	1,797	3.2
	$ 167,900	--	$ 389,000	$ 64,554	--
1992					
AIG Trading Group Inc.	$ 120,000	4.4%	$ 171,800	$ 72,004	4.0%
International Lease Finance Corporation	--	--	262,000	59,932	4.2
	$ 120,000	--	$ 433,800	$ 131,936	--
1991					
AIG Financial Products Corp.	$ --	-- %	$ 100,000	$ 11,528	8.4%
AIG Trading Group Inc.	157,900	6.2	157,900	24,600	6.0
International Lease Finance Corporation	--	--	663,000	335,633	7.0
	$ 157,900	--	$ 920,900	$ 371,761	--

(a) Average daily balance.
(b) Total interest expense incurred over average amount outstanding during the period.
(c) Short-term loans (included in loans and mortgages payable).
(d) Reflects the nominal rate available at December 31, 1993 and 1992. Economically, this rate is reduced by various hedging transactions to an effective rate approximating those presented above.

SCHEDULE X

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
AS OF DECEMBER 31, 1993, 1992, 1991 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
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
1991				
AIG and consolidated subsidiaries	$21,000	$7,263,600	$ (77,100)	$6,045,800

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