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
For the fiscal year ended December 31, 1999

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from________to________

Commission file number 1-8787

American International Group, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Title of each class
None

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

Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |_|.

The aggregate market value of the shares of all classes of voting stock of the registrant held by non-affiliates of the registrant on January 31, 2000 was approximately $161,757,642,000 computed upon the basis of the closing sales price of the Common Stock on that date.

As of January 31, 2000, there were outstanding 1,549,773,813 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 17, 2000 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 engaged in a broad range of insurance and insurance-related activities and financial services in the United States and abroad. AIG's primary activities include both general and life insurance operations. Other significant activities include financial services and asset management. 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"), Transatlantic Reinsurance Company, American International Underwriters Overseas, Ltd. ("AIUO"), American Life Insurance Company ("ALICO"), American International Assurance Company, Limited together with American International Assurance Company (Bermuda) Limited ("AIA"), Nan Shan Life Insurance Company, Ltd. ("Nan Shan"), American International Reinsurance Company, Ltd. and United Guaranty Residential Insurance Company. The merger of SunAmerica Inc., a leading company in the retirement savings and asset accumulation business, with and into AIG became effective January 1, 1999. The transaction was treated as a pooling of interests for accounting purposes. AIG issued 0.855 shares of common stock in exchange for each share of SunAmerica Inc. stock outstanding at the effective time of the merger for an aggregate issuance of approximately 187.5 million shares. For information on AIG's business segments, see Note 18 of Notes to Financial Statements.

All per share information herein gives retroactive effect to all stock dividends and stock splits. As of January 31, 2000, beneficial ownership of approximately 13.7 percent, 2.8 percent and 2.0 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, 1999, AIG and its subsidiaries had approximately 55,000 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, financial services operations, asset management operations, equity in income of minority-owned insurance companies and other realized capital losses. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1 and 18 of Notes to Financial Statements.)

(dollars in millions)

Years Ended December 31,	1999	1998	1997	1996	1995
General insurance operations:					
Gross premiums written	$22,569	$20,684	$18,742	$18,319	$17,895
Net premiums written	16,224	14,586	13,408	12,692	11,893
Net premiums earned	15,544	14,098	12,421	11,855	11,406
Adjusted underwriting profit (a)	669	531	490	450	417
Net investment income	2,517	2,192	1,854	1,691	1,547
Realized capital gains	295	205	128	65	68
Operating income	3,481	2,928	2,472	2,206	2,032
Identifiable assets	76,725	73,226	62,386	58,792	56,223
Loss ratio	75.5	75.6	75.3	75.9	75.9
Expense ratio	20.8	20.8	20.9	20.6	20.7
Combined ratio	96.3	96.4	96.2	96.5	96.6
Life insurance operations:					
Premium income	11,942	10,293	9,956	8,995	8,044
Net investment income	6,206	5,201	4,521	3,805	3,059
Realized capital gains (losses)	(148)	(74)	(9)	4	1
Operating income	2,858	2,373	2,048	1,657	1,331
Identifiable assets	128,697	103,611	87,747	72,275	60,125
Insurance in-force at end of year	584,959	503,649	443,323	429,992	378,005
Financial services operations:					
Commissions, transaction and other fees	3,340	3,044	3,042	2,379	2,043
Operating income	1,081	869	671	501	424
Identifiable assets	66,567	59,198	51,110	43,074	36,039
Asset management operations:					
Commissions and other fees	985	707	555	444	390
Operating income	314	191	127	101	35
Identifiable assets	1,132	915	646	787	795
Equity in income of minority-owned insurance operations	--	57	114	99	82
Other realized capital losses	(25)	(7)	(29)	(12)	(30)
Revenues (b)	40,656	35,716	32,553	29,325	26,610
Total assets	268,238	233,676	199,614	172,330	150,981

(a) Adjusted underwriting profit is statutory underwriting income 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, net investment income, financial services commissions, transaction and other fees, asset management commissions and other fees, equity in income of minority-owned insurance operations, and realized capital gains (losses). Commencing in 1997, agency operations were presented as a component of general insurance and for years prior to 1997 agency results have been reclassified to conform to this presentation.

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, 1999. (See also Note 18 of Notes to Financial Statements.)

(dollars in millions)

				Percent of Total	
	Total	United States and Canada	Other Countries	United States and Canada	Other Countries
General insurance operations:					
Net premiums earned	$ 15,544	$10,083	$ 5,461	64.9%	35.1%
Adjusted underwriting profit	669	359	310	53.6	46.4
Net investment income	2,517	1,995	522	79.3	20.7
Realized capital gains (losses)	295	321	(26)	--	--
Operating income	3,481	2,675	806	76.8	23.2
Identifiable assets	76,725	58,137	18,588	75.8	24.2
Life insurance operations:					
Premium income	11,942	947	10,995	7.9	92.1
Net investment income	6,206	3,497	2,709	56.3	43.7
Realized capital losses	(148)	(91)	(57)	--	--
Operating income	2,858	971	1,887	34.0	66.0
Identifiable assets	128,697	72,358	56,339	56.2	43.8
Financial services operations:					
Commissions, transaction and other fees	3,340	2,797	543	83.7	16.3
Operating income	1,081	846	235	78.2	21.8
Identifiable assets	66,567	55,473	11,094	83.3	16.7
Asset management operations:					
Commissions and other fees	985	821	164	83.3	16.7
Operating income	314	288	26	91.8	8.2
Identifiable assets	1,132	573	559	50.6	49.4
Other realized capital losses	(25)	(25)	--	--	--
Income before income taxes and minority interest	7,512	4,590	2,922	61.1	38.9
Revenues	40,656	20,345	20,311	50.0	50.0
Total Assets	268,238	181,517	86,721	67.7	32.3

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 approximately 70 foreign countries.

Domestic general insurance operations are comprised of the Domestic Brokerage Group, which includes the domestic operations of Transatlantic Holdings, Inc. ("Transatlantic"), Personal Lines, including 21st Century Insurance Group (21st Century), and Mortgage Guaranty.

Commencing with the third quarter of 1998, Transatlantic and 21st Century were consolidated into AIG's financial statements, as a result of AIG obtaining majority ownership.

AIG's primary domestic division is the Domestic Brokerage Group (DBG). DBG's business is derived from brokers in the United States and Canada and is conducted through its general insurance subsidiaries including American Home, National Union, Lexington, Transatlantic and certain other insurance company subsidiaries of AIG. The risk management division of DBG provides insurance and risk management programs for large corporate customers. The AIG Risk Finance division designs and implements creative risk financing alternatives using the insurance and financial services capabilities of AIG. Also included are the operations of DBG's environmental unit which focuses specifically on providing specialty products to clients with environmental exposures.

DBG writes substantially all classes of business insurance accepting such business mainly from insurance brokers. This provides DBG the opportunity to select specialized markets and retain underwriting control. Any licensed broker is able to submit business to DBG without the traditional agent-company contractual relationship, but such broker usually has no authority to commit DBG 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, environmental, workers' compensation and excess and umbrella coverages, DBG 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.

AIG engages in mass marketing of personal lines coverages, primarily private passenger auto and includes homeowners and personal umbrella coverages, principally through American International Insurance Company and 21st Century.

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 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. UGC had approximately $19 billion of mortgage guarantee risk in-force at December 31, 1999.

AIG's Foreign General insurance group accepts risks primarily underwritten through American International Underwriters ("AIU"), a marketing unit consisting of wholly owned agencies and insurance companies. The Foreign General insurance group also includes business written by AIG's foreign-based insurance subsidiaries for their own accounts. The Foreign General group uses various marketing methods to write both business and personal lines insurance with certain refinements for local laws, customs and needs. AIU operates in over 70 countries in Asia, the Pacific Rim, Europe, Africa, Middle East and Latin America. Transatlantic's foreign operations are included in this group.

During 1999, DBG and the Foreign General insurance group accounted for 50.0 percent and 34.2 percent, respectively, of AIG's net premiums written.

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

The following table summarizes general insurance premiums written and earned:

(in millions)

Years Ended December 31,	Written	Earned
1999		
Gross premiums	$22,569	$21,187
Ceded premiums	(6,345)	(5,643)
Net premiums	$16,224	$15,544
1998		
Gross premiums	$20,684	$20,092
Ceded premiums	(6,098)	(5,994)
Net premiums	$14,586	$14,098
1997		
Gross premiums	$18,742	$17,566
Ceded premiums	(5,334)	(5,145)
Net premiums	$13,408	$12,421

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 7 percent of AIG's net premiums written. This line is well diversified geographically.

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 Losses and Loss Expense Reserve Development and Management's Discussion and Analysis of Financial Condition and Results of Operations.)

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 millions)

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*
1999	$16,224	$15,544	75.5	20.8	96.3	3.7	107.3
1998	14,586	14,098	75.6	20.8	96.4	3.6	104.9
1997	13,408	12,421	75.3	20.9	96.2	3.8	101.5
1996	12,692	11,855	75.9	20.6	96.5	3.5	106.3
1995	11,893	11,406	75.9	20.7	96.6	3.4	106.7

* Source: Best's Aggregates & Averages (Stock insurance companies, after dividends to policyholders); the ratio for 1999 reflects estimated results provided by Conning & Company.

During 1999, of the direct general insurance premiums written (gross premiums less return premiums and cancellations, excluding reinsurance assumed and before deducting reinsurance ceded), 10.8 percent, 5.8 percent and 5.1 percent were written in California, New York and Illinois, respectively. No other state accounted for more than 5 percent of such premiums.

There was no significant adverse effect on AIG's general insurance results of operations from the economic environments in any one state, country or geographic region for the year ended December 31, 1999. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

Discussion and Analysis of Consolidated Net Losses and Loss Expense Reserve Development

The reserve for net losses and loss expenses represents the accumulation of estimates for reported losses ("case basis reserves") and provisions for losses incurred but not reported ("IBNR"), both reduced by applicable reinsurance recoverable. Losses and loss expenses are charged to income as incurred. AIG discounts certain of its loss reserves principally related to workers' compensation lines of business.

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.)

Management continually reviews the adequacy of established loss reserves through the utilization of a number of analytical reserve development techniques. Through the use of these techniques, management is able to monitor the adequacy of its established reserves and determine appropriate assumptions for inflation. Also, analysis of emerging specific development patterns, such as case reserve redundancies or deficiencies and IBNR emergence, allows management 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 Losses and Loss Expense Reserve Development", which follows, presents the development of net losses and loss expense reserves for calendar years 1989 through 1999. 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 losses and loss expense reserve of $16.76 billion as of December 31, 1992, by the end of 1999 (seven years later) $14.50 billion 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 $16.76 billion was reestimated to be $18.15 billion at December 31, 1999. This increase from the original estimate would generally be a combination of a number of factors, including reserves being settled for larger amounts than originally estimated. The original estimates will also be increased or decreased as more information becomes known about the individual claims and overall claim frequency and severity patterns. The redundancy (deficiency) depicted in the table, for any particular calendar year, shows the aggregate change in estimates over the period of years subsequent to the calendar year reflected at the top of the respective column heading. For example, the redundancy of $382 million at December 31, 1999 related to December 31, 1998 net losses and loss expense reserves of $24.62 billion represents the cumulative amount by which reserves for 1998 and prior years have developed redundantly during 1999. The reserve for net losses and loss expenses with respect to Transatlantic and 21st Century are included only in the consolidated net losses and loss expenses commencing with the year ended December 31, 1998. Reserve development for these operations is included only for 1998 and subsequent periods.

Over the past several years, AIG has significantly strengthened its net loss and loss expense reserves with respect to asbestos and environmental losses. This strengthening is the primary cause of the adverse development reflected in certain calendar years in the net loss and loss expense reserves shown in the following table.

Analysis of Consolidated Net Losses and
Loss Expense Reserve Development

(in millions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Reserve for Net Losses and Loss Expenses, December 31,	$12,958	$14,699	$15,840	$16,757	$17,557	$18,419	$19,693	$20,407	$21,171	$24,619	$24,600
Paid (Cumulative) as of:											
One Year Later	3,940	4,315	4,748	4,883	5,146	4,775	5,281	5,616	5,716	6,779	
Two Years Later	6,477	7,350	8,015	8,289	8,242	8,073	8,726	9,081	9,559		
Three Years Later	8,351	9,561	10,436	10,433	10,404	10,333	11,024	11,456			
Four Years Later	9,721	11,224	11,815	11,718	12,095	12,107	12,591				
Five Years Later	10,765	12,112	12,611	12,931	13,378	13,270					
Six Years Later	11,285	12,615	13,472	13,894	14,179						
Seven Years Later	11,517	13,235	14,193	14,502							
Eight Years Later	11,953	13,804	14,654								
Nine Years Later	12,402	14,147									
Ten Years Later	12,627										
Net Liability Reestimated as of:											
End of Year	12,958	14,699	15,840	16,757	17,557	18,419	19,693	20,407	21,171	24,619	24,600
One Year Later	12,845	14,596	15,828	16,807	17,434	18,139	19,413	20,009	20,890	24,237	
Two Years Later	12,844	14,595	15,903	16,603	17,479	18,269	19,330	19,999	20,886		
Three Years Later	12,809	14,724	15,990	16,778	17,782	18,344	19,327	20,151			
Four Years Later	12,896	14,965	16,254	17,182	18,090	18,344	19,604				
Five Years Later	13,065	15,361	16,712	17,600	18,300	18,535					
Six Years Later	13,426	15,845	17,095	17,844	18,537						
Seven Years Later	13,931	16,161	17,356	18,148							
Eight Years Later	14,180	16,385	17,679								
Nine Years Later	14,457	16,687									
Ten Years Later	14,738										
Redundancy/(Deficiency)	(1,780)	(1,988)	(1,839)	(1,391)	(980)	(116)	89	256	285	382	

The following table excludes for each calendar year the net loss and loss expense reserves and the development thereof with respect to asbestos and environmental claims. Thus, AIG's loss and loss expense reserves excluding asbestos and environmental claims are developing adequately. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

Analysis of Consolidated Net Losses and Loss Expense Reserve Development Excluding Asbestos and Environmental Net Losses and Loss Expense Reserve Development

(in millions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Reserve for Net Losses and Loss Expenses, Excluding Asbestos and Environmental Losses and Loss Expenses, December 31,	$12,838	$14,539	$15,639	$16,503	$17,249	$18,089	$19,186	$19,664	$20,384	$23,754	$23,709
Paid (Cumulative) as of:											
One Year Later	3,940	4,260	4,691	4,766	5,061	4,700	5,174	5,507	5,576	6,657	
Two Years Later	6,422	7,237	7,842	8,088	8,082	7,891	8,515	8,832	9,305		
Three Years Later	8,240	9,333	10,178	10,157	10,137	10,048	10,673	11,094			
Four Years Later	9,496	10,912	11,483	11,337	11,726	11,683	12,128				
Five Years Later	10,456	11,727	12,175	12,448	12,871	12,734					
Six Years Later	10,904	12,126	12,935	13,274	13,560						
Seven Years Later	11,034	12,646	13,519	13,771							
Eight Years Later	11,370	13,079	13,870								
Nine Years Later	11,684	13,312									
Ten Years Later	11,801										
Net Liability Reestimated as of:											
End of Year	12,838	14,539	15,639	16,503	17,249	18,089	19,186	19,664	20,384	23,754	23,709
One Year Later	12,684	14,341	15,518	16,382	17,019	17,556	18,568	19,118	19,903	23,229	
Two Years Later	12,591	14,232	15,422	16,073	16,813	17,355	18,347	18,910	19,771		
Three Years Later	12,449	14,190	15,403	15,997	16,790	17,293	18,141	18,934			
Four Years Later	12,368	14,327	15,417	16,081	16,960	17,090	18,292				
Five Years Later	12,431	14,472	15,562	16,362	16,969	17,155					
Six Years Later	12,544	14,648	15,808	16,404	17,080						
Seven Years Later	12,748	14,828	15,869	16,582							
Eight Years Later	12,861	14,854	16,067								
Nine Years Later	12,941	15,032									
Ten Years Later	13,097										
Redundancy/(Deficiency)	(259)	(493)	(428)	(79)	169	934	894	730	613	525	

Reconciliation of Net Reserve for Losses and Loss Expenses

(in millions)

	1999	1998	1997
Net reserve for losses and loss expenses at beginning of year	$ 24,619	$ 21,171	$ 20,407
Acquisitions (a)	--	2,896	--
Losses and loss expenses incurred:			
Current year	12,122	10,938	9,732
Prior years (b)	(384)	(281)	(376)
	11,738	10,657	9,356
Losses and loss expenses paid:			
Current year	4,978	4,389	2,976
Prior years	6,779	5,716	5,616
	11,757	10,105	8,592
Net reserve for losses and loss expenses at end of year (c)	$24,600	$24,619	$21,171

(a) Acquisitions include the opening balances with respect to Transatlantic and 21st Century.

(b) Does not include the effects of foreign exchange adjustments which are reflected in the "Net Losses and Loss Expense Reserve Development" table.

(c) See also Note 6(a) of Notes to Financial Statements.

Approximately 45 percent of the net losses and loss expense reserves are paid out within two years of the date incurred. The remaining net losses and loss expense reserves, particularly those associated with the casualty lines of business, may extend to 20 years or more.

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

The reserve for losses and loss expenses as reported in AIG's Consolidated Balance Sheet at December 31, 1999, differs from the total reserve reported in the Annual Statements filed with state insurance departments and, where appropriate, with foreign regulatory authorities. The differences at December 31, 1999 relate primarily to reserves for certain foreign operations. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

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

The "Analysis of Consolidated Gross Losses and Loss

Expense Reserve Development", which follows, presents the development of gross losses and loss expense reserves for calendar years 1992 through 1999. As with the net losses and loss expense reserve development, the deficiencies of $1.77 billion and $923 million for 1992 and 1993, and redundancies of $1.02 billion, $1.44 billion, $2.02 billion, $1.15 billion and $1.15 billion for 1994, 1995, 1996, 1997 and 1998, respectively, are relatively insignificant both in terms of an aggregate amount and as a percentage of the initial reserve balance.

Analysis of Consolidated Gross Losses and
Loss Expense Reserve Development

(in millions)

	1992	1993	1994	1995	1996	1997	1998	1999
Gross Losses and Loss Expenses, December 31,	$28,157	$30,046	$31,435	$33,047	$33,430	$33,400	$38,310	$38,252
Paid (Cumulative) as of:								
One Year Later	7,281	8,807	7,640	8,392	9,199	9,185	10,344	
Two Years Later	13,006	13,279	13,036	15,496	15,043	14,696		
Three Years Later	16,432	17,311	17,540	18,837	18,721			
Four Years Later	18,550	20,803	20,653	21,811				
Five Years Later	21,322	22,895	22,634					
Six Years Later	22,807	23,779						
Seven Years Later	23,684							
Gross Liability Reestimated as of:								
End of Year	28,157	30,046	31,435	33,047	33,430	33,400	38,310	38,252
One Year Later	28,253	29,866	30,759	32,372	32,777	32,337	37,161	
Two Years Later	27,825	29,537	30,960	32,398	31,719	32,251		
Three Years Later	27,727	30,362	30,825	31,759	31,407			
Four Years Later	28,625	31,020	30,508	31,604				
Five Years Later	29,701	30,881	30,417					
Six Years Later	29,605	30,969						
Seven Years Later	29,929							
Redundancy/(Deficiency)	(1,772)	(923)	1,018	1,443	2,023	1,149	1,149	

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, endowment and accident and health policies. Financial and investment products consist of single premium annuity, variable annuities, guaranteed investment contracts, universal life and pensions. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

Life insurance operations in foreign countries comprised 92.1 percent of life premium income and 66.0 percent of operating income in 1999. AIG operates overseas principally through American Life Insurance Company (ALICO), American International Assurance Company, Limited together with American International Assurance Company (Bermuda) Limited (AIA) and Nan Shan Life Insurance Company, Ltd. (Nan Shan). ALICO is incorporated in Delaware and 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 Caribbean, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates in Taiwan. These operations comprised 89.8 percent of AIG's consolidated life premium income. (See also Note 18 of Notes to Financial Statements.)

AIG's domestic life operations are comprised of two separate operations, AIG's domestic life companies and the life insurance subsidiaries of SunAmerica. AIG's predominant domestic life subsidiaries are American International Life Assurance Company of New York and AIG Life Insurance Company. These companies utilize multiple distribution channels including brokerage and career and general agents to offer primarily life insurance, financial and investment products and specialty forms of accident and health coverage for individuals and groups, including employee benefit plans. SunAmerica sells primarily financial and investment type products. The domestic life operations comprised 7.9 percent of total life premium income in 1999.

There was no significant adverse effect on AIG's life insurance results of operations from economic environments in any one state, country or geographic region for the year ended December 31, 1999. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

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

In addition to the above, AIG also has subsidiary operations in the Philippines, Canada, Mexico, Poland, Switzerland, Puerto Rico, and conducts life insurance business through AIUO subsidiary companies in Russia, Israel and in certain countries in Central and South America.

The foreign life companies have approximately 125,000 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 tables summarize the life insurance operating results for the years ended December 31, 1999 and 1998. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

(dollars in millions)

December 31, 1999	Premium Income	Net Investment Income	Operating Income (a)	Insurance In-Force	Average Termination Rate Lapse	Average Termination Rate Other
Individual:						
Life	$ 8,491	$2,630	$1,487	$431,507 (b)	7.0%	1.6%
Annuity	334	1,600	244	(c)		
Accident and health	1,643	115	432	(c)		
Group:						
Life	619	37	66	153,452	8.5%	2.7%
Pension	252	1,805	765	(c)		
Accident and health	603	27	20	(c)		
Realized capital losses	--	--	(148)	(c)		
Consolidation adjustments	--	(8)	(8)	(c)		
Total	$11,942	$6,206	$2,858	$584,959		

(a) Including income related to investment type products.
(b) Including $304.7 billion of whole life insurance and endowments.
(c) Not applicable.

(dollars in millions)

December 31, 1998	Premium Income	Net Investment Income	Operating Income (a)	Insurance In-Force	Average Termination Rate Lapse	Average Termination Rate Other
Individual:						
Life	$ 7,391	$2,260	$1,244	$381,181 (b)	6.8%	1.4%
Annuity	284	1,598	292	(c)		
Accident and health	1,297	95	361	(c)		
Group:						
Life	513	32	55	122,468	10.6%	5.1%
Pension	229	1,197	480	(c)		
Accident and health	579	27	23	(c)		
Realized capital losses	--	--	(74)	(c)		
Consolidation adjustments	--	(8)	(8)	(c)		
Total	$10,293	$5,201	$2,373	$503,649		

(a) Including income related to investment type products.
(b) Including $280.1 billion of whole life insurance and endowments.
(c) Not applicable.

AIG's individual life insurance and group life insurance portfolio accounted for 52 percent, 53 percent and 52 percent of AIG's consolidated life insurance operating income before realized capital losses for the years ended December 31, 1999, 1998 and 1997, respectively. For the years ended December 31, 1999, 1998 and 1997, 64.7 percent, 68.0 percent and 69.3 percent, respectively, of consolidated life operating income before realized capital losses was derived from foreign operations.

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 18 of Notes to Financial Statements.)

The following tables summarize the composition of AIG's insurance invested assets by insurance segment, including investment income due and accrued and real estate, at December 31, 1999 and 1998:

(dollars in millions)

December 31, 1999	General Insurance	Life Insurance	Total	Percent of Total	Percent Distribution Domestic	Percent Distribution Foreign
Fixed maturities:						
Available for sale, at market value (a)	$16,903	$61,022	$ 77,925	61.6%	53.5%	46.5%
Held to maturity, at amortized cost	12,078	--	12,078	9.5	100.0	--
Equity securities, at market value (b)	4,000	2,503	6,503	5.1	50.2	49.8
Mortgage loans on real estate, policy and collateral loans	70	10,420	10,490	8.3	57.0	43.0
Short-term investments, including time deposits, and cash	977	5,710	6,687	5.3	45.1	54.9
Real estate	381	1,141	1,522	1.2	18.5	81.5
Investment income due and accrued	576	1,421	1,997	1.6	48.0	52.0
Other invested assets	4,150	5,138	9,288	7.4	85.1	14.9
Total	$39,135	$87,355	$126,490	100.0%	59.5%	40.5%

(a) Includes $1.04 billion of bonds trading securities, at market value.
(b) Includes $697 million of non-redeemable preferred stocks, at market value.

(dollars in millions)

December 31, 1998	General Insurance	Life Insurance	Total	Percent of Total	Percent Distribution Domestic	Percent Distribution Foreign
Fixed maturities:						
Available for sale, at market value (a)	$15,939	$51,237	$ 67,176	59.0%	56.4%	43.6%
Held to maturity, at amortized cost	12,658	--	12,658	11.1	100.0	--
Equity securities, at market value (b)	3,923	2,092	6,015	5.3	54.1	45.9
Mortgage loans on real estate, policy and collateral loans	70	9,894	9,964	8.7	55.5	44.5
Short-term investments, including time deposits, and cash	873	5,835	6,708	5.9	42.6	57.4
Real estate	393	1,124	1,517	1.3	18.2	81.8
Investment income due and accrued	568	1,197	1,765	1.5	51.2	48.8
Other invested assets	4,459	3,699	8,158	7.2	85.9	14.1
Total	$38,883	$75,078	$113,961	100.0%	61.7%	38.3%

(a) Includes $1.01 billion of bonds trading securities, at market value.
(b) Includes $593 million of non-redeemable preferred stocks, at market value.

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

(dollars in millions)

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 on Invested Assets		Realized Capital Gains
1999	$925	$38,084	$39,009	$2,517	6.5%(c)	6.6%(d)	$295
1998	745	34,619	35,364	2,192	6.2%(c)	6.3%(d)	205
1997	611	29,704	30,315	1,854	6.1%(c)	6.2%(d)	128
1996	630	27,048	27,678	1,691	6.1%(c)	6.3%(d)	65
1995	825	24,417	25,242	1,547	6.1%(c)	6.3%(d)	68

(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.
(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 millions)

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 on Invested Assets		Realized Capital Gains (Losses)
1999	$5,772	$75,444	$81,216	$6,206	7.6%(c)	8.2%(d)	$(148)
1998	4,619	65,796	70,415	5,201	7.4%(c)	7.9%(d)	(74)
1997	2,467	57,849	60,316	4,521	7.5%(c)	7.8%(d)	(9)
1996	1,809	48,158	49,967	3,805	7.6%(c)	7.9%(d)	4
1995	1,934	38,990	40,924	3,059	7.5%(C)	7.8%(d)	1

(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.
(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.

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.)

Financial Services Operations

AIG's financial services subsidiaries engage in diversified financial products and services including aircraft, consumer and premium financing, and banking services.

International Lease Finance Corporation (ILFC) engages primarily in the acquisition of new and used commercial jet aircraft and the leasing and remarketing of such aircraft to airlines around the world. (See also Note 18 of Notes to Financial Statements.)

AIG Financial Products Corp. and its subsidiaries (AIGFP) structure financial transactions, including long-dated interest rate and currency swaps and structures borrowing through notes, bonds and guaranteed investment agreements. (See also Note 18 of Notes to Financial Statements.)

AIG Trading Group Inc. and its subsidiaries (AIGTG) engage in various commodities trading, foreign exchange trading, interest rate swaps and market making activities. (See also Note 18 of Notes to Financial Statements.)

Together these three operations comprise 94.5 percent of the commissions, transaction and other fees of AIG's consolidated financial services operations.

The following table is a summary of the composition of AIG's financial services and asset management invested assets and liabilities at December 31, 1999 and 1998. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of Notes to Financial Statements.)

(in millions)	1999	1998
Financial services and asset management invested assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation	$17,334	$16,330
Securities available for sale, at market value	12,954	10,674
Trading securities, at market value	4,391	5,668
Spot commodities, at market value	683	476
Unrealized gain on interest rate and currency swaps, options and forward transactions	7,931	9,881
Trading assets	5,793	6,229
Securities purchased under agreements to resell, at contract value	10,897	4,838
Other, including short-term investments	2,565	2,523
Total	$62,548	$56,619
Financial services and asset management liabilities:		
Borrowings under obligations of guaranteed investment agreements	$ 9,430	$ 9,188
Securities sold under agreements to repurchase, at contract value	6,116	4,473
Trading liabilities	3,821	4,664
Securities and spot commodities sold but not yet purchased, at market value	6,413	4,457
Unrealized loss on interest rate and currency swaps, options and forward transactions	8,624	7,055
Trust deposits and deposits due to banks and other depositors	2,175	1,682
Commercial paper	2,958	3,204
Notes, bonds and loans payable	16,806	15,249
Total	$56,343	$49,972

The following table is a summary of the revenues and operating income of AIG's principal financial services operations for the year ended December 31, 1999, 1998 and 1997. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of Notes to Financial Statements.)

(in millions)	Revenues	Operating Income
1999		
ILFC	$2,194	$590
AIGFP*	737	482
AIGTG*	227	109
1998		
ILFC	$2,002	$496
AIGFP*	550	323
AIGTG*	374	123
1997		
ILFC	$1,857	$382
AIGFP*	452	241
AIGTG*	562	127

* Revenues represent commissions, transaction and other fees.

A.I. Credit Corp. and Imperial Premium Finance, Inc. also contribute to financial services income. These operations engage principally in premium financing. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1, 9 and 12 of Notes to Financial Statements.)

AIG Consumer Finance Group, Inc., through its subsidiaries, is engaged in developing a multi-product consumer finance business with an emphasis on emerging markets.

Asset Management Operations

AIG's asset management operations offer a wide variety of investment vehicles and services, including variable annuities, mutual funds, and investment asset management. Such products and services are offered to individuals and institutions both domestically and internationally.

AIG's three principal asset management operations are SunAmerica's asset management operations (SAAMCo), AIG Global Investment Group, Inc. and its subsidiaries (Global Investment) and AIG Capital Partners, Inc. (Cap Partners). SAAMCo develops and sells variable annuities and other investment products, sells and manages mutual funds and provides financial services. Global

Investment manages invested assets of institutions, including insurance companies and pension funds, and provides custodial services. Cap Partners organizes, and manages the invested assets of institutional investment funds and may also invest in such funds. Each of these subsidiary operations receives fees for investment products and services provided.

Other Operations

Small AIG subsidiaries provide insurance-related services such as adjusting claims and marketing specialized products. AIG has several other relatively minor subsidiaries which carry on various businesses. American International Technology Enterprises, Inc. provides information technology and processing services to businesses worldwide. Mt. Mansfield Company, Inc. owns and operates the ski slopes, lifts, school and an inn located at Stowe, Vermont.

Additional Investments

AIG holds a 24.4 percent interest in IPC Holdings, Ltd., a reinsurance holding company and a 19.9 percent interest in Richmond Insurance Company, Ltd., a reinsurer. (See also Note 1(o) of Notes to Financial Statements.)

Locations of Certain Assets

As of December 31, 1999, approximately 32 percent of the consolidated assets of AIG were located in foreign countries (other than Canada), including $894 million of cash and securities on deposit with foreign regulatory authorities. Foreign operations and assets held abroad may be adversely affected by political developments in foreign countries, including such possibilities as tax changes, nationalization and changes in regulatory policy, as well as by consequence of hostilities and unrest. The risks of such occurrences and their overall effect upon AIG vary from country to country and cannot easily be predicted. If expropriation or nationalization does occur, AIG's policy is to take all appropriate measures to seek recovery of such assets. Certain of the countries in which AIG's business is conducted have currency restrictions which generally cause a delay in a company's ability to repatriate assets and profits. (See also Notes 1, 2 and 18 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 11 of Notes to Financial Statements.)

AIG's insurance subsidiaries, in common with other insurers, are subject to regulation and supervision by the states and by other jurisdictions in which they do business. Within the United States, the method of such regulation varies but generally has its source in statutes that delegate regulatory and supervisory powers to an insurance official. The regulation and supervision relate primarily to approval of policy forms and rates, the standards of solvency that must be met and maintained, including risk based capital measurements, the licensing of insurers and their agents, the nature of and limitations on investments, restrictions on the size of risks which may be insured under a single policy, deposits of securities for the benefit of policyholders, methods of accounting, periodic examinations of the affairs of insurance companies, the form and content of reports of financial condition required to be filed, and reserves for unearned premiums, losses and other purposes. In general, such regulation is for the protection of policyholders rather than security holders. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

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

The RBC formula develops a risk adjusted target level of adjusted statutory capital 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.

The statutory surplus of each of AIG's domestic general and life insurance subsidiaries exceeded their RBC standards by considerable margins as of December 31, 1999.

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.

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 on 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. In some countries, regulations governing constitution of technical reserves and remittance balances 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 3,000 other stock companies, specialty insurance organizations, mutual companies and other underwriting organizations. AIG's life insurance companies compete in the United States with some 1,700 life insurance companies and other participants in related financial service fields. Overseas, AIG subsidiaries compete for business with foreign insurance operations of the larger U.S. insurers and local companies in particular areas in which they are active.

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

ITEM 2. Properties

AIG and its subsidiaries operate from approximately 360 offices in the United States, 5 offices in Canada and numerous offices in approximately 100 foreign countries. The offices in Springfield, Illinois; Houston, Texas; Atlanta, Georgia; Baton Rouge, Louisiana; Wilmington, Delaware; Hato Rey, Puerto Rico; San Diego, California; Greensboro, North Carolina; Livingston, New Jersey; 70 Pine Street, 72 Wall Street and 175 Water Street in New York City; and offices in approximately 30 foreign countries including Bermuda, Chile, Hong Kong, the Philippines, Japan, England, Singapore, Switzerland, Taiwan and Thailand are located in buildings owned by AIG and its subsidiaries. The remainder of the office space utilized by AIG subsidiaries is leased.

ITEM 3. Legal Proceedings

AIG and its subsidiaries, in common with the insurance industry in general, are subject to litigation, including claims for punitive damages, in the normal course of their business. AIG does not believe that such litigation will have a material adverse effect on its financial condition, future operating results or liquidity. (See also the Discussion and Analysis of Consolidated Net Losses 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 1999.

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	71	1984
Eli Broad	Director	66	1999
Pei-yuan Chia	Director	61	1996
Marshall A. Cohen	Director	64	1992
Barber B. Conable, Jr.	Director	77	1991
Martin S. Feldstein	Director	60	1987
Ellen V. Futter	Director	50	1999
Leslie L. Gonda	Director	80	1990
Evan G. Greenberg*	Director, President and Chief Operating Officer	45	1995
M. R. Greenberg*	Director, Chairman and Chief Executive Officer	74	1967
Carla A. Hills	Director	66	1993
Frank J. Hoenemeyer*	Director	80	1985
Edward E. Matthews*	Director and Vice Chairman - Investments and Financial Services	68	1973
Dean P. Phypers	Director	71	1979
Howard I. Smith	Director, Executive Vice President, Chief Financial Officer and Comptroller	55	1984
Thomas R. Tizzio*	Director and Senior Vice Chairman - General Insurance	62	1982
Edmund S. W. Tse	Director and Vice Chairman - Life Insurance	62	1991
Jay S. Wintrob	Director	43	1999
Frank G. Wisner	Director and Vice Chairman - External Affairs	61	1997
Edwin E. Manton	Senior Advisor	91	1967
John J. Roberts	Senior Advisor	77	1967
Ernest E. Stempel	Senior Advisor	83	1967
Kristian P. Moor	Executive Vice President - Domestic General Insurance	40	1998
R. Kendall Nottingham	Executive Vice President - Life Insurance	61	1998
Robert M. Sandler	Executive Vice President, Senior Casualty Actuary and Senior Claims Officer	57	1980
Martin J. Sullivan	Executive Vice President - Foreign General Insurance	45	1997
William N. Dooley	Senior Vice President - Financial Services	47	1992
Lawrence W. English	Senior Vice President - Administration	58	1985
Axel I. Freudmann	Senior Vice President - Human Resources	53	1986
Win J. Neuger	Senior Vice President and Chief Investment Officer	50	1995
Ernest T. Patrikis	Senior Vice President and General Counsel	56	1998
Robert E. Lewis	Vice President and Chief Credit Officer	49	1993
Charles M. Lucas	Vice President and Director of Market Risk Management	61	1996
Frank Petralito II	Vice President and Director of Taxes	63	1978
Kathleen E. Shannon	Vice President and Secretary	50	1986
John T. Wooster, Jr.	Vice President - Communications	60	1989
Carol A. McFate	Treasurer	47	1998

* 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. Evan G. 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. Prior to joining AIG in 1998, Mr. Patrikis was First Vice President at the Federal Reserve Bank of New York, previously having served as Executive Vice President and General Counsel. Mr. Lucas was Senior Vice President at Republic National Bank of New York prior to joining AIG in 1996. Ms. McFate was Assistant Treasurer of AIG and Director of Financial Analysis of AIG prior to being elected Treasurer of AIG in 1998 and was Senior Vice President - Investment Management at Prudential Insurance Company prior to joining AIG in 1994. Mr. Wisner served as a career foreign service officer with the United States Department of State from 1961 through July, 1997, with his last position being Ambassador to India.

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 1999 and 1998, as adjusted for the common stock split in the form of a 25 percent common stock dividend paid July 30, 1999 and the common stock split in the form of a 50 percent common stock dividend paid July 31, 1998. All prices are as reported by the National Quotation Bureau, Incorporated.

	1999		1998	
	High	Low	High	Low
First Quarter	98 1/8	78	69	53 5/8
Second Quarter	106 3/8	89 3/16	77 7/8	65 7/16
Third Quarter	99 3/4	84 1/2	81 9/16	61
Fourth Quarter	111 11/16	82	80 11/16	53 1/4

(b) In 1999, AIG paid a quarterly dividend of 4.5 cents in March and June and 5.0 cents in September and December for a total cash payment of 19 cents per share of common stock. In 1998, AIG paid a quarterly dividend of 4.0 cents in March and June and 4.5 cents in September and December for a total cash payment of 17 cents per share of common stock. These amounts reflect the adjustment for common stock splits described above. 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.

See Note 11(a) 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, 2000, based upon the number of record holders, was 26,000.

ITEM 6. Selected Financial Data
AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

The following Selected Consolidated Financial Data, which has been restated to include the operations of SunAmerica Inc., the Maryland corporation which was merged into AIG on January 1, 1999, on a pooling of interest basis, 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 millions, except per share amounts)

Years Ended December 31,	1999	1998	1997	1996	1995
Revenues (a)	$ 40,656	$ 35,716	$ 32,553	$ 29,325	$ 26,610
General insurance:					
Net premiums written	16,224	14,586	13,408	12,692	11,893
Net premiums earned	15,544	14,098	12,421	11,855	11,406
Adjusted underwriting profit	669	531	490	450	417
Net investment income	2,517	2,192	1,854	1,691	1,547
Realized capital gains	295	205	128	65	68
Operating income	3,481	2,928	2,472	2,206	2,032
Life insurance:					
Premium income	11,942	10,293	9,956	8,995	8,044
Net investment income	6,206	5,201	4,521	3,805	3,059
Realized capital gains (losses)	(148)	(74)	(9)	4	1
Operating income	2,858	2,373	2,048	1,657	1,331
Financial services operating income	1,081	869	671	501	424
Asset management operating income	314	191	127	101	35
Equity in income of minority-owned insurance operations	--	57	114	99	82
Other realized capital losses	(25)	(7)	(29)	(12)	(30)
Other income (deductions)--net	(197)	(134)	(93)	(84)	(91)
Income before income taxes and minority interest	7,512	6,277	5,310	4,468	3,783
Income taxes	2,219	1,785	1,525	1,234	1,041
Income before minority interest	5,293	4,492	3,785	3,234	2,742
Minority interest	(238)	(210)	(74)	(63)	(38)
Net income	5,055	4,282	3,711	3,171	2,704
Earnings per common share (b) :					
Basic	3.27	2.81	2.45	2.08	1.78
Diluted	3.23	2.75	2.40	2.05	1.75
Cash dividends per common share (c)	.19	.17	.15	.13	.11
Total assets	268,238	233,676	199,614	172,330	150,981
Long-term debt (d)	22,896	22,720	18,950	18,079	14,977
Capital funds (shareholders' equity)	33,306	30,123	26,585	23,705	21,040

(a) Represents the sum of general net premiums earned, life premium income, net investment income, financial services commissions, transaction and other fees, asset management commissions and other fees, equity in income of minority-owned insurance operations, and realized capital gains (losses). Commencing in 1997, agency operations were presented as a component of general insurance and for years prior to 1997 agency results have been reclassified to conform to this presentation.
(b) Per share amounts for all periods presented have been retroactively adjusted to reflect all stock dividends and splits and reflect the adoption of the Statement of Financial Accounting Standards No. 128 "Earnings per Share."
(c) Cash dividends have not been restated to reflect dividends paid by SunAmerica Inc.
(d) 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

AIG's general insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance.

Domestic general insurance operations are comprised of the Domestic Brokerage Group (DBG), which includes the domestic operations of Transatlantic Holdings, Inc. (Transatlantic), Personal Lines, including 21st Century Insurance Group (21st Century), and Mortgage Guaranty.

Commencing with the third quarter of 1998, Transatlantic and 21st Century were consolidated into AIG's financial statements, as a result of AIG obtaining majority ownership.

DBG is AIG's primary domestic division. DBG writes substantially all classes of business insurance, accepting such business mainly from insurance brokers. This provides DBG the opportunity to select specialized markets and retain underwriting control. Any licensed broker is able to submit business to DBG without the traditional agent-company contractual relationship, but such broker usually has no authority to commit DBG to accept a risk.

Personal Lines engages in the mass marketing of personal lines insurance, primarily private passenger auto and includes homeowners and personal umbrella coverages.

Mortgage Guaranty provides guaranty insurance on conventional first mortgage loans on single family dwellings and condominiums.

AIG's Foreign General insurance group accepts risks primarily underwritten through American International Underwriters (AIU), a marketing unit consisting of wholly owned agencies and insurance entities. The Foreign General insurance group also includes business written by AIG's foreign-based insurance subsidiaries for their own accounts. The Foreign General insurance group uses various marketing methods to write both business and personal lines insurance with certain refinements for local laws, customs and needs. AIU operates in over 70 countries in Asia, the Pacific Rim, Europe, Africa, Middle East and Latin America. Transatlantic's foreign operations are included in this group. (See also Note 18 of Notes to Financial Statements.)

General insurance operations for the twelve month periods ending December 31, 1999, 1998 and 1997 were as follows:

(in millions)

	1999	1998	1997
Net premiums written:			
Domestic	$ 10,678	$ 9,787	$ 9,038
Foreign	5,546	4,799	4,370
Total	$ 16,224	$ 14,586	$ 13,408
Net premiums earned:			
Domestic	$ 10,083	$ 9,471	$ 8,352
Foreign	5,461	4,627	4,069
Total	$ 15,544	$ 14,098	$ 12,421
Adjusted underwriting profit (loss):			
Domestic	$ 359	$ 9	$ (7)
Foreign	310	522	497
Total	$ 669	$ 531	$ 490
Net investment income:			
Domestic	$ 1,995	$ 1,754	$ 1,485
Foreign	522	438	369
Total	$ 2,517	$ 2,192	$ 1,854
Operating income before realized capital gains:			
Domestic	$ 2,354	$ 1,763	$ 1,478
Foreign	832	960	866
Total	3,186	2,723	2,344
Realized capital gains	295	205	128
Operating income	$ 3,481	$ 2,928	$ 2,472

In AIG's general insurance operations, 1999 net premiums written and net premiums earned increased 11.2 percent and 10.3 percent, respectively, from those of 1998. In 1998, net premiums written increased 8.8 percent and net premiums earned increased 13.5 percent when compared to 1997.

General insurance domestic net premiums written and net premiums earned were as follows:

(in millions)	1999	1998	1997
Net premiums written:			
DBG	$ 8,119	$ 8,002	$ 7,885
Personal Lines	2,162	1,422	812
Mortgage Guaranty	397	363	341
Total	$ 10,678	$ 9,787	$ 9,038
Net premiums earned:			
DBG	$ 7,608	$ 7,814	$ 7,207
Personal Lines	2,079	1,280	790
Mortgage Guaranty	396	377	355
Total	$ 10,083	$ 9,471	$ 8,352

During the latter part of 1999, the commercial insurance market began to experience some rate increases. However, this market remains competitive and excessively capitalized. DBG has been able to sustain some growth in various specialty markets, such as pollution, excess liability and risk management, where AIG provides cost effective coverages for large complex risks, underwriting flexibility, and creative risk financing solutions; however, in 1999 DBG declined to renew $450 million of domestic business where underwriting and pricing standards could not be achieved. Non-renewed policies were principally in the workers' compensation, traditional casualty and property lines of business.

As reflected in the preceding table showing the distribution of net premiums written and net premiums earned, domestic growth was primarily achieved through the growth in the personal auto insurance segment of Personal Lines. Personal Lines net premiums written increased $740 million in 1999 over 1998, compared to an increase of $610 million in 1998 over 1997. The consolidation of 21st Century for twelve months in 1999 compared to six months in 1998 accounted for approximately 50 percent of the increase. The balance of the increase was related to the significant growth in the number of policies issued with respect to preferred, standard and non-standard auto risks.

Growth of 15.6 percent and 18.0 percent for foreign general insurance net premiums written and net premiums earned, respectively, in 1999 over 1998 reflect growth of operations in the United Kingdom, the Far East, and the consolidation of Transatlantic's foreign operations for the twelve months in 1999 compared to six months in 1998. Foreign general insurance operations produced 34.2 percent of the general insurance net premiums written in 1999, 32.9 percent in 1998 and 32.6 percent in 1997.

Differences in foreign exchange rates during 1999 relative to 1998 had a negligible effect on foreign general insurance net premiums written when translated from original currencies into U.S. dollars. (See also the discussion under "Capital Resources" herein.)

Because of the nature and diversity of AIG's operations and the continuing rapid changes in the insurance industry worldwide, together with the factors discussed above, it is difficult to assess further or project future growth in AIG's net premiums written and reserve for losses and loss expenses.

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

AIG, along with most general insurance entities, uses the loss ratio, the expense ratio and the combined ratio as measures of performance. The loss ratio is derived as the sum of losses and loss expenses incurred divided by net premiums earned. The expense ratio is derived as statutory underwriting expenses divided by net premiums written. The combined ratio is the sum of the loss ratio and the expense ratio. These ratios are relative measurements that describe for every $100 of net premiums earned or written, the cost of losses and statutory expenses, respectively. The combined ratio presents the total cost per $100 of premium production. A combined ratio below 100 demonstrates underwriting profit; a combined ratio above 100 demonstrates underwriting loss. The statutory general insurance ratios were as follows:

	1999	1998	1997
Domestic:			
Loss Ratio	81.51	84.25	84.44
Expense Ratio	16.19	15.87	15.90
Combined Ratio	97.70	100.12	100.34

Foreign:			
Loss Ratio	64.44	57.87	56.61
Expense Ratio	29.80	30.76	31.16
Combined Ratio	94.24	88.63	87.77
Consolidated:			
Loss Ratio	75.51	75.59	75.33
Expense Ratio	20.84	20.77	20.87
Combined Ratio	96.35	96.36	96.20

AIG believes that underwriting profit is the true measure of the performance of the core business of a general insurance company.

Underwriting profit is measured in two ways: statutory underwriting profit and Generally Accepted Accounting Principles (GAAP) underwriting profit.

Statutory underwriting profit is arrived at by reducing net premiums earned by net losses and loss expenses incurred and net expenses incurred. Statutory accounting differs from GAAP, as statutory accounting requires immediate expense recognition and ignores the matching of revenues and expenses as required by GAAP. That is, for statutory purposes, all expenses, most specifically acquisition expenses, are recognized immediately, not consistent with the revenues earned.

Management's Discussion and Analysis of
Financial Condition and Results of Operations (CONTINUED)

A basic premise of GAAP accounting is the recognition of expenses at the same time revenues are earned, the principle of matching. Therefore, to convert underwriting results to a GAAP basis, acquisition expenses are deferred and recognized together with the related revenues. Accordingly, the statutory underwriting profit has been adjusted as a result of acquisition expenses being deferred as required by GAAP. Thus, "adjusted underwriting profit" is a GAAP measurement which can be viewed as gross margin or an intermediate subtotal in calculating operating income and net income.

A major part of the discipline of a successful general insurance company is to produce an underwriting profit, exclusive of investment income. If underwriting is not profitable, losses incurred are a major factor. The result is that the premiums are inadequate to pay for losses and expenses and produce a profit; therefore, investment income must be used to cover underwriting losses. If assets and the income therefrom are insufficient to pay claims and expenses over extended periods, an insurance company cannot survive. For these reasons, AIG views and manages its underwriting operations separately from its investment operations.

The adjusted underwriting profits were $669 million in 1999, $531 million in 1998 and $490 million in 1997. Domestic adjusted underwriting profit increased primarily as a result of the disciplined underwriting of DBG. Foreign underwriting profit declined primarily as a result of catastrophe losses from European storms. The regulatory, product type and competitive environment as well as the degree of litigation activity in any one country varies significantly. These factors have a direct impact on pricing and consequently profitability as reflected by adjusted underwriting profit and statutory general insurance ratios. (See also Notes 4 and 18 of Notes to Financial Statements.)

AIG's results reflect the net impact of incurred losses from catastrophes approximating $156 million in 1999, $110 million in 1998 and $16 million in 1997. AIG's gross incurred losses from catastrophes approximated $472 million in 1999, $625 million in 1998 and $22 million in 1997. In 1999, the catastrophe losses resulted primarily from European storms. The impact of losses caused by catastrophes can fluctuate widely from year to year, making comparisons of recurring type business more difficult. The pro forma table below excludes catastrophe losses in order to present comparable results of AIG's recurring core underwriting operations. The pro forma consolidated statutory general insurance ratios would be as follows:

	1999	1998	1997
Loss Ratio	74.51	74.81	75.20
Expense Ratio	20.84	20.77	20.87
Combined Ratio	95.35	95.58	96.07

AIG's historic ability to maintain its combined ratio below 100 is primarily attributable to the profitability of AIG's foreign general insurance operations and AIG's emphasis on maintaining its disciplined underwriting, especially in the domestic specialty markets. In 1999, the discipline in domestic underwriting was critical in maintaining underwriting profit as the foreign general combined ratio rose because of the impact of catastrophe losses. In addition, AIG does not seek net premium growth where rates do not adequately reflect its assessment of exposures.

General insurance net investment income in 1999 increased 14.8 percent when compared to 1998. In 1998, net investment income increased 18.3 percent over 1997. The growth in net investment income in each of the three years was primarily attributable to new cash flow for investment and the consolidation of Transatlantic and 21st Century for twelve months in 1999 compared to six months in 1998. The new cash flow was generated from net general insurance operating cash flow and included the compounding of previously earned and reinvested net investment income. (See also the discussion under "Liquidity" herein and Note 8 of Notes to Financial Statements.)

General insurance realized capital gains were $295 million in 1999, $205 million in 1998 and $128 million in 1997. These realized gains resulted from the ongoing management of the general insurance investment portfolios within the overall objectives of the general insurance operations and arose primarily from the disposition of equity securities and available for sale fixed maturities as well as redemptions of fixed maturities.

General insurance operating income in 1999 increased 18.9 percent when compared to 1998. The 1998 results reflect an increase of 18.4 percent from 1997. The contribution of general insurance operating income to income before income taxes and minority interest was 46.3 percent in 1999 compared to 46.6 percent in 1998 and 1997.

AIG is a major purchaser of reinsurance for its general insurance operations. AIG is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. AIG insures risks in over 70 countries and its reinsurance programs must be coordinated in order to provide AIG the level of reinsurance protection that AIG desires. These reinsurance arrangements do not relieve AIG from its direct obligations to its insureds.

AIG's general reinsurance assets amounted to $19.13 billion and resulted from AIG's reinsurance arrangements. Thus, a credit exposure existed at December 31, 1999 with respect to reinsurance recoverable to the extent that any reinsurer may not be able to reimburse AIG under the terms of these reinsurance arrangements. AIG manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound, and when necessary AIG holds substantial collateral in the form of funds, securities and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis. At December 31, 1999, approximately 50 percent of the general reinsurance assets were from unauthorized reinsurers. In order to obtain statutory recognition, nearly all of these balances were collateralized. The remaining 50 percent of the general reinsurance assets were from authorized reinsurers and over 95 percent of such balances are from reinsurers rated A-(excellent) or better, as rated by A.M. Best. This rating is a measure of financial strength. The terms authorized and unauthorized pertain to regulatory categories, not creditworthiness.

AIG maintains an allowance for estimated unrecoverable reinsurance and has been largely successful in its previous recovery efforts. At December 31, 1999, AIG had allowances for unrecoverable reinsurance approximating $78 million. At that date, and prior to this allowance, AIG had no significant reinsurance recoverables from any individual reinsurer which is financially troubled (e.g., liquidated, insolvent, in receivership or otherwise subject to formal or informal regulatory restriction).

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

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

At December 31, 1999, the consolidated general reinsurance assets of $19.13 billion include reinsurance recoverables for paid losses and loss expenses of $2.54 billion and $13.65 billion with respect to the ceded reserve for losses and loss expenses, including ceded losses incurred but not reported (IBNR) (ceded reserves). The ceded reserves represent the accumulation of estimates of ultimate ceded losses including provisions for ceded IBNR and loss expenses. The methods used to determine such estimates and to establish the resulting ceded reserves are continually reviewed and updated. Any adjustments therefrom are reflected in income currently. It is AIG's belief that the ceded reserves at December 31, 1999 were representative of the ultimate losses recoverable. In the future, as the ceded reserves continue to develop to ultimate amounts, the ultimate loss recoverable may be greater or less than the reserves currently ceded.

At December 31, 1999, general insurance reserves for losses and loss expenses (loss reserves) amounted to $38.25 billion. These loss reserves represent the accumulation of estimates of ultimate losses, including IBNR, and loss expenses and amounts of discounting related to certain workers' compensation claims. At December 31, 1999, general insurance net loss reserves decreased $19 million from prior year end to $24.60 billion. The decrease was primarily attributable to the change in the mix of business. That is, claims with respect to personal lines increased relative to commercial lines. Thus, the subsequent payment of these personal lines claims is significantly faster as these claims are deemed short tail lines, as described below. The net loss reserves represent loss reserves reduced by reinsurance recoverables, net of an allowance for unrecoverable reinsurance. 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, 1999. In the future, if the general insurance net loss reserves develop deficiently, such deficiency would have an adverse impact on such future results of operations.

In a very broad sense, the general loss reserves can be categorized into two distinct groups: one group being long tail casualty lines of business. Such lines include excess and umbrella liability, directors and officers' liability, professional liability, medical malpractice, general liability, products' liability, and related classes. These lines account for approximately one-half of net losses and loss expenses. The other group is short tail lines of business consisting principally of property lines, certain classes of casualty lines and includes personal 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. For the majority of long tail casualty lines, net loss trend factors approximated five percent. Loss trend factors reflect many items including changes in claims handling, exposure and policy forms and current and future estimates of monetary inflation and social inflation. Thus, many factors are implicitly considered in estimating the year to year growth in loss costs. Therefore, AIG's carried net long tail loss reserves are judgmentally set as well as tested for reasonableness using the most appropriate loss trend factors for each class of business. In the evaluation of AIG's net loss reserves, loss trend factors vary slightly, depending on the particular class and nature of the business involved. 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 claims asserting injuries from toxic waste, hazardous substances, and other environmental pollutants and alleged damages to cover the cleanup costs of hazardous waste dump sites (hereinafter referred to collectively as environmental claims) and indemnity claims asserting injuries from asbestos. The vast majority of these asbestos and environmental claims emanate from policies written in 1984 and prior years. AIG established a specialized claims unit which investigates and adjusts all such asbestos and environmental claims. Commencing in 1985, standard policies contained an absolute exclusion for pollution related damage. However, AIG currently underwrites environmental impairment liability insurance on a claims made basis and excluded such claims from the analyses included herein.

Estimation of asbestos and environmental claims loss reserves is a difficult process. These asbestos and environmental claims cannot be estimated by conventional reserving techniques as previously described. Quantitative techniques frequently have to be supplemented by subjective considerations including managerial judgment. Significant factors which affect the trends which influence the development of asbestos and environmental claims are the inconsistent court resolutions and judicial interpretations which broaden the intent of the policies and scope of coverage. The current case law can be characterized as still evolving and there is little likelihood that any firm direction will develop in the near future. Additionally, the exposure for cleanup costs of hazardous waste dump sites involves issues such as allocation of responsibility among potentially responsible parties and the government's refusal to release parties. The cleanup cost exposure may significantly change if the Congressional reauthorization of Superfund dramatically changes, thereby reducing or increasing litigation and cleanup costs. Additionally, proposed legislation, if passed in current form, would be expected to reduce ultimate asbestos exposure.

In the interim, AIG and other industry members have and will continue to litigate the broadening judicial interpretation of the policy coverage and the liability issues. At the current time, it is not possible to determine the future development of asbestos and environmental claims with the same degree of reliability as is the case for other types of claims. Such development will be affected by the extent to which courts continue to expand the intent of the policies and the scope of the coverage, as they have in the past, as well as by changes in Superfund and waste dump site coverage issues. Although the estimated liabilities for these claims are subject to a significantly greater margin of error than for other claims, the reserves carried for these claims at December 31, 1999 are believed to be adequate as these reserves are based on the known facts and current law. Furthermore, as AIG's net exposure retained relative to the gross exposure written was lower in 1984 and prior years, the potential impact of these claims is much smaller on the net loss reserves than on the gross loss reserves. (See the previous discussion on reinsurance collectibility herein.)

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

A summary of reserve activity, including estimates for applicable IBNR, relating to asbestos and environmental claims separately and combined at December 31, 1999, 1998 and 1997 follows. The 1999 and 1998 reserve activity includes Transatlantic.

American International Group, Inc. and Subsidiaries

(in millions)

	1999 Gross	1999 Net	1998 Gross	1998 Net	1997 Gross	1997 Net
Asbestos:						
Reserve for losses and loss expenses at beginning of year	$ 964	$ 259	$ 842	$ 195	$ 876	$ 172
Losses and loss expenses incurred	404	101	375	111	238	69
Losses and loss expenses paid	(275)	(54)	(253)	(47)	(272)	(46)
Reserve for losses and loss expenses at end of year	$ 1,093	$ 306	$ 964	$ 259	$ 842	$ 195
Environmental:						
Reserve for losses and loss expenses at beginning of year	$ 1,535	$ 605	$ 1,467	$ 592	$ 1,427	$ 571
Losses and loss expenses incurred	127	47	284	107	223	84
Losses and loss expenses paid	(143)	(67)	(216)	(94)	(183)	(63)
Reserve for losses and loss expenses at end of year	$ 1,519	$ 585	$ 1,535	$ 605	$ 1,467	$ 592
Combined:						
Reserve for losses and loss expenses at beginning of year	$ 2,499	$ 864	$ 2,309	$ 787	$ 2,303	$ 743
Losses and loss expenses incurred	531	148	659	218	461	153
Losses and loss expenses paid	(418)	(121)	(469)	(141)	(455)	(109)
Reserve for losses and loss expenses at end of year	$ 2,612	$ 891	$ 2,499	$ 864	$ 2,309	$ 787

The gross and net IBNR included in the aforementioned reserve for losses and loss expenses at December 31, 1999, 1998 and 1997 were estimated as follows:

(in millions)

	1999 Gross	1999 Net	1998 Gross	1998 Net	1997 Gross	1997 Net
Combined	$ 930	$ 352	$ 979	$ 359	$ 1,004	$ 394

A summary of asbestos and environmental claims count activity for the years ended December 31, 1999, 1998 and 1997 was as follows:

	1999 Asbestos	1999 Environmental	1999 Combined	1998 Asbestos	1998 Environmental	1998 Combined
Claims at beginning of year	6,388	16,560	22,948	6,150	17,422	23,572
Claims during year:						
Opened	946	2,040	2,986	887	3,502	4,389
Settled	(225)	(876)	(1,101)	(81)	(677)	(758)
Dismissed or otherwise resolved	(363)	(4,292)	(4,655)	(568)	(3,687)	(4,255)
Claims at end of year	6,746	13,432	20,178	6,388	16,560	22,948

	1997 Asbestos	1997 Environmental	1997 Combined
Claims at beginning of year	5,668	17,395	23,063
Claims during year:			
Opened	1,073	3,624	4,697
Settled	(169)	(644)	(813)
Dismissed or otherwise resolved	(422)	(2,953)	(3,375)
Claims at end of year	6,150	17,422	23,572

The average cost per claim settled, dismissed or otherwise resolved for the years ended December 31, 1999, 1998 and 1997 was as follows:

	Gross	Net
1999		
Asbestos	$467,700	$ 91,800
Environmental	27,700	13,000
Combined	72,600	21,000
1998		
Asbestos	$389,800	$ 72,400
Environmental	49,500	21,500
Combined	93,600	28,100
1997		
Asbestos	$460,200	$ 77,800
Environmental	50,900	17,500
Combined	108,600	26,000

A.M. Best, an insurance rating agency, has developed a survival ratio to measure the number of years it would take a company to exhaust both its asbestos and environmental reserves for losses and loss expenses based on that company's current level of asbestos and environmental claims payments. This is a ratio derived by taking the current ending losses and loss expense reserves and dividing by the average annual payments for the prior three years. Therefore, the ratio derived is a simplistic measure of an estimate of the number of years it would be before the current ending losses and loss expense reserves would be paid off using recent average payments. The higher the ratio, the more years the reserves for losses and loss expenses cover these claims payments. These ratios are computed based on the ending reserves for losses and loss expenses over the respective claims settlements during the fiscal year. Such payments include indemnity payments and legal and loss adjustment payments. It should be noted, however, that this is an extremely simplistic approach to measuring asbestos and environmental reserve levels. Many factors, such as aggressive settlement procedures, mix of business and level of coverage provided, have significant impact on the amount of asbestos and environmental losses and loss expense reserves, ultimate payments thereof and the resultant ratio.

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

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

AIG's survival ratios for involuntary asbestos and environmental claims, separately and combined, were based upon a three year average payment. These ratios for the years ended December 31, 1999, 1998 and 1997 were as follows:

	Gross	Net
1999		
Involuntary survival ratios:		
Asbestos	4.1	6.3
Environmental	17.3	17.5
Combined	8.2	11.7
1998		
Involuntary survival ratios:		
Asbestos	3.7	5.2
Environmental	17.0	17.2
Combined	7.8	10.8
1997		
Involuntary survival ratios:		
Asbestos	3.8	4.6
Environmental	14.6	18.0
Combined	7.7	11.2

AIG's operations are negatively impacted under guarantee fund assessment laws which exist in most states. As a result of operating in a state which has guarantee fund assessment laws, a solvent insurance company may be assessed for certain obligations arising from the insolvencies of other insurance companies which operated in that state. AIG generally records these assessments upon notice. Additionally, certain states permit at least a portion of the assessed amount to be used as a credit against a company's future premium tax liabilities. Therefore, the ultimate net assessment cannot reasonably be estimated. The guarantee fund assessments net of credits for 1999, 1998 and 1997 were $15 million, $16 million and $15 million, respectively.

AIG is also 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.

Life Insurance Operations

AIG's life insurance subsidiaries offer a wide range of traditional insurance and financial and investment products. Traditional products consist of individual and group life, annuity, endowment and accident and health policies. Financial and investment products consist of single premium annuity, variable annuities, guaranteed investment contracts, universal life and pensions.

AIG's three principal overseas life operations are American Life Insurance Company (ALICO), American International Assurance Company, Limited together with American International Assurance Company (Bermuda) Limited (AIA) and Nan Shan Life Insurance Company, Ltd. (Nan Shan). ALICO is incorporated in Delaware and 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 Caribbean, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates in Taiwan. AIG's domestic life operations are comprised of two separate operations, AIG's domestic life companies and the life insurance subsidiaries of SunAmerica Inc. (SunAmerica), a Delaware corporation which owns substantially all of the subsidiaries which were owned by SunAmerica Inc., the Maryland corporation which was merged into AIG in January 1999. Both of these operations sell primarily financial and investment type products. (See also Note 18 of Notes to Financial Statements.)

Life insurance operations for the twelve month periods ending December 31, 1999, 1998 and 1997 were as follows:

(in millions)

	1999	1998	1997
Premium income:			
Domestic	$ 947	$ 784	$ 583
Foreign	10,995	9,509	9,373
Total	$ 11,942	$ 10,293	$ 9,956
Net investment income:			
Domestic	$ 3,497	$ 2,889	$ 2,464
Foreign	2,709	2,312	2,057
Total	$ 6,206	$ 5,201	$ 4,521
Operating income before realized capital losses:			
Domestic	$ 1,062	$ 782	$ 632
Foreign	1,944	1,665	1,425
Total	3,006	2,447	2,057
Realized capital losses	(148)	(74)	(9)
Operating income	$ 2,858	$ 2,373	$ 2,048
Life insurance in-force:			
Domestic	$103,049	$ 65,705	$ 66,267
Foreign	481,910	437,944	377,056
Total	$584,959	$503,649	$443,323

AIG's life premium income in 1999 represented a 16.0 percent increase from the prior year. This compares with an increase of 3.4 percent in 1998 over 1997. Foreign life operations produced 92.1 percent, 92.4 percent and 94.1 percent of the life premium income in 1999, 1998 and 1997, respectively. (See also Notes 1, 4 and 6 of Notes to Financial Statements.)

The traditional life products, particularly individual life products, were major contributors to the growth in foreign premium income and resulting investment income, particularly in those countries in which AIA and Nan Shan operate. A mixture of traditional, accident and health and financial products are being sold in Japan through ALICO.

Differences in foreign exchange rates during 1999 relative to 1998 had a negligible effect on foreign life premium income when translated from original currencies into U.S. dollars.

Life insurance net investment income increased 19.3 percent in 1999 compared to an increase of 15.0 percent in 1998. The growth in net investment income in 1999 and 1998 was attributable to both foreign and domestic new cash flow for investment. The new cash flow was generated from life insurance operations and included the compounding of previously earned and reinvested net investment income. (See also the discussion under "Liquidity" herein.)

Life insurance realized capital losses were $148 million in 1999, $74 million in 1998 and $9 million in 1997. These realized capital losses resulted from the ongoing management of the life insurance investment portfolios within the overall objectives of the life insurance operations and arose primarily from the disposition of equity securities and available for sale fixed maturities as well as redemptions of fixed maturities.

Life insurance operating income in 1999 increased 20.5 percent to $2.86 billion compared to an increase of 15.9 percent in 1998. Excluding realized capital gains and losses from life insurance operating income, the percent increases would be 22.8 percent and 19.0 percent in 1999 and 1998, respectively. The contribution of life insurance operating income to income before income taxes and minority interest amounted to 38.0 percent in 1999 compared to 37.8 percent in 1998 and 38.6 percent in 1997.

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

Underwriting risk represents the exposure to loss resulting from the actual policy experience adversely emerging in comparison to the assumptions made in the product pricing associated with mortality, morbidity, termination and expenses. AIG's life companies limit their maximum underwriting exposure on traditional life insurance of a single life to approximately one million dollars of coverage by using yearly renewable term reinsurance. (See also Note 5 of Notes to Financial Statements.)

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

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

The asset-liability relationship is appropriately managed in AIG's foreign operations, as it has been throughout AIG's history, 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 the related policy liabilities. Therefore, there is a risk that the reinvestment of the proceeds at the maturity of the initial investments may be at a yield below that of the interest required for the accretion of the policy liabilities. At December 31, 1999, the average duration of the investment portfolio in Japan was 5.6 years.

Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of these future premium receipts may be at a yield below that required to meet future policy liabilities. With respect to the investment of these future premium receipts, the average maturity is estimated to be 6.0 years. These durations compare with an estimated average duration of 9.4 years for the corresponding policy liabilities. To maintain an adequate yield to match the interest necessary to support future policy liabilities, constant management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts without sacrificing investment quality. To the extent permitted under local regulation, AIG may invest in qualified longer-term securities outside Japan to achieve a closer matching in both duration and the required yield. AIG is able to manage any asset-liability duration difference through maintenance of sufficient global liquidity and to support any operational shortfall through its international financial network. Domestically, active monitoring assures appropriate asset-liability matching 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.

Financial Services Operations

AIG's financial services subsidiaries engage in diversified financial products and services including premium financing, banking services and consumer finance services.

International Lease Finance Corporation (ILFC) engages primarily in the acquisition of new and used commercial jet aircraft and the leasing and remarketing of such aircraft to airlines around the world. (See also Note 18 of Notes to Financial Statements.)

AIG Financial Products Corp. and its subsidiaries (AIGFP) structure financial transactions, including long-dated interest rate and currency swaps and structured borrowings through notes, bonds and guaranteed investment agreements. (See also Note 18 of Notes to Financial Statements.)

AIG Trading Group Inc. and its subsidiaries (AIGTG) engage in various commodities trading, foreign exchange trading, interest rate swaps and market making activities. (See also Note 18 of Notes to Financial Statements.)

Financial services operations for the twelve month periods ending December 31, 1999, 1998 and 1997 were as follows:

(in millions)

	1999	1998	1997
Revenues:			
International Lease Finance Corporation	$ 2,194	$ 2,002	$ 1,857
AIG Financial Products Corp.*	737	550	452
AIG Trading Group Inc.*	227	374	562
Other	182	118	171
Total	$ 3,340	$ 3,044	$ 3,042
Operating income:			
International Lease Finance Corporation	$ 590	$ 496	$ 382
AIG Financial Products Corp.	482	323	241
AIG Trading Group Inc.	109	123	127
Other, including intercompany adjustments	(100)	(73)	(79)
Total	$ 1,081	$ 869	$ 671

* Represents commissions, transaction and other fees.

Financial services operating income increased 24.4 percent in 1999 over 1998. This compares with an increase of 29.5 percent in 1998 over 1997.

Financial services operating income represented 14.4 percent of AIG's income before income taxes and minority interest in 1999. This compares to 13.8 percent and 12.6 percent in 1998 and 1997, respectively.

ILFC generates its revenues primarily from leasing new and used commercial jet aircraft to domestic and foreign airlines. Revenues also result from the remarketing of commercial jets for its own account, for airlines and for financial institutions. Revenues in 1999 increased 9.6 percent from 1998 compared to a 7.8 percent increase during 1998 from 1997. The revenue growth in each year resulted primarily from the increase in flight equipment available for operating lease, the increase in the relative cost of the leased fleet and the increase in the relative composition of the fleet with wide bodies which typically receive higher lease payments. Approximately 20 percent of ILFC's operating lease revenues are derived from U.S. and Canadian airlines. During 1999, operating income increased 19.0 percent from 1998 and 29.6 percent during 1998 from 1997. ILFC finances its purchases of aircraft primarily through the issuance of a variety of debt instruments. The composite borrowing rates at December 31, 1999, 1998 and 1997 were 6.14 percent, 6.03 percent and 6.44 percent, respectively. (See also the discussions under "Capital Resources" and "Liquidity" herein and Note 18 of Notes to Financial Statements.)

ILFC is exposed to loss through non-performance of aircraft lessees, through owning aircraft which it would be unable to sell or re-lease at acceptable rates at lease expiration and through committing to purchase aircraft which it would be unable to lease. ILFC manages its lessee non-performance exposure through credit reviews and security deposit requirements. At December 31, 1999, there were 336 aircraft subject to operating leases and there were two aircraft off lease. Both aircraft were re-leased in early 2000. (See also the discussions under "Capital Resources" and "Liquidity" herein.)

AIGFP participates in the derivatives dealer market conducting, primarily as principal, an interest rate, currency, equity and credit derivative products business. AIGFP also enters into structured transactions including long-dated forward foreign exchange contracts, option transactions, liquidity facilities and investment agreements and invests in a diversified portfolio of securities. AIGFP derives substantially all its revenues from proprietary positions entered in connection with counterparty transactions rather than from speculative transactions. Revenues in 1999 increased 33.9 percent from 1998 compared to a 21.7 percent increase during 1998 from 1997. During 1999, operating income increased 49.4 percent from 1998 and increased 34.0 percent during 1998 from 1997. As AIGFP is a transaction-oriented operation, current and past revenues and operating results may not provide a basis for predicting future performance. (See also the discussions under "Capital Resources," "Liquidity" and "Derivatives" herein and Note 18 of Notes to Financial Statements.)

AIGTG derives a substantial portion of their revenues from market making and trading activities, as principals, in foreign exchange, interest rates and precious and base metals. Revenues in 1999 decreased 39.2 percent from 1998 compared to a 33.5 percent decrease during 1998 from 1997. During 1999, operating income decreased 11.4 percent from 1998 compared to a 2.4 percent decrease during 1998 from 1997. The declines in 1999 and 1998 relative to 1997 resulted primarily from the decline in trading volume during those years, particularly as a result of less volatile foreign exchange markets. As AIGTG is a transaction-oriented operation, current and past revenues and operating results may not provide a basis for predicting future performance or for comparing revenues to operating income. (See also the discussions under "Capital Resources," "Liquidity" and "Derivatives" herein and Note 18 of Notes to Financial Statements.)

In December 1997, AIGTG sold its energy operations. The sale of these operations did not have a significant impact on AIG's results of operations.

AIG Consumer Finance Group, Inc., through its subsidiaries, is engaged in developing a multi-product consumer finance business with an emphasis on emerging markets.

Asset Management Operations

AIG's asset management operations offer a wide variety of investment vehicles and services, including variable annuities, mutual funds, and investment asset management. Such products and services are offered to individuals and institutions both domestically and internationally.

AIG's three principal asset management operations are SunAmerica's asset management operations (SAAMCo), AIG Global Investment Group, Inc. and its subsidiaries (Global Investment) and AIG Capital Partners, Inc. (Cap Partners). SAAMCo develops and sells variable annuities and other investment products, sells and manages mutual funds and provides financial services. Global Investment manages invested assets of institutions, including insurance companies and pension funds, and provides custodial services. Cap Partners organizes, and manages the invested assets of institutional investment funds and may also invest in such funds. Each of these subsidiary operations receives fees for investment products and services provided.

Asset management operations for the twelve month periods ending December 31, 1999, 1998 and 1997 were as follows:

(in millions)

	1999	1998	1997
Revenues	$ 985	$ 707	$ 555
Operating income	314	191	127

These increases were primarily attributable to increased fees from the management of the variable annuity business and mutual fund assets by SAAMCo.

Asset management operating income increased 64.3 percent in 1999 over 1998. This compares with an increase of 50.4 percent in 1998 over 1997.

Asset management operating income represented 4.2 percent of AIG's income before income taxes and minority interest in 1999. This compares to 3.0 percent and 2.4 percent in 1998 and 1997, respectively.

Other Operations

In 1998, AIG's equity in income of minority-owned insurance operations was $57 million compared to $114 million in 1997. In 1998, the equity interest in insurance companies represented 0.9 percent of income before income taxes and minority interest compared to 2.1 percent in 1997. In 1999, AIG did not report equity in income of minority-owned insurance operations as a result of the consolidation of Transatlantic's and SELIC Holdings, Ltd. operations into general insurance operating results. IPC Holdings, Ltd., the remaining operation included in equity in income of minority-owned insurance operations in previous periods is now reported as a component of other income (deductions)--net.

Other realized capital losses amounted to $25 million, $7 million and $29 million in 1999, 1998 and 1997, respectively.

Other income (deductions)--net includes AIG's equity in certain minor majority-owned subsidiaries and certain partially-owned companies, realized foreign exchange transaction gains and losses in substantially all currencies and unrealized gains and losses in hyperinflationary currencies, costs associated with the Year 2000 computer issues, as well as the income and expenses of the parent holding company and other miscellaneous income and expenses. In 1999, net deductions amounted to $197 million. In 1998 and 1997, net deductions amounted to $134 million and $93 million, respectively. (See also the discussion under "Recent Developments" herein.)

Income before income taxes and minority interest amounted to $7.51 billion in 1999, $6.28 billion in 1998 and $5.31 billion in 1997.

In 1999, AIG recorded a provision for income taxes of $2.22 billion compared to the provisions of $1.79 billion and $1.53 billion in 1998 and 1997, respectively. These provisions represent effective tax rates of 29.5 percent in 1999, 28.4 percent in 1998 and 28.7 percent in 1997. (See Note 3 of Notes to Financial Statements.)

Minority interest represents minority shareholders' equity in income of certain majority-owned consolidated subsidiaries. Minority interest amounted to $238 million, $210 million and $74 million in 1999, 1998 and 1997, respectively. The increase in 1998 from 1997 was primarily related to the minority shareholders' equity resulting when Transatlantic and 21st Century were consolidated during 1998.

Net income amounted to $5.06 billion in 1999, $4.28 billion in 1998 and $3.71 billion in 1997. The increases in net income over the three year period resulted from those factors described above.

Capital Resources

At December 31, 1999, AIG had total capital funds of $33.31 billion and total borrowings of $32.98 billion. At that date, $29.65 billion of such borrowings were either not guaranteed by AIG or were matched borrowings under obligations of guaranteed investment agreements (GIAs) or matched notes and bonds payable.

Total borrowings and borrowings not guaranteed or matched at December 31, 1999 and 1998 were as follows:

(in millions)

December 31,	1999	1998
GIAs -- AIGFP	$ 9,430	$ 9,188
Commercial Paper:		
AIG Funding	888	637
ILFC (a)	2,958	3,204
A.I. Credit Corp.	475	727
AIG Finance (Taiwan) Limited (a)	83	68
Total	4,404	4,636
Medium Term Notes:		
ILFC (a)	3,226	3,348
AIG (b)	481	467
Total	3,707	3,815
Notes and Bonds Payable:		
ILFC (a) (e)	$ 5,016	$ 3,825
AIGFP	7,895	7,265
AIG (d)	705	1,250
Total	13,616	12,340
Loans and Mortgages Payable:		
ILFC (a) (c)	670	811
AIG Finance (Hong Kong) Limited (a)	566	532
AIG Consumer Finance Group, Inc. (a)	334	254
AIG	257	334
Total	1,827	1,931
Total Borrowings	32,984	31,910
Borrowings not guaranteed by AIG	12,853	12,042
Matched GIA borrowings	9,430	9,188
Matched notes and bonds payable -- AIGFP	7,370	6,565
	29,653	27,795
Remaining borrowings of AIG	$ 3,331	$ 4,115

(a) AIG does not guarantee or support these borrowings.
(b) Includes $198 million and $228 million issued by SunAmerica Inc. and assumed by AIG as a result of the merger at December 31, 1999 and 1998, respectively.

(c) Capital lease obligations.
(d) Includes $432 million and $989 million issued by SunAmerica Inc. and assumed by AIG as a result of the merger at December 31, 1999 and 1998, respectively.
(e) Includes borrowings under Export Credit Facility of $1.30 billion.

See also Note 9 of Notes to Financial Statements.

During 1999, AIGFP increased the aggregate principal amount outstanding of its notes and bonds payable to $7.90 billion. AIGFP uses the proceeds from the issuance of notes and bonds and GIA borrowings to invest in a diversified portfolio of securities and derivative transactions. The funds may also be temporarily invested in securities purchased under agreements to resell. (See also the discussions under "Operational Review", "Liquidity" and "Derivatives" herein and Notes 1, 8, 9, 12 and 18 of Notes to Financial Statements.)

AIG Funding, Inc. (Funding), through the issuance of commercial paper, fulfills the short-term cash requirements of AIG and its non-insurance subsidiaries. Funding intends to continue to meet AIG's funding requirements through the issuance of commercial paper guaranteed by AIG. This issuance of Funding's commercial paper is subject to the approval of AIG's Board of Directors. ILFC, A.I. Credit Corp.

(AICCO) and AIG Finance (Taiwan) Limited (AIGF - Taiwan), a consumer finance subsidiary, issue commercial paper for the funding of their own operations. AIG does not guarantee AICCO's, ILFC's or AIGF - Taiwan's commercial paper. However, AIG has entered into an agreement in support of AICCO's commercial paper. From time to time, AIGFP may issue commercial paper, which AIG guarantees, to fund its operations. At December 31, 1999, AIGFP had no commercial paper outstanding. (See also the discussion under "Derivatives" herein and Note 9 of Notes to Financial Statements.)

AIG and Funding have entered into two syndicated revolving credit facilities (the Facilities) aggregating $1 billion. The Facilities consist of a $500 million 364 day revolving credit facility and a $500 million five year revolving credit facility. The Facilities can be used for general corporate purposes and also provide backup for AIG's commercial paper programs administered by Funding. There are currently no borrowings outstanding under either of the Facilities, nor were any borrowings outstanding as of December 31, 1999.

During 1999, AIG issued $152 million principal amount of Medium Term Notes and $108 million of previously issued notes matured.

At December 31, 1999, AIG had $356 million in aggregate principal amount of debt securities registered for issuance from time to time. An additional $658 million principal amount of debt securities was registered as of March 3, 2000.

At December 31, 1999, ILFC had increased the aggregate principal amount outstanding of its medium term and term notes to $8.24 billion, a net increase of $1.07 billion, and recorded a net decline in its capital lease obligations of $141 million and a net decrease in its commercial paper of $246 million. At December 31, 1999, ILFC had $1.68 billion in aggregate principal amount of debt securities registered for issuance from time to time. In addition, ILFC established a Euro Medium Term Note Program for $2.0 billion, under which $771 million in notes were sold through December 31, 1999.

ILFC has an Export Credit Facility up to a maximum of $4.3 billion, for approximately 75 aircraft to be delivered from 1999 through 2001. ILFC has the right, but is not required, to use the facility to fund 85 percent of each aircraft's purchase price. This facility is guaranteed by various European Export Credit Agencies. The interest rate varies from 5.75 percent to 5.90 percent on the first 75 aircraft depending on the delivery date of the aircraft. Through March 8, 2000, ILFC borrowed $1.50 billion under this facility. Borrowings with respect to this facility are included in Notes and Bonds Payable in the accompanying table of borrowings.

The proceeds of ILFC's debt financing are primarily used to purchase flight equipment, including progress payments during the construction phase. The primary sources for the repayment of this debt and the interest expense thereon are the cash flow from operations, proceeds from the sale of flight equipment and the rollover and refinancing of the prior debt. (See also the discussions under "Operational Review" and "Liquidity" herein.)

AIG's capital funds increased $3.18 billion during 1999. Unrealized appreciation of investments, net of taxes decreased $1.65 billion. During 1999, the cumulative translation adjustment loss, net of taxes, increased $447 million. The change from year to year with respect to the unrealized appreciation of investments, net of taxes was primarily impacted by the rise in domestic interest rates. The cumulative translation adjustment loss, net of taxes was primarily impacted by the general strength in the U.S. dollar relative to certain currencies in Southeast Asia and South America. (See also the discussion under "Operational Review" and "Liquidity" herein.) Retained earnings increased $3.93 billion, resulting from net income less dividends.

During 1999 and prior to the five for four split in the form of a 25 percent common stock dividend, AIG repurchased in the open market 931,000 shares of its common stock. Subsequent to the common stock dividend, AIG repurchased 11,633,200 shares of its common stock. AIG intends to continue to buy its common shares in the open market for general corporate purposes, including to satisfy its obligations under various employee benefit plans.

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, 1999, there were no significant statutory or regulatory issues which would impair AIG's financial condition, results of operations or liquidity. To AIG's knowledge, no AIG company is on any regulatory or similar "watch list". (See also the discussion under "Liquidity" herein and Note 11 of Notes to Financial Statements.)

The National Association of Insurance Commissioners (NAIC) has developed Risk-Based Capital (RBC) requirements. RBC relates an individual insurance company's statutory surplus to the risk inherent in its overall operations. At December 31, 1999, the adjusted capital of each of AIG's domestic general companies and of each of AIG's domestic life companies exceeded each of their RBC standards by considerable margins.

A substantial portion of AIG's general insurance business and a majority of its life insurance business are conducted 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.

Management's Discussion and Analysis of
Financial Condition and Results of Operations (CONTINUED)

Liquidity

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

At December 31, 1999, AIG's consolidated invested assets included $7.14 billion of cash and short-term investments. Consolidated net cash provided from operating activities in 1999 amounted to $10.32 billion.

Sources of funds considered in meeting the objectives of AIG's financial services operations include guaranteed investment agreements, issuance of long and short-term debt, maturities and sales of securities available for sale, securities sold under repurchase agreements, trading liabilities, securities and spot commodities sold but not yet purchased, issuance of equity, and cash provided from such operations. AIG's strong capital position is integral to managing this liquidity, as it enables AIG to raise funds in diverse markets worldwide. (See also the discussions under "Capital Resources" herein.)

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.

The liquidity of the combined insurance operations is derived both domestically and abroad. The combined insurance operating cash flow is derived from two sources, underwriting operations and investment operations. In the aggregate, AIG's insurance operations generated approximately $18 billion in pre-tax cash flow during 1999. Cash flow includes periodic premium collections, including policyholders' contract deposits, paid loss recoveries less reinsurance premiums, losses, benefits, acquisition and operating expenses. Generally, there is a time lag from when premiums are collected and, when as a result of the occurrence of events specified in the policy, the losses and benefits are paid. AIG's insurance investment operations generated approximately $8.6 billion in investment income cash flow during 1999. Investment income cash flow is primarily derived from interest and dividends received and includes realized capital gains net of realized capital losses.

In addition to the combined insurance pre-tax operating cash flow, AIG's insurance operations held $6.69 billion in cash and short-term investments at December 31, 1999. The aforementioned operating cash flow and the cash and short-term balances held provided AIG's insurance operations with a significant amount of liquidity.

This liquidity is available, among other things, to purchase high quality and diversified fixed income securities and to a lesser extent equity securities and to provide mortgage loans on real estate, policy loans and collateral loans. This cash flow coupled with proceeds of approximately $40 billion from the maturities, sales and redemptions of fixed income securities and from the sale of equity securities was used to purchase approximately $54 billion of fixed income securities and equity securities during 1999.

The following table is a summary of AIG's invested assets by significant segment, including investment income due and accrued of $2.05 billion and $1.87 billion and real estate of $1.62 billion and $1.61 billion, at December 31, 1999 and 1998, respectively:

(dollars in millions)

	Invested Assets	Percent of Total
1999		
General insurance	$ 39,135	20.6%
Life insurance	87,355	46.1
Financial services and asset management	62,548	33.0
Other	651	0.3
Total	$ 189,689	100.0%
1998		
General insurance	$ 38,883	22.7%
Life insurance	75,078	43.8
Financial services and asset management	56,619	33.1
Other	714	0.4
Total	$ 171,294	100.0%

Insurance Invested Assets

The following tables summarize the composition of AIG's insurance invested assets by insurance segment, including investment income due and accrued and real estate, at December 31, 1999 and 1998:

(dollars in millions)

December 31, 1999	General Insurance	Life Insurance	Total	Percent of Total	Percent Distribution Domestic	Percent Distribution Foreign
Fixed maturities:						
Available for sale, at market value (a)	$ 16,903	$ 61,022	$ 77,925	61.6%	53.5%	46.5%
Held to maturity, at amortized cost	12,078	--	12,078	9.5	100.0	--
Equity securities, at market value (b)	4,000	2,503	6,503	5.1	50.2	49.8
Mortgage loans on real estate, policy and collateral loans	70	10,420	10,490	8.3	57.0	43.0
Short-term investments, including time deposits, and cash	977	5,710	6,687	5.3	45.1	54.9
Real estate	381	1,141	1,522	1.2	18.5	81.5
Investment income due and accrued	576	1,421	1,997	1.6	48.0	52.0
Other invested assets	4,150	5,138	9,288	7.4	85.1	14.9
Total	$ 39,135	$ 87,355	$126,490	100.0%	59.5%	40.5%

(a) Includes $1.04 billion of bonds trading securities, at market value.
(b) Includes $697 million of non-redeemable preferred stocks, at market value.

(dollars in millions)

December 31, 1998	General Insurance	Life Insurance	Total	Percent of Total	Percent Distribution Domestic	Percent Distribution Foreign
Fixed maturities:						
Available for sale, at market value (a)	$ 15,939	$ 51,237	$ 67,176	59.0%	56.4%	43.6%
Held to maturity, at amortized cost	12,658	--	12,658	11.1	100.0	--
Equity securities, at market value (b)	3,923	2,092	6,015	5.3	54.1	45.9
Mortgage loans on real estate, policy and collateral loans	70	9,894	9,964	8.7	55.5	44.5
Short-term investments, including time deposits, and cash	873	5,835	6,708	5.9	42.6	57.4
Real estate	393	1,124	1,517	1.3	18.2	81.8
Investment income due and accrued	568	1,197	1,765	1.5	51.2	48.8
Other invested assets	4,459	3,699	8,158	7.2	85.9	14.1
Total	$ 38,883	$ 75,078	$113,961	100.0%	61.7%	38.3%

(a) Includes $1.01 billion of bonds trading securities, at market value.
(b) Includes $593 million of non-redeemable preferred stocks, at market value.

Generally, insurance regulations restrict the types of assets in which an insurance company may invest.

With respect to fixed maturities, AIG's general strategy is to invest in high quality securities while maintaining diversification to avoid significant exposure to issuer, industry and/or country concentrations. With respect to general insurance, AIG's strategy is to invest in longer duration fixed maturities to maximize the yields at the date of purchase. With respect to life insurance, AIG's strategy is to produce cash flows required to meet maturing insurance liabilities (See also the discussion under "Operational Review: Life Insurance Operations" herein.)

The fixed maturity available for sale portfolio is subject to decline in fair value as interest rates rise. Such declines in fair value are presented as a component of comprehensive income in unrealized appreciation of investments, net of taxes.

The fixed maturities held to maturity portfolio is exposed to adverse interest rate fluctuations. However, AIG has the ability and intent to hold such securities to maturity.

Therefore, there would be no detrimental impact to AIG's results of operations or financial condition as a result of such fluctuations.

At December 31, 1999, approximately 59.8 percent of the fixed maturities investments were domestic securities. Approximately 36 percent of such domestic securities were rated AAA. Approximately 12 percent were below investment grade or not rated.

A significant portion of the foreign insurance fixed income portfolio is rated by Moody's, Standard & Poor's (S&P) or similar foreign services. Similar credit quality rating services are not available in all overseas locations. AIG annually reviews the credit quality of the foreign portfolio nonrated fixed income investments, including mortgages. At December 31, 1999, approximately 15 percent of the foreign fixed income investments were either rated AAA or, on the basis of AIG's internal analysis, were equivalent from a credit standpoint to securities so rated. Approximately 13 percent were below investment grade or not rated at that date. A large portion of these fixed maturity securities are sovereign fixed maturity securities supporting the policy liabilities in the country of issuance.

At December 31, 1999, approximately 17 percent of the fixed maturities portfolio was collateralized mortgage obligations (CMOs), including minor amounts with respect to commercial mortgage backed securities. Substantially all of the CMOs were investment grade and approximately 18 percent of the CMOs were backed by various U.S. government agencies. 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.

Any fixed income security may be subject to downgrade for a variety of reasons subsequent to any balance sheet date.

AIG invests in equities for reasons including diversifying its overall exposure to interest rate risk. Equity securities are subject to declines in fair value. Such declines in fair value are presented in unrealized appreciation of investments, net of taxes as components of comprehensive income.

Mortgage loans on real estate, policy and collateral loans comprised 8.3 percent of AIG's insurance invested assets at December 31, 1999. AIG's insurance operations' holdings of real estate mortgages amounted to $6.64 billion of which 74.6 percent was domestic. At December 31, 1999, only a nominal amount were in default. It is AIG's practice to maintain a maximum loan to value ratio of 75 percent at loan origination. At December 31, 1999, AIG's insurance holdings of collateral loans amounted to $1.03 billion, all of which were foreign. It is AIG's strategy to enter into mortgage and collateral loans as an adjunct primarily to life insurance fixed maturity investments. AIG's policy loans increased from $2.63 billion at December 31, 1998 to $2.82 billion at December 31, 1999.

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

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.

Other invested assets were primarily comprised of both foreign and domestic private placements, limited partnerships and outside managed funds.

When permitted by regulatory authorities and when deemed necessary to protect insurance assets, including invested assets, from adverse movements in foreign currency exchange rates, interest rates and equity prices, AIG and its insurance subsidiaries may enter into derivative transactions as end users. To date, such activities have not been significant. (See also the discussion under "Derivatives" herein.)

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

AIG's insurance operations are exposed to market risk. Market risk is the risk of loss of fair value resulting from adverse fluctuations in interest and foreign currency exchange rates and equity prices.

Measuring potential losses in fair values has recently become the focus of risk management efforts by many companies. Such measurements are performed through the application of various statistical techniques. One such technique is Value at Risk (VaR). VaR is a summary statistical measure that uses historical interest and foreign currency exchange rates and equity prices and estimates the volatility and correlation of each of these rates and prices to calculate the maximum loss that could occur over a defined period of time given a certain probability.

AIG believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established in creating the related models. Therefore, such models are tools and do not substitute for the experience or judgment of senior management.

AIG has performed a VaR analysis to estimate the maximum potential loss of fair value for each of AIG's insurance segments and for each market risk within each insurance segment. In this analysis, financial instrument assets include the domestic and foreign invested assets excluding real estate and investment income due and accrued. Financial instrument liabilities include reserve for losses and loss expenses, reserve for unearned premiums, future policy benefits for life and accident and health insurance contracts and policyholders' funds.

Due to the nature of each insurance segment, AIG manages the general and life insurance operations separately. As a result, AIG manages separately the invested assets of each. Accordingly, the VaR analysis was separately performed for the general and the life insurance operations.

AIG calculated the VaR with respect to the net fair value of each of AIG's insurance segments as of December 31, 1999 and December 31, 1998. These calculations used the variance-covariance (delta-normal) methodology. These calculations also used daily historical interest and foreign currency exchange rates and equity prices in the two years ending December 31, 1999 and 1998, as applicable. The VaR model estimated the volatility of each of these rates, equity prices and the correlations among them. For interest rates, each country's yield curve was constructed using eleven separate points on this curve to model possible curve movements. Inter-country correlations were also used. The redemption experience of municipal and corporate fixed maturities and mortgage securities was taken into account as well as the use of financial modeling. Thus, the

VaR measured the sensitivity of the asset and the liability portfolios of each of the aforementioned market exposures. Each sensitivity was estimated separately to capture the market exposures within each insurance segment. These sensitivities were then applied to a database, which contained both historical ranges of movements in all market factors and the correlations among them. The results were aggregated to provide a single amount that depicts the maximum potential loss in fair value at a confidence level of 95 percent for a time period of one month. At December 31, 1999 and December 31, 1998 the VaR of AIG's insurance segments was approximately $863 million and $760 million for general insurance, respectively and $1.19 billion and $981 million for life insurance, respectively. The average VaR for 1999 for each of AIG's insurance segments was approximately $831 million for general insurance and $1.10 billion for life insurance. The high and low VaRs for general insurance during 1999 were approximately $891 million and $776 million, respectively. The high and low VaRs for life insurance during 1999 were approximately $1.19 billion and $1.05 billion, respectively.

The following table presents the VaR of each component of market risk for each of AIG's insurance segments as of December 31, 1999 and December 31, 1998. VaR with respect to combined operations cannot be derived by aggregating the individual risk or segment amounts presented herein.

(in millions)

	General Insurance		Life Insurance	
Market Risk	1999	1998	1999	1998
Interest rate	$338	$232	$950	$809
Currency	29	26	566	457
Equity	798	716	396	254

Financial Services and Asset Management Invested Assets

The following table is a summary of the composition of AIG's financial services and asset management invested assets at December 31, 1999 and 1998. (See also the discussions under "Operational Review: Financial Services Operations", "Operational Review: Asset Management Operations", "Capital Resources" and "Derivatives" herein.)

(dollars in millions)

	1999		1998	
	Invested Assets	Percent of Total	Invested Assets	Percent of Total
Flight equipment primarily under operating leases, net of accumulated depreciation	$17,334	27.7%	$16,330	28.8%
Unrealized gain on interest rate and currency swaps, options and forward transactions	7,931	12.7	9,881	17.5
Securities available for sale, at market value	12,954	20.7	10,674	18.9
Trading securities, at market value	4,391	7.0	5,668	10.0
Securities purchased under agreements to resell, at contract value	10,897	17.4	4,838	8.5
Trading assets	5,793	9.3	6,229	11.0
Spot commodities, at market value	683	1.1	476	0.8
Other, including short-term investments	2,565	4.1	2,523	4.5
Total	$62,548	100.0%	$56,619	100.0%

As previously discussed, the cash used for the purchase of flight equipment is derived primarily from the proceeds of ILFC's debt financings. The primary sources for the repayment of this debt and the interest expense thereon are the cash flow from operations, proceeds from the sale of flight equipment and the rollover and refinancing of the prior debt. During 1999, ILFC acquired flight equipment costing $3.37 billion.

At December 31, 1999, ILFC had committed to purchase 331 aircraft deliverable from 2000 through 2007 at an estimated aggregate purchase price of $16.4 billion and had options to purchase 83 aircraft deliverable from 2000 through 2007 at an estimated aggregate purchase price of $3.9 billion. As of March 8, 2000, ILFC has entered into leases for all of the aircraft to be delivered in 2000 and 100 of 280 aircraft to be delivered subsequent to 2000. ILFC will be required to find customers for any aircraft presently on order and any aircraft to be ordered, and it must arrange financing for portions of the purchase price of such equipment. In a rising interest rate environment, ILFC negotiates higher lease rates on any new contracts. ILFC has been successful to date both in placing its new aircraft on lease or under sales contract and obtaining adequate financing.

ILFC is exposed to market risk and the risk of loss of fair value resulting from adverse fluctuations in interest rates. As of December 31, 1999 and December 31, 1998, AIG statistically measured the aforementioned loss of fair value through the application of a VaR model. In this analysis, the net fair value of ILFC was determined using the financial instrument assets which included the tax adjusted future flight equipment lease revenue and the financial instrument liabilities which included the future servicing of the current debt. The estimated impact of the current derivative positions was also taken into account.

AIG calculated the VaR with respect to the net fair value of ILFC using the variance-covariance (delta-normal) methodology. This calculation also used daily historical interest rates for the two years ending December 31, 1999 and December 31, 1998. The VaR model estimated the volatility of each of these interest rates and the correlation among them. The yield curve was constructed using eleven key points on the curve to model possible curve movements. Thus, the VaR measured the sensitivity of the assets and liabilities to the calculated interest rate exposures. These sensitivities were then applied to a database, which contained the historical ranges of movements in interest rates and the correlation among them. The results were aggregated to provide a single amount that depicts the maximum potential loss in fair value of a confidence level of 95 percent for a time period of one month. As of December 31, 1999 and December 31, 1998, the VaR with respect to the aforementioned net fair value of ILFC was approximately $50 million and $9 million, respectively.

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

AIGFP uses the proceeds from the issuance of notes and bonds and GIA borrowings to invest in a diversified portfolio of securities, including securities available for sale, at market, and derivative transactions. The funds may also be temporarily invested in securities purchased under agreements to resell. The proceeds from the disposal of the aforementioned securities available for sale and securities purchased under agreements to resell have been used to fund the maturing GIAs or other AIGFP financings. (See also the discussion under "Capital Resources" herein.)

Securities available for sale is mainly a portfolio of debt securities, where the individual securities have varying degrees of credit risk. At December 31, 1999, the average credit rating of this portfolio was AA or the equivalent thereto as determined through rating agencies or internal review. AIGFP has also entered into credit derivative transactions to hedge its credit risk associated with $182 million of these securities. There were no securities deemed below investment grade at December 31, 1999. There have been no significant downgrades through March 1, 2000. Securities purchased under agreements to resell are treated as collateralized transactions. AIGFP takes possession of or obtains a security interest in securities purchased under agreements to resell. AIGFP further minimizes its credit risk by monitoring counterparty credit exposure and, when AIGFP deems necessary, it requires additional collateral to be deposited. Trading securities, at market value are marked to market daily and are held to meet the short-term risk management objectives of AIGFP.

AIGTG conducts, as principal, market making and trading activities in foreign exchange, interest rates and precious and base metals. AIGTG owns inventories in the commodities in which it trades and may reduce the exposure to market risk through the use of swaps, forwards, futures and option contracts. AIGTG uses derivatives to manage the economic exposure of its various trading positions and transactions from adverse movements of interest rates, foreign currency exchange rates and commodity prices. AIGTG supports its trading activities largely through trading liabilities, unrealized losses on swaps, short-term borrowings, securities sold under agreements to repurchase and securities and commodities sold but not yet purchased. (See also the discussions under "Capital Resources" and "Derivatives" herein.)

The gross unrealized gains and gross unrealized losses of AIGFP and AIGTG included in the financial services assets and liabilities at December 31, 1999 were as follows:

(in millions)

	Gross Unrealized Gains	Gross Unrealized Losses
Securities available for sale, at market value (a)	$ 921	$ 887
Unrealized gain/loss on interest rate and currency swaps, options and forward transactions (b) (c)	7,931	8,624
Trading assets	4,659	2,648
Spot commodities, at market value	50	--
Trading liabilities	--	2,361
Securities and spot commodities sold but not yet purchased, at market value	313	--

(a) See also Note 8(e) of Notes to Financial Statements.
(b) These amounts are also presented as the respective balance sheet amounts.
(c) At December 31, 1999, AIGTG's replacement values with respect to interest rate and currency swaps were $315 million.

AIGFP's interest rate and currency risks on securities available for sale, at market, are managed by taking offsetting positions on a security by security basis, thereby offsetting a significant portion of the unrealized appreciation or depreciation. At December 31, 1999, the unrealized gains and losses remaining after the benefit of the offsets were $39 million and $5 million, respectively.

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

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

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

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

AIG's Market Risk Management Department provides detailed independent review of AIG's market exposures, particularly those market exposures of AIGFP and AIGTG. This department determines whether AIG's market risks, as well as those market risks of individual subsidiaries, are within the parameters established by AIG's senior management. Well established market risk management techniques such as sensitivity analysis are used. Additionally, this department verifies that specific market risks of each of certain subsidiaries are managed and hedged by that subsidiary.

AIGFP is exposed to market risk due to changes in the level and volatility of interest rates and the shape and slope of the yield curve. AIGFP hedges its exposure to interest rate risk by entering into transactions such as interest rate swaps and options and purchasing U.S. and foreign government obligations.

AIGFP is exposed to market risk due to changes in and volatility of foreign currency exchange rates. AIGFP hedges its foreign currency exchange risk primarily through the use of currency swaps, options, forwards and futures.

AIGFP is exposed to market risk due to changes in the level and volatility of equity prices which affect the value of securities or instruments that derive their value from a particular stock, a basket of stocks or a stock index. AIGFP reduces the risk of loss inherent in its inventory in equity securities by entering into hedging transactions, including equity swaps and options and purchasing U.S. and foreign government obligations.

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

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

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

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

All of AIGTG's market risk sensitive instruments are entered into for trading purposes. The fair values of AIGTG's financial instruments are exposed to market risk as a result of adverse market changes in interest rates, foreign currency exchange rates, commodity prices and adverse changes in the liquidity of the markets in which AIGTG trades.

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

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

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

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

AIGFP and AIGTG are both exposed to the risk of loss of fair value from adverse fluctuations in interest rate and foreign currency exchange rates and equity and commodity prices. AIG statistically measured the losses of fair value through the application of a VaR model. AIG separately calculated the VaR with respect to AIGFP and AIGTG, as AIG manages these operations separately.

AIGFP's and AIGTG's asset and liability portfolios for which the VaR analyses were performed included over the counter and exchange traded investments, derivative instruments and commodities. Since the market risk with respect to securities available for sale, at market is substantially hedged, segregation of market sensitive instruments into trading and other than trading was not deemed necessary.

AIG calculated the VaR with respect to AIGFP and AIGTG as of December 31, 1999 and December 31, 1998. These calculations used the variance-covariance (delta-normal) methodology. These calculations also used, where appropriate for each entity, daily historical interest and foreign currency exchange rates and equity/commodity prices in the two years ending December 31, 1999 and December 31, 1998, as applicable. The VaR model estimated the volatility of each of these rates, prices and the correlations among them. For interest rates, the yield curves of the United States and certain foreign countries were constructed using eleven separate points on each country's yield curve to model possible curve movements. Inter-country correlations were also used. The redemption experience of corporate fixed maturities was taken into account. Thus, the VaR measured the sensitivity of the asset and the liability portfolios of each of the market exposures. Each sensitivity was estimated separately to capture the market exposures within each entity. These sensitivities were then applied to a database, which contained both historical ranges of movements in all market factors and the correlations among them. The results depict the maximum potential loss in fair value at a confidence level of 95 percent.

Given the distinct business strategies at AIGFP and AIGTG, the VaR calculations used different time periods to measure market exposures. Many of AIGFP's customized, longer-term contracts may require several days to transact and hedge. AIG therefore used a one month holding period to measure market exposures for AIGFP. The large majority of AIGTG's contracts can be arranged and hedged within one day. AIG therefore used a one day holding period to measure market exposures at AIGTG.

The following table presents the VaR on a combined basis and of each component of AIGFP's and AIGTG's market risk as of December 31, 1999 and December 31, 1998. VaR with respect to combined operations cannot be derived by aggregating the individual risk presented herein.

(in millions)

	AIGFP (a)		AIGTG (b)	
Market Risks	1999	1998	1999	1998
Combined	$24	$42	$ 5	$ 3
Interest rate	23	42	3	3
Currency	--	--	4	2
Equity/Commodity	1	2	--	--

(a) A one month holding period was used to measure the market exposures of AIGFP.
(b) A one day holding period was used to measure the market exposures of AIGTG.

The average combined VaRs for 1999 were approximately $25 million and $5 million for AIGFP and AIGTG, respectively. The high and low VaRs for AIGFP during 1999 were approximately $29 million and $23 million, respectively. The high and low VaRs for AIGTG during 1999 were $5 million and $4 million, respectively.

Derivatives

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

The most commonly used swaps are interest rate swaps, currency swaps, equity swaps and swaptions. Such derivatives are traded over the counter. An interest rate swap is a contract between two parties to exchange interest rate payments (typically a fixed interest rate versus a variable interest rate) calculated on a notional principal amount for a specified period of time. The notional amount is not exchanged. Currency and equity swaps are similar to interest rate swaps but may involve the exchange of principal amounts at the commencement and termination of the swap. Swaptions are options where the holder has the right but not the obligation to enter into a swap transaction or cancel an existing swap transaction.

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

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

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

Derivatives are generally either negotiated over the counter contracts or standardized contracts executed on an exchange. Standardized exchange traded derivatives include futures and options which can be readily bought or sold over recognized security or commodity exchanges and settled daily through such clearing houses. Negotiated over the counter derivatives include forwards, swaps and options. Over the counter derivatives are generally not traded like exchange traded securities and the terms of over the counter derivatives are non-standard and unique to each contract. However, in the normal course of business, with the agreement of the original counterparty, these contracts may be terminated early or assigned to another counterparty.

All significant derivatives activities are conducted through AIGFP and AIGTG permitting AIG to participate in the derivatives dealer market acting primarily as principal. In these derivative operations, AIG structures agreements which generally allow its counterparties to enter into transactions with respect to changes in interest and exchange rates, securities' prices and certain commodities and financial or commodity indices. Generally, derivatives are used by AIG's customers such as corporations, financial institutions, multinational organizations, sovereign entities, government agencies and municipalities. For example, a futures, forward or option contract can be used to protect the customers' assets or liabilities against price fluctuations.

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

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

A significant majority of AIGFP's transactions are contracted and documented under ISDA Master Agreements that provide for legally enforceable set-off in the event of default. Also, under such agreements, in connection with a counterparty desiring to terminate a contract prior to maturity, AIGFP may be permitted to set-off its receivables from that counterparty against AIGFP's payables to that same counterparty arising out of all included transactions. Excluding regulated exchange transactions, AIGTG, whenever possible, enters into netting agreements with its counterparties which are similar in effect to those discussed above.

The following tables provide the notional and contractual amounts of AIGFP's and AIGTG's derivatives transactions at December 31, 1999 and December 31, 1998.

The notional amounts used to express the extent of AIGFP's and AIGTG's involvement in swap transactions represent a standard of measurement of the volume of AIGFP's and AIGTG's swaps business. Notional amount is not a quantification of market risk or credit risk and it may not necessarily be recorded on the balance sheet. Notional amounts represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps.

The timing and the amount of cash flows relating to AIGFP's and AIGTG's foreign exchange forwards and exchange traded futures and options contracts are determined by each of the respective contractual agreements.

The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss after the application of the aforementioned strategies, set-off and netting under ISDA Master Agreements and collateral held. Prior to the application of these credit enhancements, the gross credit risk with respect to these derivative instruments was $16.90 billion at December 31, 1999. Subsequent to the application of such credit enhancements, the net exposure to credit risk or the net replacement value of all interest rate, currency and equity swaps, swaptions and forward commitments at December 31, 1999, approximated $7.53 billion. The net replacement value for futures and forward contracts at December 31, 1999, approximated $5 million. The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss.

Management's Discussion and Analysis of
Financial Condition and Results of Operations (CONTINUED)

The following table presents AIGFP's derivatives portfolio by maturity and type of derivative at December 31, 1999 and December 31, 1998:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 1999	Total 1998
Interest rate, currency and equity/commodity swaps and swaptions:						
Notional amount:						
Interest rate swaps	$ 83,568	$121,534	$ 69,459	$ 7,121	$281,682	$255,917
Currency swaps	29,163	28,396	22,038	4,076	83,673	73,894
Swaptions and equity swaps	11,829	23,192	10,026	2,955	48,002	15,685
Total	$124,560	$173,122	$101,523	$ 14,152	$413,357	$345,496
Futures and forward contracts:						
Exchange traded futures contracts contractual amount	$ 6,587	--	--	--	$ 6,587	$ 8,290
Over the counter forward contracts contractual amount	$ 21,426	$ 447	$ --	$ --	$ 21,873	$ 42,898

AIGFP determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 1999 and December 31, 1998, the counterparty credit quality by derivative product with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 1999	Total 1998
Counterparty credit quality:				
AAA	$2,067	$ --	$2,067	$2,360
AA	2,837	2	2,839	3,688
A	1,573	3	1,576	1,883
BBB	997	--	997	1,085
Below investment grade	55	--	55	210
Total	$7,529	$ 5	$7,534	$9,226

At December 31, 1999 and December 31, 1998, the counterparty breakdown by industry with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 1999	Total 1998
Non-U.S. banks	$2,512	$ 3	$2,515	$2,877
Insured municipalities	352	--	352	784
U.S. industrials	778	2	780	1,125
Governmental	180	--	180	603
Non-U.S. financial service companies	158	--	158	272
Non-U.S. industrials	1,117	--	1,117	1,145
Special purpose	716	--	716	423
U.S. banks	510	--	510	911
U.S. financial service companies	1,112	--	1,112	932
Supranationals	94	--	94	154
Total	$7,529	$ 5	$7,534	$9,226

The following tables provide the contractual and notional amounts of AIGTG's derivatives portfolio at December 31, 1999 and December 31, 1998. In addition, the estimated positive fair values associated with the derivatives portfolio are also provided and include a maturity profile for the December 31, 1999 balances based upon the expected timing of the future cash flows.

The gross replacement values presented represent the sum of the estimated positive fair values of all of AIGTG's derivatives contracts at December 31, 1999 and December 31, 1998. These values do not represent the credit risk to AIGTG.

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

Management's Discussion and Analysis of
Financial Condition and Results of Operations (CONTINUED)

The following tables present AIGTG's derivatives portfolio and the associated credit exposure, if applicable, by maturity and type of derivative at December 31, 1999 and December 31, 1998:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 1999	Total 1998
Contractual amount of futures, forwards and options:						
Exchange traded futures and options	$ 13,873	$ 4,990	$ 45	$ --	$ 18,908	$ 11,836
Forwards	$ 199,533	$ 18,198	$ 2,697	$ --	$ 220,428	$ 282,157
Over the counter purchased options	$ 51,050	$ 18,327	$ 13,703	$ 791	$ 83,871	$ 58,860
Over the counter sold options (a)	$ 51,737	$ 18,703	$ 15,157	$ 1,129	$ 86,726	$ 58,861
Notional amount:						
Interest rate swaps and forward rate agreements	$ 43,541	$ 31,322	$ 5,510	$ 63	$ 80,436	$ 110,791
Currency swaps	2,948	4,716	695	--	8,359	7,512
Swaptions	802	6,745	2,293	156	9,996	5,766
Total	$ 47,291	$ 42,783	$ 8,498	$ 219	$ 98,791	$ 124,069
Credit exposure:						
Futures, forwards, swaptions and purchased options contracts and interest rate and currency swaps:						
Gross replacement value	$ 6,404	$ 1,253	$ 211	$ 21	$ 7,889	$ 9,791
Master netting arrangements	(4,003)	(455)	(120)	(2)	(4,580)	(5,610)
Collateral	(167)	(39)	(3)	--	(209)	(359)
Net replacement value (b)	$ 2,234	$ 759	$ 88	$ 19	$ 3,100	$ 3,822

(a) Sold options obligate AIGTG to buy or sell the underlying item if the option purchaser chooses to exercise. The amounts do not represent credit exposure.

(b) The net replacement values with respect to exchange traded futures and options, forward contracts and purchased over the counter options are presented as a component of trading assets in the accompanying balance sheet. The net replacement values with respect to interest rate and currency swaps are presented as a component of unrealized gain on interest rate and currency swaps, options and forward transactions in the accompanying balance sheet.

AIGTG determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 1999 and December 31, 1998, the counterparty credit quality and counterparty breakdown by industry with respect to the net replacement value of AIGTG's derivatives portfolio were as follows:

(in millions)

	Net Replacement Value	
	1999	1998
Counterparty credit quality:		
AAA	$ 276	$ 462
AA	1,241	1,821
A	1,010	1,066
BBB	256	221
Below investment grade	49	26
Not externally rated, including exchange traded futures and options*	268	226
Total	$3,100	$3,822
Counterparty breakdown by industry:		
Non-U.S. banks	$ 926	$1,253
U.S. industrials	70	381
Governmental	178	184
Non-U.S. financial service companies	698	406
Non-U.S. industrials	176	150
U.S. banks	401	593
U.S. financial service companies	383	629
Exchanges*	268	226
Total	$3,100	$3,822

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

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

AIG, through its Foreign Exchange Operating Committee, evaluates each of its worldwide consolidated foreign currency net asset or liability positions and manages AIG's translation exposure to adverse movement in currency exchange rates. AIG may use forward exchange contracts and purchase options where the cost of such is reasonable and markets are liquid to reduce these exchange translation exposures. The exchange gain or loss with respect to these hedging instruments is recorded on an accrual basis as a component of comprehensive income in capital funds.

As an end user, AIG and its subsidiaries, including its insurance subsidiaries, use derivatives to aid in managing AIG's foreign exchange translation exposure. Derivatives may also be used to minimize certain exposures with respect to AIG's debt financing and its insurance operations; to date, such activities have not been significant.

AIG has formed a Derivatives Review Committee. This committee, with certain exceptions, provides an independent review of any proposed derivative transaction. The committee examines, among other things, the nature and purpose of the derivative transaction, its potential credit exposure, if any, and the estimated benefits. This committee does not review those derivative transactions entered into by AIGFP and AIGTG for their own accounts.

Legal risk arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of AIG's clients and counterparties, including contractual provisions intended to reduce credit exposure by providing for the netting of mutual obligations. (See also the discussion on master netting agreements above.) AIG seeks to eliminate or minimize such uncertainty through continuous consultation with internal and external legal advisors, both domestically and abroad, in order to understand the nature of legal risk, to improve documentation and to strengthen transaction structure.

Accounting Standards

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" (FASB 130) and Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (FASB 131).

FASB 130 establishes standards for reporting comprehensive income and its components in a full set of general purpose financial statements. FASB 130 was effective for AIG as of January 1, 1998.

FASB 131 establishes standards for the way AIG is required to disclose certain information about its operating segments in its annual financial statements and certain selected information in its interim financial statements. FASB 131 establishes, where practicable, standards with respect to geographic areas, among other things. Certain descriptive information is also required. FASB 131 was effective for the year ended December 31, 1998.

In February 1998, FASB issued Statement of Financial Accounting Standards No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" (FASB 132). This statement requires AIG to revise its disclosures about pension and other postretirement benefit plans and does not change the measurement or recognition of these plans. Also, FASB 132 requires additional information on changes in the benefit obligations and fair values of plan assets. FASB 132 was effective for the year ended December 31, 1998.

In June 1998, FASB issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FASB 133). This statement requires AIG to recognize all derivatives in the consolidated balance sheet measuring these derivatives at fair value. The recognition of the change in the fair value of a derivative depends on a number of factors, including the intended use of the derivative. Currently, AIGTG and AIGFP present, in all material respects, the changes in fair value of their derivative transactions as a component of AIG's operating income. AIG is evaluating the impact of FASB 133 with respect to derivative transactions entered into by other AIG operations. AIG believes that the impact of FASB 133 on its results of operations, financial condition or liquidity will not be significant. FASB 133 is effective for the year commencing January 1, 2001.

In December 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AcSEC) issued Statement of Position (SOP) 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments." This statement provides guidance for the recording of a liability for insurance-related assessments. The statement requires that a liability be recognized in certain defined circumstances. This statement was effective for the year commencing January 1, 1999 and has been adopted herein. SOP 97-3 did not have a material impact on AIG's results of operations, financial condition or liquidity.

In October 1998, AcSEC issued SOP 98-7, "Deposit Accounting: Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Insurance Risk." This statement identifies several methods of deposit accounting and provides guidance on the application of each method. This statement classifies insurance and reinsurance contracts for which the deposit method is appropriate as contracts that (i) transfer only significant timing risk, (ii) transfer only significant underwriting risk, (iii) transfer neither significant timing nor underwriting risk, and (iv) have an indeterminate risk. AIG believes that the impact of this statement on its results of operations, financial condition or liquidity will not be significant. This statement is effective for the year commencing January 1, 2000. Restatement of previously issued financial statements is not permitted.

Year 2000 Issues

Any statements contained herein that are not historical facts, or that might be considered an opinion or projection, whether expressed or implied, are meant as, and should be considered, forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on assumptions and opinions concerning a variety of known and unknown risks, including those risks related to the Year 2000 issue. If any assumptions or opinions prove incorrect, any forward-looking statements made on that basis may also prove materially incorrect.

The Year 2000 issue arises from computer programs being written using two digits rather than four digits to define the applicable year. This could result in a failure of the information technology systems (IT systems) and other equipment containing imbedded technology (non-IT systems) in the year 2000, causing disruption of operations of AIG, its lessees, vendors, or business partners.

AIG developed and implemented a plan to address the Year 2000 issue as it affected AIG's internal IT and non-IT systems, and assessed Year 2000 issues relating to third parties with whom AIG has critical relationships. AIG has not experienced any business disruption from the Year 2000 issue. Its IT and non-IT systems were compliant on January 1, 2000, and there have been no problems related to any third party compliance.

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.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the consolidated financial position of American International Group, Inc. and its subsidiaries (the "Company") at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

New York, New York
February 9, 2000

American International Group, Inc. and Subsidiaries

Consolidated Balance Sheet

(in millions)

December 31,	1999	1998
Assets:		
Investments and cash:		
Fixed maturities:		
Bonds available for sale, at market value (amortized cost: 1999-$78,218; 1998-$63,873)	$ 77,028	$ 66,317
Bonds held to maturity, at amortized cost (market value: 1999-$12,202; 1998-$13,633)	12,076	12,658
Bonds trading securities, at market value (cost: 1999-$1,057; 1998-$990)	1,038	1,005
Preferred stocks, at amortized cost (market value: 1999-$0; 1998-$0)	2	--
Equity securities:		
Common stocks (cost: 1999-$5,496; 1998-$5,465)	6,002	5,648
Non-redeemable preferred stocks (cost: 1999-$718; 1998-$628)	712	620
Mortgage loans on real estate, net of allowance (1999-$78; 1998-$67)	7,139	6,702
Policy loans	2,822	2,626
Collateral and guaranteed loans, net of allowance (1999-$74; 1998-$74)	2,173	2,413
Financial services and asset management assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation (1999-$2,200; 1998-$2,048)	17,334	16,330
Securities available for sale, at market value (amortized cost: 1999-$12,920; 1998-$10,667)	12,954	10,674
Trading securities, at market value	4,391	5,668
Spot commodities, at market value	683	476
Unrealized gain on interest rate and currency swaps, options and forward transactions	7,931	9,881
Trading assets	5,793	6,229
Securities purchased under agreements to resell, at contract value	10,897	4,838
Other invested assets	9,900	8,692
Short-term investments, at cost (approximates market value)	7,007	6,739
Cash	132	303
Total investments and cash	186,014	167,819
Investment income due and accrued	2,054	1,869
Premiums and insurance balances receivable-net of allowance (1999-$133; 1998-$105)	12,737	11,679
Reinsurance assets	19,368	17,744
Deferred policy acquisition costs	9,624	8,081
Investments in partially-owned companies	346	418
Real estate and other fixed assets, net of accumulated depreciation (1999-$1,892; 1998-$1,774)	2,933	2,738
Separate and variable accounts	29,666	18,662
Other assets	5,496	4,666
Total assets	$268,238	$233,676

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

Consolidated Balance Sheet (CONTINUED)

(in millions, except share amounts)

December 31,	1999	1998
Liabilities:		
Reserve for losses and loss expenses	$ 38,252	$ 38,310
Reserve for unearned premiums	11,450	10,009
Future policy benefits for life and accident and health insurance contracts	34,608	29,571
Policyholders' contract deposits	42,549	33,924
Other policyholders' funds	3,236	2,720
Reserve for commissions, expenses and taxes	2,598	2,225
Insurance balances payable	2,254	2,283
Funds held by companies under reinsurance treaties	861	837
Income taxes payable:		
Current	138	224
Deferred	751	1,247
Financial services and asset management liabilities:		
Borrowings under obligations of guaranteed investment agreements	9,430	9,188
Securities sold under agreements to repurchase, at contract value	6,116	4,473
Trading liabilities	3,821	4,664
Securities and spot commodities sold but not yet purchased, at market value	6,413	4,457
Unrealized loss on interest rate and currency swaps, options and forward transactions	8,624	7,055
Trust deposits and deposits due to banks and other depositors	2,175	1,682
Commercial paper	2,958	3,204
Notes, bonds and loans payable	16,806	15,249
Commercial paper	1,446	1,432
Notes, bonds, loans and mortgages payable	2,344	2,837
Separate and variable accounts	29,666	18,662
Minority interest	1,350	1,590
Other liabilities	6,191	6,815
Total liabilities	234,037	202,658
Preferred shareholders' equity in subsidiary companies	895	895
Capital funds:		
Preferred stock	--	248
Common stock, $2.50 par value; 2,000,000,000 shares authorized; shares issued 1999-1,660,707,090; 1998-1,313,510,800	4,152	3,284
Additional paid-in capital	2,080	1,319
Retained earnings	31,040	27,110
Accumulated other comprehensive income	(2,103)	(10)
Treasury stock, at cost; 1999-111,579,044; 1998-96,373,983 shares of common stock (including 87,540,027 and 70,034,573 shares, respectively, held by subsidiaries)	(1,863)	(1,828)
Total capital funds	33,306	30,123
Total liabilities and capital funds	$268,238	$233,676

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

Consolidated Statement of Income

(in millions, except per share amounts)

Years Ended December 31,	1999	1998	1997
General insurance operations:			
Net premiums written	$ 16,224	$14,586	$ 13,408
Change in unearned premium reserve	(680)	(488)	(987)
Net premiums earned	15,544	14,098	12,421
Net investment income	2,517	2,192	1,854
Realized capital gains	295	205	128
	18,356	16,495	14,403
Losses incurred	9,819	9,164	7,801
Loss expenses incurred	1,919	1,493	1,555
Underwriting expenses (principally policy acquisition costs)	3,137	2,910	2,575
	14,875	13,567	11,931
Operating income	3,481	2,928	2,472
Life insurance operations:			
Premium income	11,942	10,293	9,956
Net investment income	6,206	5,201	4,521
Realized capital losses	(148)	(74)	(9)
	18,000	15,420	14,468
Death and other benefits	5,000	4,543	4,052
Increase in future policy benefits	6,870	5,699	5,718
Acquisition and insurance expenses	3,272	2,805	2,650
	15,142	13,047	12,420
Operating income	2,858	2,373	2,048
Financial services operating income	1,081	869	671
Asset management operating income	314	191	127
Equity in income of minority-owned insurance operations	--	57	114
Other realized capital losses	(25)	(7)	(29)
Other income (deductions)--net	(197)	(134)	(93)
Income before income taxes and minority interest	7,512	6,277	5,310
Income taxes:			
Current	1,813	1,100	1,304
Deferred	406	685	221
	2,219	1,785	1,525
Income before minority interest	5,293	4,492	3,785
Minority interest	(238)	(210)	(74)
Net income	$ 5,055	$ 4,282	$ 3,711
Earnings per common share:			
Basic	$ 3.27	$ 2.81	$ 2.45
Diluted	3.23	2.75	2.40
Average shares outstanding:			
Basic	1,548	1,518	1,508
Diluted	1,567	1,554	1,542

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

Consolidated Statement of Capital Funds

(in millions, except per share amounts)

Years Ended December 31,	1999	1998	1997
Preferred stock:			
Balance at beginning of year	$ 248	$ 248	$ 385
Conversion to common stock	(248)	--	--
Redemption of preferred stock	--	--	(137)
Balance at end of year	--	248	248
Common stock:			
Balance at beginning of year	3,284	2,334	1,539
Issuance of common stock	--	1	162
Stock split effected as dividend	818	949	633
Issued in conversion of Series E preferred stock to common stock	24	--	--
Issued in connection with redemption of Premium Equity Redemption Cumulative Security Units (PERCS Units)	21	--	--
Issued under stock option and stock purchase plans	5	--	--
Balance at end of year	4,152	3,284	2,334
Additional paid-in capital:			
Balance at beginning of year	1,319	1,335	996
Issuance of common stock	--	(1)	480
Excess of cost over proceeds of common stock issued under stock option and stock purchase plans	(84)	(22)	(29)
Cost of issuances of preferred securities	--	--	(55)
Stock splits-SunAmerica	--	--	(65)
Excess of redemption value of Series E preferred stock over par value of common stock issued	224	--	--
Excess of proceeds over par value of common stock issued in connection with redemption of PERCS Units	410	--	--
Excess of proceeds over par value of common stock issued under stock option and stock purchase plans	83	--	--
Other	128	7	8
Balance at end of year	2,080	1,319	1,335
Retained earnings:			
Balance at beginning of year	27,110	24,101	21,290
Net income	5,055	4,282	3,711
Stock dividends to shareholders	(818)	(949)	(633)
Cash dividends to shareholders:			
Preferred	--	(12)	(19)
Common ($.19, $.20 and $.16 per share, respectively)	(303)	(312)	(248)
Other	(4)	--	--
Balance at end of year	31,040	27,110	24,101
Accumulated other comprehensive income:			
Balance at beginning of year	(10)	382	868
Unrealized appreciation (depreciation) of investments-net of reclassification adjustments	(2,541)	(387)	232
Deferred income tax benefit (expense) on changes	895	95	(33)
Foreign currency translation adjustments	(432)	(137)	(754)
Applicable income tax benefit on changes	(15)	37	69
Other comprehensive income	(2,093)	(392)	(486)
Balance at end of year	(2,103)	(10)	382
Treasury stock, at cost:			
Balance at beginning of year	(1,828)	(1,815)	(1,373)
Cost of shares acquired during year	(275)	(81)	(508)
Issued under stock option and stock purchase plans	216	68	66
Issued pursuant to Restricted Stock Unit Obligations	24	--	--
Balance at end of year	(1,863)	(1,828)	(1,815)
Total capital funds at end of year	$33,306	$30,123	$26,585

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

(in millions)

Years Ended December 31,	1999	1998	1997
Summary:			
Net cash provided by operating activities	$ 10,321	$ 7,439	$ 3,433
Net cash used in investing activities	(20,758)	(16,207)	(7,402)
Net cash provided by financing activities	10,266	8,984	3,997
Change in cash	(171)	216	28
Cash at beginning of year	303	87	59
Cash at end of year	$ 132	$ 303	$ 87
Cash flows from operating activities:			
Net income	$ 5,055	$ 4,282	$ 3,711
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	6,684	6,990	1,767
Premiums and insurance balances receivable and payable-net	(1,087)	(733)	(796)
Reinsurance assets	(1,624)	(972)	416
Deferred policy acquisition costs	(1,543)	(1,025)	(200)
Investment income due and accrued	(185)	(111)	(229)
Funds held under reinsurance treaties	24	370	(47)
Other policyholders' funds	516	368	133
Current and deferred income taxes-net	319	225	520
Reserve for commissions, expenses and taxes	373	455	229
Other assets and liabilities-net	(813)	(411)	593
Trading assets and liabilities-net	(407)	(216)	(869)
Trading securities, at market value	1,277	(1,693)	(1,617)
Spot commodities, at market value	(207)	(16)	(255)
Net unrealized gain on interest rate and currency swaps, options and forward transactions	3,519	(1,382)	49
Securities purchased under agreements to resell	(6,059)	(287)	(2,909)
Securities sold under agreements to repurchase	1,643	1,767	(333)
Securities and spot commodities sold but not yet purchased, at market value	1,956	(715)	3,603
Realized capital gains	(122)	(124)	(90)
Equity in income of partially-owned companies and other invested assets	(186)	(176)	(157)
Depreciation expenses, principally flight equipment	1,071	952	885
Change in cumulative translation adjustments	(432)	(137)	(754)
Other-net	549	28	(217)
Total adjustments	5,266	3,157	(278)
Net cash provided by operating activities	$ 10,321	$ 7,439	$ 3,433

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

Consolidated Statement of Cash Flows (CONTINUED)

(in millions)

Years Ended December 31,	1999	1998	1997
Cash flows from investing activities:			
Cost of fixed maturities, at amortized cost matured or redeemed	$ 1,062	$ 1,578	$ 1,226
Cost of bonds, at market sold	27,375	28,110	22,446
Cost of bonds, at market matured or redeemed	8,178	8,315	8,200
Cost of equity securities sold	3,703	2,784	2,262
Realized capital gains	122	124	90
Purchases of fixed maturities	(50,365)	(43,659)	(36,428)
Purchases of equity securities	(3,821)	(3,277)	(1,916)
Acquisitions, net of cash acquired	--	(515)	--
Mortgage, policy and collateral loans granted	(3,498)	(2,942)	(3,233)
Repayments of mortgage, policy and collateral loans	3,105	2,341	2,962
Sales of securities available for sale	4,787	2,618	4,310
Maturities of securities available for sale	787	1,848	3,232
Purchases of securities available for sale	(7,869)	(5,967)	(6,916)
Sales of flight equipment	1,699	687	2,231
Purchases of flight equipment	(3,365)	(3,160)	(3,435)
Net additions to real estate and other fixed assets	(602)	(624)	(517)
Sales or distributions of other invested assets	2,995	2,869	2,549
Investments in other invested assets	(4,827)	(5,109)	(2,637)
Change in short-term investments	(268)	(2,227)	(1,788)
Investments in partially-owned companies	44	(1)	(40)
Net cash used in investing activities	$(20,758)	$(16,207)	$ (7,402)
Cash flows from financing activities:			
Change in policyholders' contract deposits	$ 8,625	$ 4,474	$ 2,816
Change in trust deposits and deposits due to banks and other depositors	493	(595)	(1,030)
Change in commercial paper	(232)	1,261	(1,123)
Proceeds from notes, bonds, loans and mortgages payable	8,539	7,909	8,164
Repayments on notes, bonds, loans and mortgages payable	(7,486)	(4,973)	(7,016)
Liquidation of zero coupon notes payable	--	--	(12)
Proceeds from guaranteed investment agreements	7,927	6,540	4,930
Maturities of guaranteed investment agreements	(7,685)	(5,353)	(2,653)
Proceeds from common stock issued	220	40	614
Net proceeds from issuance of preferred securities of subsidiary grantor trusts	--	--	300
Payment for redemption of preferred securities of subsidiary grantor trusts	--	--	(55)
Payment for redemption of preferred stock	--	--	(137)
Cash dividends to shareholders	(303)	(324)	(267)
Acquisition of treasury stock	(275)	(81)	(508)
Proceeds from redemption of Premium Equity Redemption Cumulative Security Units	431	--	--
Other-net	12	86	(26)
Net cash provided by financing activities	$ 10,266	$ 8,984	$ 3,997
Supplementary information:			
Taxes paid	$ 1,625	$ 1,334	$ 922
Interest paid	$ 1,993	$ 2,076	$ 1,864

See Accompanying Notes to Financial Statements.

American International Group, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income

(in millions)

Years Ended December 31,	1999	1998	1997
Comprehensive income:			
Net income	$ 5,055	$ 4,282	$ 3,711
Other comprehensive income:			
Unrealized appreciation (depreciation) of investments-net of reclassification adjustments	(2,541)	(387)	232
Deferred income tax benefit (expense) on changes	895	95	(33)
Foreign currency translation adjustments	(432)	(137)	(754)
Applicable income tax (expense) benefit on changes	(15)	37	69
Other comprehensive income	(2,093)	(392)	(486)
Comprehensive income	$ 2,962	$ 3,890	$ 3,225

See Accompanying Notes to Financial Statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

(a) Principles of Consolidation: On January 1, 1999 (the merger date), SunAmerica Inc., a Maryland corporation, merged with and into AIG. AIG issued 187.5 million shares of its common stock in exchange for all the outstanding common stock and Class B stock of SunAmerica Inc., based on an exchange ratio of 0.855 shares of AIG common stock for each share of SunAmerica Inc. stock. A newly formed Delaware company, SunAmerica Inc. (SunAmerica) holds substantially all of the assets previously held by the Maryland corporation. The merger was accounted for as a pooling of interests and the accompanying financial statements for 1998 and prior years have been restated to combine SunAmerica Inc.'s financial statements for its fiscal years ended September 30 with AIG's December 31 financial statements.

The following is a reconciliation of the individual company results to the combined results for the twelve month periods during 1998 and 1997:

(in millions)

	AIG December 31,	SunAmerica September 30,	Total
1998			
Revenues	$ 33,296	$ 2,420	$ 35,716
Net income	3,766	516	4,282
1997			
Revenues	30,602	1,951	32,553
Net income	3,332	379	3,711

The financial statements for the quarter ended March 31, 1999, included in the AIG Quarterly Report on Form 10-Q reflected the operations of SunAmerica on a pooling of interests basis and the change of its fiscal year from September 30 to December 31. For the period October 1, 1998 through December 31, 1998, SunAmerica Inc.'s revenues were $318 million, operating income was $52 million and net income was $29 million; dividends distributed were $33 million. Thus, capital funds at December 31, 1999 reflect the net decrease in SunAmerica Inc.'s retained earnings of $4 million and the decline of $94 million in accumulated other comprehensive income.

AIG subsidiaries write property, casualty, marine, life and financial lines insurance in approximately 130 countries and jurisdictions. Certain of AIG's foreign subsidiaries included in the consolidated financial statements report on a fiscal year ending November 30. All material intercompany accounts and transactions have been eliminated.

Commencing with the third quarter 1998, Transatlantic and 21st Century were consolidated into AIG's financial statements as AIG became the majority shareholder of these entities.

(b) Basis of Presentation: The accompanying financial statements have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain accounts have been reclassified in the 1998 and 1997 financial statements to conform to their 1999 presentation.

General Insurance Operations: AIG's general insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance. 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 premiums written relating to the unexpired terms of coverage.

Acquisition costs represent those costs, including commissions, that vary with and are primarily related to the acquisition of new business. These costs are deferred and amortized over the period in which the related premiums written 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. 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. AIG discounts certain of its loss reserves which are primarily related to certain workers' compensation claims. (See Note 6.)

Life Insurance Operations: AIG's life insurance subsidiaries offer a wide range of traditional insurance and financial and investment products. Traditional products consist of individual and group life, annuity, endowment and accident and health policies. Financial and investment products consist of single premium annuity, variable annuities, guaranteed investment contracts, universal life and pensions. Premiums for traditional life insurance products and life contingent annuities, excluding accident and health products, are recognized as revenues when due. Estimates for premiums due but not yet collected are accrued. 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. Accident and health products are accounted for in a manner similar to general insurance products described above. Investment income reflects certain 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. Policy acquisition costs with respect to universal

1. Summary of Significant Accounting Policies (continued)

life and investment-type products are deferred and amortized, with interest, in relation to the incidence of estimated gross profits to be realized over the estimated lives of the contracts. Estimated gross profits are composed of net interest income, net realized investment gains and losses, variable annuity fees, surrender charges and direct administrative expenses.

As debt and equity securities available for sale are carried at aggregate fair value, an adjustment is made to deferred policy acquisition costs equal to the change in amortization that would have been recorded if such securities had been sold at their stated aggregate fair value and the proceeds reinvested at current yields. The change in this adjustment, net of tax, is included with the change in net unrealized gains/losses on debt and equity securities available for sale that is credited or charged directly to comprehensive income. Deferred policy acquisition costs have been increased by $130 million at December 31, 1999 and reduced by $145 million at December 31, 1998 for this adjustment. (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 participates in the derivatives dealer market conducting, primarily as principal, an interest rate, currency, equity and credit derivative products business. AIG also enters into structured transactions including long-dated forward foreign exchange contracts, option transactions, liquidity facilities and investment agreements and invests in a diversified portfolio of securities.

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

AIG, as lessor, leases flight equipment principally under operating leases. Accordingly, income is reported over the life of the lease as rentals become receivable under the provisions of the lease or, in the case of leases with varying payments, under the straight-line method over the noncancelable term of the lease. In certain cases, leases provide for additional amounts contingent on usage. AIG is also a remarketer of flight equipment for its own account and for airlines and financial institutions. AIG's revenues from such operations consist of net gains on sales of flight equipment and commissions.

Asset Management Operations: AIG's asset management operations offer a wide variety of investment vehicles and services, including variable annuities, mutual funds and investment asset management. Such products and services are offered to individuals and institutions both domestically and internationally. The fees generated with respect to asset management operations are recognized as revenues when earned. Costs incurred in the sale of variable annuities and mutual funds are deferred and subsequently amortized. With respect to variable annuities, acquisition costs are amortized in relation to the incidence of estimated gross profits to be realized over the estimated lives of the variable annuity contracts. With respect to the sale of mutual funds, acquisition costs are amortized over the estimated lives of the funds obtained.

(c) Non-cash Transaction: In July 1998, 224,950 shares of 21st Century's Series A preferred stock were converted into 19,584,368 shares of 21st Century's common stock.

(d) 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 current market values. Interest income with respect to fixed maturity securities is accrued currently.

Included in the bonds available for sale are collateralized mortgage obligations (CMOs). Premiums and discounts arising from the purchase of CMOs are treated as yield adjustments over their estimated lives.

Bond trading securities are carried at current market values, as it is AIG's intention to sell these securities in the near term.

Common and non-redeemable preferred stocks are carried at current market values. Dividend income is generally recognized when receivable.

Unrealized gains and losses from investments in equity securities and fixed maturities available for sale are reflected as a separate component of comprehensive income, net of deferred income taxes in capital funds currently. Unrealized gains and losses from investments in trading securities are reflected in income currently.

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

(e) Mortgage Loans on Real Estate, Policy and Collateral Loans-net: Mortgage loans on real estate, policy loans and collateral loans are carried at unpaid principal balances. Interest income on such loans is accrued currently.

Impairment of mortgage loans on real estate and collateral loans is generally measured based on the present value of expected future cash flows discounted at the loan's effective interest rate subject to the fair value of underlying collateral. Interest income on such loans is recognized as cash is received.

There is no allowance for policy loans, as these loans serve to reduce the death benefit paid when the death claim is made and the balances are effectively collateralized by the cash surrender value of the policy.

1. Summary of Significant Accounting Policies (continued)

(f) 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 expected reimbursements 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. AIG monitors the global aircraft market and the values of various types and models of aircraft within that market relative to the values of its own fleet. If events or circumstances were such that the carrying amount of AIG's aircraft might be impaired, AIG would determine if such impairment existed and recognize such impairment. 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.

(g) Securities Available for Sale, at market value: These securities are held to meet long term investment objectives and are accounted for as available for sale, carried at current market values and recorded on a trade date basis. Unrealized gains and losses from valuing these securities and any related hedges are reflected in capital funds currently, net of any related deferred income taxes. When the underlying security is sold, the realized gain or loss resulting from the hedging derivative transaction is recognized in income in that same period as the realized gain or loss of the hedged security.

(h) Trading Securities, at market value: Trading securities are held to meet short term investment objectives, including hedging securities. These securities are recorded on a trade date basis and carried at current market values. Unrealized gains and losses are reflected in income currently.

(i) Spot Commodities, at market value: Spot commodities are carried at current market values and are recorded on a settlement date basis. The exposure to market risk may be reduced through the use of forwards, futures and option contracts. Unrealized gains and losses of both commodities and any derivative transactions are reflected in income currently.

(j) Unrealized Gain and Unrealized Loss on Interest Rate and Currency Swaps, Options and Forward Transactions: Interest rate swaps, currency swaps, equity swaps, swaptions, options and forward transactions are accounted for as contractual commitments recorded on a trade date basis and are carried at current market values or estimated fair values when market values are not available. Unrealized gains and losses are reflected in income currently. Estimated fair values are based on the use of valuation models that utilize, among other things, current interest, foreign exchange and volatility rates. These valuations represent an assessment of the present values of expected future cash flows of these transactions and may include reserves for market risk as deemed appropriate. The portfolio's discounted cash flows are evaluated with reference to current market conditions, maturities within the portfolio and other relevant factors. Based upon this evaluation, it is determined what offsetting transactions, if any, are necessary to reduce the market risk of the portfolio. AIG manages its market risk with a variety of transactions, including swaps, trading securities, futures and forward contracts and other transactions as appropriate. Because of the limited liquidity of some of these instruments, the recorded values of these transactions may be different than the values that might be realized if AIG were to sell or close out the transactions prior to maturity. AIG believes that such differences are not significant to the results of operations, financial condition or liquidity. Such differences would be immediately recognized when the transactions are sold or closed out prior to maturity.

(k) Trading Assets and Trading Liabilities: Trading assets and trading liabilities include option premiums paid and received and receivables from and payables to counterparties which relate to unrealized gains and losses on futures, forwards and options and balances due from and due to clearing brokers and exchanges.

Futures, forwards and options purchased and written are accounted for as contractual commitments on a trade date basis and are carried at fair values. Unrealized gains and losses are reflected in income currently. The fair values of futures contracts are based on closing exchange quotations. Commodity forward transactions are carried at fair values derived from dealer quotations and underlying commodity exchange quotations. For long dated forward transactions, where there are no dealer or exchange quotations, fair values are derived using internally developed valuation methodologies based on available market information. Options are carried at fair values based on the use of valuation models that utilize, among other things, current interest or commodity rates and foreign exchange and volatility rates, as applicable.

(l) 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 lending transactions and are recorded at their contracted resale or repurchase amounts, plus accrued interest. Generally, it is AIG's policy to take possession of or obtain a security interest in 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.

1. Summary of Significant Accounting Policies (continued)

(m) Other Invested Assets: Other invested assets consist primarily of investments by AIG's insurance operations 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 values depending upon the nature of the underlying assets. Unrealized gains and losses from the revaluation of those investments carried at market values are reflected in comprehensive income, net of any related deferred income taxes.

(n) Reinsurance Assets: Reinsurance assets include the balances due from both reinsurance and insurance companies under the terms of AIG's reinsurance agreements for paid and unpaid losses and loss expenses, ceded unearned premiums and ceded future policy benefits for life and accident and health insurance contracts and benefits paid and unpaid. It also includes funds held under reinsurance treaties. Amounts related to paid and unpaid losses and loss expenses with respect to these reinsurance agreements are substantially collateralized.

(o) Investments in Partially-Owned Companies: The equity method of accounting is used for AIG's investment in companies in which AIG's ownership interest approximates twenty but is not greater than fifty percent (minority-owned companies). Equity in income of minority-owned insurance operations is presented separately in the consolidated statement of income. Equity in net income of other unconsolidated companies is principally included in other income (deductions)--net. At December 31, 1999, AIG's significant investments in partially-owned companies included 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. The amounts of dividends received from unconsolidated subsidiaries owned less than 50 percent were $13 million, $24 million and $30 million in 1999, 1998 and 1997 respectively. The undistributed earnings of unconsolidated subsidiaries owned less than 50 percent was $82 million as of December 31, 1999.

In 1999, AIG did not report equity in income of minority-owned insurance operations as a result of the consolidation of Transatlantic's and SELIC Holdings, Ltd. operations into general insurance operating results. IPC Holdings, Ltd., the remaining operation included in equity in income of minority-owned insurance operations in previous periods is now reported as a component of other income (deductions) -- net.

(p) 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.

From time to time, AIG assesses the carrying value of its real estate relative to the market values of real estate within the specific local area. At December 31, 1999, there were no impairments.

(q) 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.

(r) Securities and Spot Commodities Sold but not yet Purchased, at market value: Securities and spot commodities sold but not yet purchased represent sales of securities and spot commodities not owned at the time of sale. The obligations arising from such transactions are recorded on a trade date basis and carried at the respective current market values or current commodity prices.

(s) Preferred Shareholders' Equity in Subsidiary Companies: Preferred shareholders' equity in subsidiary companies relates to outstanding preferred stock of ILFC and certain subsidiaries of SunAmerica, both wholly owned subsidiaries of AIG. Dividends on such preferred stock are accounted for as interest expense and included as minority interest in the consolidated statement of income.

(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 prevailing at the balance sheet date of each respective subsidiary and the related translation adjustments are recorded as a separate component of comprehensive income, net of any related taxes in 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 currently. The exchange gain or loss with respect to utilization of foreign exchange hedging instruments is recorded as a component of comprehensive 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: Basic 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. Diluted earnings per share are based on those shares used in basic earnings per share plus shares that would

Notes to Financial Statements (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

have been outstanding assuming issuance of common shares for all dilutive potential common shares outstanding, retroactively adjusted to reflect all stock dividends and stock splits.

The computation of earnings per share for December 31, 1999, 1998 and 1997 was as follows:

(in millions, except per share amounts)

Years Ended December 31,	1999	1998	1997
Numerator for basic earnings per share:			
Net income	$ 5,055	$ 4,282	$ 3,711
Less:			
Dividends on non-convertible preferred stock	--	--	(6)
Dividends on convertible preferred stock	--	(12)	(12)
Net income applicable to common stock	$ 5,055	$ 4,270	$ 3,693
Denominator for basic earnings per share:			
Average shares outstanding used in the computation of per share earnings:			
Common stock issued	1,664	1,632	1,618
Common stock in treasury	(116)	(111)	(107)
Common stock contingently issuable	--	(3)	(3)
Average shares outstanding--basic	1,548	1,518	1,508
Numerator for diluted earnings per share:			
Net income	$ 5,055	$ 4,282	$ 3,711
Less:			
Dividends on non-convertible preferred stock	--	--	(6)
Net income applicable to common stock	$ 5,055	$ 4,282	$ 3,705
Denominator for diluted earnings per share:			
Average shares outstanding	1,548	1,521	1,511
Incremental shares from potential common stock:			
Average number of shares arising from outstanding employee stock plans (treasury stock method)	19	15	11
Average number of shares issuable upon conversion of convertible securities and preferred stock	--	18	20
Average shares outstanding--diluted	1,567	1,554	1,542
Earnings per share:			
Basic	$ 3.27	$ 2.81	$ 2.45
Diluted	3.23	2.75	2.40

(w) Accounting Standards: In June 1997, FASB issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" (FASB 130) and Statement of Financial Accounting Standards No. 131 "Disclosure about Segments of an Enterprise and Related Information" (FASB 131).

FASB 130 establishes standards for reporting comprehensive income and its components in a full set of general purpose financial statements. FASB 130 was effective for AIG as of January 1, 1998.

FASB 131 establishes standards for the way AIG is required to disclose information about its operating segments in its annual financial statements and selected information in its interim financial statements. FASB 131 establishes, where practicable, standards with respect to geographic areas, among other things. Certain descriptive information is also required. FASB 131 was effective for the year ended December 31, 1998.

In February 1998, FASB issued Statement of Financial Accounting Standards No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" (FASB 132). This statement requires AIG to revise its disclosures about pension and other postretirement benefit plans and does not change the measurement or recognition of these plans. Also, FASB 132 requires additional information on changes in the benefit obligations and fair values of plan assets. FASB 132 was effective for the year ended December 31, 1998.

In June 1998, FASB issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FASB 133).

This statement requires AIG to recognize all derivatives in the consolidated balance sheet measuring these derivatives at fair value. The recognition of the change in the fair value of a derivative depends on a number of factors, including the intended use of the derivative. Currently, AIG Financial Products Corp. and its subsidiaries (AIGFP) and AIG Trading Group Inc. and its subsidiaries (AIGTG) present, in all material respects, the changes in fair value of their derivative transactions as a component of AIG's operating income. AIG is evaluating the impact of FASB 133 with respect to derivative transactions entered into by other AIG operations. AIG believes that the impact of FASB 133 on its results of operations, financial condition or liquidity will not be significant. FASB 133 is effective for the year commencing January 1, 2001.

In December 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AcSEC) issued Statement of Position (SOP) 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments." This statement provides guidance for the recording of a liability for insurance-related assessments. The statement requires that a liability be recognized in certain defined circumstances. This statement was effective for the year commencing January 1, 1999 and has been adopted herein. SOP 97-3 did not have a material impact on AIG's results of operations, financial condition or liquidity.

In October 1998, AcSEC issued SOP 98-7, "Deposit Accounting: Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Insurance Risk." This statement identifies several methods of deposit accounting and provides guidance on the application of each method. This statement classifies insurance and reinsurance contracts for which the deposit method is appropriate as contracts that (i) transfer only significant timing risk, (ii) transfer only significant underwriting risk, (iii) transfer neither significant timing nor underwriting risk, and (iv) have an indeterminate risk. AIG believes that the impact of this statement on its results of operations, financial condition or liquidity will not be significant. This statement is effective for the year commencing January 1, 2000. Restatement of previously issued financial statements is not permitted.

2. Foreign Operations

Certain subsidiaries operate solely outside of the United States. Their assets and liabilities are located principally in the countries where the insurance risks are written and/or investment and non-insurance related operations are located. In addition, certain of AIG's domestic subsidiaries have branch and/or subsidiary operations and substantial assets and liabilities in foreign countries. Certain countries have restrictions on the conversions of funds which generally cause a delay in the outward remittance of such funds. Approximately 32 percent of consolidated assets at December 31, 1999 and 1998 and 50 percent, 49 percent and 51 percent of revenues for the years ended December 31, 1999, 1998 and 1997, respectively, were located in or derived from foreign countries (other than Canada). (See Note 18.)

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 1987, 1988, 1989 and 1990 have been issued and Letters of Protest contesting the assessments have been filed with the Internal Revenue Service. In addition, Revenue Agent's Reports assessing additional taxes for the years ended November 30, 1988 and September 30, 1990, 1991, 1992, 1993 and 1994 have been issued to SunAmerica. Such assessments relate to years prior to the acquisition of SunAmerica by AIG. 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 and SunAmerica in their Letters of Protest. AIG also believes that the impact of the results of these examinations will not be significant to AIG's financial condition, results of operations or liquidity.

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 translated undistributed earnings of AIG's foreign subsidiaries currently not subject to U.S. income taxes was approximately $3.1 billion at December 31, 1999. Management presently has not subjected and 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.

(b) The U.S. Federal income tax rate is 35 percent for 1999, 1998 and 1997. Actual tax expense on income differs from the "expected" amount computed by applying the Federal income tax rate because of the following:

(dollars in millions)

Years Ended December 31,	1999		1998		1997	
	Amount	Percent of pre-tax income	Amount	Percent of pre-tax income	Amount	Percent of pre-tax income
"Expected" tax expense	$ 2,629	35.0%	$ 2,197	35.0%	$ 1,859	35.0%
Adjustments:						
Tax exempt interest	(280)	(3.7)	(284)	(4.5)	(287)	(5.4)
Dividends received deduction	(38)	(0.5)	(30)	(0.5)	(28)	(0.5)
State income taxes	55	0.7	34	0.5	33	0.6
Foreign income not expected to be taxed in the U.S., less foreign income taxes	(81)	(1.1)	(85)	(1.4)	(33)	(0.6)
Affordable housing tax credits	(55)	(0.7)	(39)	(0.6)	(24)	(0.5)
Other	(11)	(0.2)	(8)	(0.1)	5	0.1
Actual tax expense	$ 2,219	29.5%	$ 1,785	28.4%	$ 1,525	28.7%
Foreign and domestic components of actual tax expense:						
Foreign:						
Current	$ 403		$ 386		$ 317	
Deferred	123		31		75	
Domestic*						
Current	1,410		714		987	
Deferred	283		654		146	
Total	$ 2,219		$ 1,785		$ 1,525	

* Including U.S. tax on foreign income.

Notes to Financial Statements (continued)

3. Federal Income Taxes (continued)

(c) The components of the net deferred tax liability as of December 31, 1999 and December 31, 1998 were as follows:

(in millions)

	1999	1998
Deferred tax assets:		
Loss reserve discount	$1,357	$1,275
Unearned premium reserve reduction	380	390
Accruals not currently deductible	466	555
Adjustment to life policy reserves	1,126	935
Cumulative translation adjustment	137	151
Unrealized depreciation of investments	191	--
Other	68	62
	3,725	3,368
Deferred tax liabilities:		
Deferred policy acquisition costs	2,305	2,002
Financial service products mark to market differential	454	330
Depreciation of flight equipment	1,210	1,137
Acquisition net asset basis adjustments	63	93
Unrealized appreciation of investments	--	707
Other	444	346
	4,476	4,615
Net deferred tax liability	$ 751	$1,247

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 millions)

Years Ended December 31,	1999	1998	1997
General insurance operations:			
Balance at beginning of year	$1,852	$1,637	$ 1,416
Acquisition costs deferred			
Commissions	799	664	592
Other	1,009	909	845
	1,808	1,573	1,437
Amortization charged to income			
Commissions	642	568	552
Other	886	790	664
	1,528	1,358	1,216
Balance at end of year	$2,132	$1,852	$ 1,637
Life insurance operations:			
Balance at beginning of year	$6,229	$5,515	$ 5,403
Acquisition costs deferred			
Commissions	1,068	892	963
Other	951	421	825
	2,019	1,313	1,788
Amortization charged to income			
Commissions	502	450	489
Other	389	309	385
	891	759	874
Increase (decrease) due to foreign exchange	135	160	(802)
Balance at end of year	$7,492	$6,229	$ 5,515
Total deferred policy acquisition costs	$9,624	$8,081	$ 7,152

5. Reinsurance

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

General reinsurance is effected under reinsurance treaties and by negotiation on individual risks. Certain of these reinsurance arrangements consist of excess of loss contracts which protect AIG against losses over stipulated amounts. Ceded premiums are considered prepaid reinsurance premiums and are amortized into income over the contract period in proportion to the protection received. 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.

5. Reinsurance (continued)

AIG life companies limit exposure to loss on any single life. For ordinary insurance, AIG retains a maximum of approximately one million dollars of coverage per individual life. There are smaller retentions for other lines of business. Life reinsurance is effected principally under yearly renewable term treaties. The premiums with respect to these treaties are considered prepaid reinsurance premiums and are amortized into income over the contract period in proportion to the protection provided. 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 millions)

Years Ended December 31,	Written	Earned
1999		
Gross premiums	$ 22,569	$ 21,187
Ceded premiums	(6,345)	(5,643)
Net premiums	$ 16,224	$ 15,544
1998		
Gross premiums	$ 20,684	$ 20,092
Ceded premiums	(6,098)	(5,994)
Net premiums	$ 14,586	$ 14,098
1997		
Gross premiums	$ 18,742	$ 17,566
Ceded premiums	(5,334)	(5,145)
Net premiums	$ 13,408	$ 12,421

For the years ended December 31, 1999, 1998 and 1997, reinsurance recoveries, which reduced loss and loss expenses incurred, amounted to $5.13 billion, $5.36 billion and $4.59 billion, respectively.

Life insurance net premium income was comprised of the following:

(in millions)

Years Ended December 31,	1999	1998	1997
Gross premium income	$ 12,252	$ 10,578	$ 10,242
Ceded premiums	(310)	(285)	(286)
Net premium income	$ 11,942	$ 10,293	$ 9,956

Life insurance recoveries, which reduced death and other benefits, approximated $168 million, $176 million and $190 million, respectively, for the years ended December 31, 1999, 1998 and 1997.

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

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

Life insurance ceded to other insurance companies was as follows:

(in millions)

Years Ended December 31,	1999	1998	1997
Life insurance in-force	$69,535	$62,768	$56,971

Life insurance assumed represented 0.2 percent of gross life insurance in-force at December 31, 1999 and 0.3 percent at December 31, 1998 and 1997, respectively, and life insurance premium income assumed represented 0.3 percent, 0.3 percent and 0.2 percent of gross premium income for the periods ended December 31, 1999, 1998 and 1997, respectively.

Supplemental information for gross loss and benefit reserves net of ceded reinsurance at December 31, 1999 and 1998 follows:

(in millions)

	As Reported	Net of Reinsurance
1999		
Reserve for losses and loss expenses	$(38,252)	$(24,600)
Future policy benefits for life and accident and health insurance contracts	(34,608)	(34,372)
Premiums and insurance balances receivable-net	12,737	15,277
Funds held under reinsurance treaties	--	484
Reserve for unearned premiums	(11,450)	(8,994)
Reinsurance assets	19,368	--
1998		
Reserve for losses and loss expenses	$(38,310)	$(24,619)
Future policy benefits for life and accident and health insurance contracts	(29,571)	(29,433)
Premiums and insurance balances receivable-net	11,679	13,394
Funds held under reinsurance treaties	--	446
Reserve for unearned premiums	(10,009)	(8,255)
Reinsurance assets	17,744	--

Notes to Financial Statements (CONTINUED)

6. Reserve for Losses and Loss Expenses and Future Life Policy Benefits and Policyholders' Contract Deposits

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

(in millions)

Years Ended December 31,	1999	1998	1997
At beginning of year:			
Reserve for losses and loss expenses	$ 38,310	$ 33,400	$ 33,430
Reinsurance recoverable	(13,691)	(12,229)	(13,023)
	24,619	21,171	20,407
Acquisitions	--	2,896	--
Losses and loss expenses incurred:			
Current year	12,122	10,938	9,732
Prior years	(384)	(281)	(376)
Total	11,738	10,657	9,356
Losses and loss expenses paid:			
Current year	4,978	4,389	2,976
Prior years	6,779	5,716	5,616
Total	11,757	10,105	8,592
At end of year:			
Net reserve for losses and loss expenses	24,600	24,619	21,171
Reinsurance recoverable	13,652	13,691	12,229
Total	$ 38,252	$ 38,310	$ 33,400

(b) The analysis of the future policy benefits and policyholders' contract deposits liabilities as at December 31, 1999 and 1998 follows:

(in millions)

	1999	1998
Future policy benefits:		
Long duration contracts	$33,670	$28,535
Short duration contracts	938	1,036
Total	$34,608	$29,571
Policyholders' contract deposits:		
Annuities	$18,027	$18,129
Guaranteed investment contracts (GICs)	18,905	12,007
Corporate life products	1,891	2,266
Universal life	2,962	639
Other investment contracts	764	883
Total	$42,549	$33,924

(c) Long duration contract liabilities included in future policy benefits, as presented in the table above, result from traditional life products. Short duration contract liabilities are primarily accident and health products. 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 1.5 percent to 12.0 percent within the first 20 years. Interest rates on immediate/terminal funding annuities are at a maximum of 12.2 percent and grade to not greater than 7.5 percent.

(ii) Mortality and surrender rates are based upon actual experience by geographical area modified to allow for variations in policy form. The weighted average lapse rate, including surrenders, for individual and group life approximated 7.4 percent.

(iii) The portions of current and prior net income and of current unrealized appreciation of investments that can inure to the benefit of AIG are restricted in some cases by the insurance contracts and by the local insurance regulations of the countries in which the policies are in force.

(iv) Participating life business represented approximately 30 percent of the gross insurance in-force at December 31, 1999 and 46 percent of gross premium income in 1999. The amount of dividends to be paid is determined annually by the Boards of Directors. Anticipated dividends are considered as a planned contractual benefit in computing the value of future policy benefits and are provided ratably over the premium-paying period of the contracts.

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

(i) Interest rates credited on deferred annuities, which vary by territory and year of issuance, range from 2.0 percent to 12.0 percent. Credited interest rate guarantees are generally for a period of one year. Withdrawal charges generally range from zero percent to 10.0 percent grading to zero over a period of zero 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 3.9 percent to 9.4 percent and maturities range from 1 to 30 years. Overseas, primarily in the United Kingdom, GIC type contracts are credited at rates ranging from 3.6 percent to 5.8 percent with guarantees generally being one year. Contracts in other foreign locations have interest rates, maturities and withdrawal charges based upon local economic and regulatory conditions.

(iii) Interest rates on corporate life insurance products are guaranteed at 4.0 percent and the weighted average rate credited in 1999 was 6.7 percent.

(iv) The universal life funds have credited interest rates of 4.5 percent to 7.0 percent and guarantees ranging from 3.5 percent to 5.5 percent depending on the year of issue. Additionally, universal life funds are subject to surrender charges that amount to 11.0 percent of the fund balance grading to zero over a period not longer than 20 years.

(e) Certain products, which are short duration contracts, are subject to experience adjustments. These include group life and group medical products, credit life contracts, accident & health insurance contracts/riders attached to life policies and, to a limited extent, reinsurance agreements with other direct insurers. Ultimate premiums from these contracts are estimated and recognized as revenue and the unearned portions of the premiums are held as reserves. Experience adjustments vary according to the type of contract and the territory in which the policy is in force and are subject to local regulatory guidance.

7. Statistical Financial Data

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

(in millions)

Years Ended December 31,	1999	1998	1997
Statutory surplus:			
General insurance	$16,225	$15,523	$14,071
Life insurance	10,230	8,177	6,966
Statutory net income*:			
General insurance	2,458	2,252	2,041
Life insurance	1,575	925	1,357

* Includes net realized capital gains and losses.

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

8. Investment Information

(a) Statutory Deposits: Cash and securities with carrying values of $4.34 billion and $4.12 billion were deposited by AIG's subsidiaries under requirements of regulatory authorities as of December 31, 1999 and 1998, respectively.

(b) Net Investment Income: An analysis of the net investment income from the general and life insurance operations follows:

(in millions)

Years Ended December 31,	1999	1998	1997
General insurance:			
Fixed maturities	$1,852	$1,663	$1,490
Equity securities	101	80	55
Short-term investments	52	73	40
Other invested assets	399	202	196
Miscellaneous (net of interest expense on funds held)	256	279	141
Total investment income	2,660	2,297	1,922
Investment expenses	143	105	68
Net investment income	$2,517	$2,192	$1,854
Life insurance:			
Fixed maturities	$4,427	$3,683	$3,154
Equity securities	91	72	79
Short-term investments	338	308	148
Interest on mortgage, policy and collateral loans	824	820	766
Other	769	627	624
Total investment income	6,449	5,510	4,771
Investment expenses	243	309	250
Net investment income	$6,206	$5,201	$4,521

(c) Investment Gains and Losses: The realized capital gains (losses) and increase (decrease) in unrealized appreciation of investments for 1999, 1998 and 1997 were as follows:

(in millions)

Years Ended December 31,	1999	1998	1997
Realized capital gains (losses) on investments:			
Fixed maturities (a)	$ (191)	$ 121	$ 64
Equity securities	410	105	134
Other	(97)	(102)	(108)

Realized capital gains	$ 122	$ 124	$ 90
Increase (decrease) in unrealized appreciation of investments:			
Fixed maturities	$(3,634)	$ 555	$ 712
Equity securities	327	(484)	(405)
Other (b)	766	(458)	(75)
Increase (decrease) in unrealized appreciation	$(2,541)	$(387)	$ 232

(a) The realized gains (losses) resulted from the sale of available for sale fixed maturities.

(b) Includes $264 million decrease, $301 million increase and $158 million decrease in unrealized appreciation attributable to participating policyholders at December 31, 1999, 1998 and 1997, respectively.

The gross gains and gross losses realized on the disposition of available for sale securities for 1999, 1998 and 1997 follow:

(in millions)

	Gross Realized Gains	Gross Realized Losses
1999		
Bonds	$ 197	$401
Common stocks	806	336
Preferred stocks	35	11
Financial services securities available for sale	26	--
Total	$1,064	$748
1998		
Bonds	$ 502	$363
Common stocks	542	454
Preferred stocks	12	11
Financial services securities available for sale	4	2
Total	$1,060	$830
1997		
Bonds	$ 229	$247
Common stocks	559	419
Preferred stocks	6	11
Financial services securities available for sale	6	3
Total	$ 800	$680

(d) Market Value of Fixed Maturities and Unrealized Appreciation of Investments: At December 31, 1999 and 1998, the balance of the unrealized appreciation of investments

8. Investment Information (continued)

in equity securities (before applicable taxes) included gross gains of approximately $1.2 billion and $1.3 billion and gross losses of approximately $706 million and $1.2 billion, respectively.

The deferred tax asset related to the net unrealized depreciation of investments was $191 million at December 31, 1999 and the deferred tax payable related to the net unrealized appreciation of investments was $707 million at December 31, 1998.

The amortized cost and estimated market value of investments in fixed maturities carried at amortized cost at December 31, 1999 and 1998 were as follows:

(in millions)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
1999				
Fixed maturities held to maturity:				
Bonds:				
U.S. Government (a)	$ 30	$ --	$ --	$ 30
States (b)	12,042	275	149	12,168
Foreign governments	1	--	--	1
All other corporate	3	--	--	3
Total bonds	12,076	275	149	12,202
Preferred stocks	2	--	2	--
Total fixed maturities	$12,078	$275	$151	$12,202
1998				
Fixed maturities held to maturity:				
Bonds:				
U.S. Government (a)	$ 9	$ 1	$ --	$ 10
States (b)	12,648	975	2	13,621
All other corporate	1	1	--	2
Total fixed maturities	$12,658	$977	$ 2	$13,633

(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, 1999 and 1998 were as follows:

(in millions)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
1999				
Fixed maturities available for sale:				
Bonds:				
U.S. Government (a)	$ 2,470	$ 62	$ 77	$ 2,455
States (b)	9,470	145	384	9,231
Foreign governments	14,780	461	84	15,157
All other corporate	51,498	782	2,095	50,185
Total bonds	$78,218	$1,450	$2,640	$77,028
1998				
Fixed maturities available for sale:				
Bonds:				
U.S. Government (a)	$ 2,827	$ 216	$ 2	$ 3,041
States (b)	6,514	427	65	6,876
Foreign governments	10,523	671	42	11,152
All other corporate	44,009	1,861	622	45,248
Total bonds	$63,873	$3,175	$ 731	$66,317

(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 fixed maturities available for sale at December 31, 1999, 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 millions)

	Amortized Cost	Estimated Market Value
Fixed maturities held to maturity:		
Due in one year or less	$ 485	$ 491
Due after one year through five years	1,816	1,842
Due after five years through ten years	3,740	3,781
Due after ten years	6,037	6,088
Total held to maturity	$12,078	$12,202
Fixed maturities available for sale:		
Due in one year or less	$ 5,248	$ 5,246
Due after one year through five years	24,157	24,382
Due after five years through ten years	25,889	25,125
Due after ten years	22,924	22,275
Total available for sale	$78,218	$77,028

8. Investment Information (continued)

(e) Securities Available for Sale: AIGFP follows a policy of minimizing interest rate, equity and currency risks associated with securities available for sale by entering into swap or other transactions. In addition, to reduce its credit risk, AIGFP has entered into credit derivative transactions with respect to $182 million of securities available for sale. At December 31, 1999, the cumulative increase in carrying value of the securities available for sale and related hedges as a result of marking to market such securities net of hedging transactions was $34 million.

The amortized cost, related hedges and estimated market value of securities available for sale and carried at market value at December 31, 1999 and 1998 were as follows:

(in millions)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Unrealized Gains (Losses) - net on Hedging Transactions	Estimated Market Value
1999					
Securities available for sale:					
Corporate and bank debt	$ 7,477	$ 54	$ 199	$ 167	$ 7,499
Foreign government obligations	354	311	1	(311)	353
Asset-backed and collateralized	3,985	6	165	163	3,989
Preferred stocks	957	13	--	(4)	966
U.S. Government obligations	147	4	7	3	147
Total	$ 12,920	$ 388	$ 372	$ 18	$ 12,954
1998					
Securities available for sale:					
Corporate and bank debt	$ 5,440	$ 149	$ 13	$ (131)	$ 5,445
Foreign government obligations	405	16	1	(15)	405
Asset-backed and collateralized	3,037	91	8	(95)	3,025
Preferred stocks	970	10	--	3	983
U.S. Government obligations	815	15	--	(14)	816
Total	$ 10,667	$ 281	$ 22	$ (252)	$ 10,674

The amortized cost and estimated market values of securities available for sale at December 31, 1999, 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 millions)

	Amortized Cost	Estimated Market Value
Securities available for sale:		
Due in one year or less	$ 1,487	$ 1,487
Due after one year through five years	5,397	5,428
Due after five years through ten years	1,465	1,466
Due after ten years	586	584
Asset-backed and collateralized	3,985	3,989
Total available for sale	$12,920	$12,954

No securities available for sale were below investment grade at December 31, 1999.

(f) CMOs: At December 31, 1999, CMOs, held by AIG's life companies, were presented as a component of bonds available for sale, at market value. Substantially all of the CMOs were investment grade and approximately 18 percent of the CMOs were backed by various U.S. government agencies. The remaining 82 percent were corporate issuances.

At December 31, 1999 and 1998, the market value of the CMO portfolio was $14.94 billion and $7.29 billion, respectively; the amortized cost was approximately $15.63 billion in 1999 and $7.07 billion in 1998. AIG's CMO portfolio is readily marketable. There were no derivative (high risk) CMO securities contained in this portfolio at December 31, 1999 and 1998.

The distribution of the CMOs at December 31, 1999 and 1998 was as follows:

	1999	1998

GNMA	1%	6%
FHLMC	10	15
FNMA	6	10
VA	1	1
Non-governmental	82	68
	100%	100%

AIG is not exposed to any significant credit concentration risk of a single or group non-governmental issuer.

At December 31, 1999, the gross weighted average coupon of this portfolio was 6.8 percent. The gross weighted average life of this portfolio was approximately 6.38 years.

Notes to Financial Statements (CONTINUED)

8. Investment Information (continued)

(g) Fixed Maturities Below Investment Grade: At December 31, 1999, fixed maturities held by AIG that were below investment grade or not rated totaled $10.93 billion.

(h) At December 31, 1999, non-income producing invested assets were insignificant.

9. Debt Outstanding

At December 31, 1999, AIG's debt outstanding of $32.98 billion, shown below, included borrowings of $29.65 billion which were either not guaranteed by AIG or were matched borrowings under obligations of guaranteed investment agreements (GIAs) or matched notes and bonds payable.

(in millions)

Borrowings under obligations of GIAs -- AIGFP	$ 9,430
Commercial Paper:	
AIG Funding, Inc. (Funding)	888
ILFC (a)	2,958
AICCO	475
AIGF - Taiwan (a)	83
Total	4,404
Medium Term Notes:	
ILFC (a)	3,226
AIG(b)	481
Total	3,707
Notes and Bonds Payable:	
ILFC (a)(e)	5,016
AIGFP	7,895
AIG (d)	705
Total	13,616
Loans and Mortgages Payable:	
ILFC (a)(c)	670
AIG Finance (Hong Kong) Limited (AIGF - Hong Kong)(a)	566
AIG Consumer Finance Group, Inc.(a)	334
AIG	257
Total	1,827
Total Borrowings	32,984
Borrowings not guaranteed by AIG	12,853
Matched GIA borrowings	9,430
Matched notes and bonds payable -- AIGFP	7,370
	29,653
Remaining borrowings of AIG	$ 3,331

(a) AIG does not guarantee or support these borrowings.
(b) Includes $198 million issued by SunAmerica Inc. and assumed by AIG as a result of the merger.
(c) Capital lease obligations.
(d) Includes $432 million issued by SunAmerica Inc. and assumed by AIG as a result of the merger, Italian Lire bonds of $159 million and zero coupon notes of $114 million.
(e) Includes borrowings under Export Credit Facility of $1.30 billion.

The amount of long-term borrowings is $22.90 billion and the amount of short-term borrowings is $10.08 billion. Long-term borrowings include commercial paper; short-term borrowings represent borrowings that mature in less than one year.

(a) Commercial Paper: At December 31, 1999, the commercial paper issued and outstanding was as follows:

(dollars in millions)

	Net Book Value	Unamortized Discount	Face Amount	Weighted Average Interest Rate	Weighted Average Maturity
Funding	$ 888	$ 2	$ 890	5.59%	18 days
ILFC	2,958	20	2,978	5.86	108 days
AICCO	475	2	477	5.85	23 days
AIGF - Taiwan*	83	2	85	6.38	186 days

Total	$4,404	$ 26	$4,430	--	--

* Issued in Taiwan N.T. dollars at prevailing local interest rates.

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

(b) Borrowings under Obligations of Guaranteed Investment Agreements: Borrowings under obligations of guaranteed investment agreements, which are guaranteed by AIG, are recorded at the amount outstanding under each contract. Obligations may be called at various times prior to maturity at the option of the counterparty. Interest rates on these borrowings are primarily fixed and range up 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 millions)

	Principal Amount
2000	$4,228
2001	717
2002	155
2003	88
2004	59
Remaining years after 2004	4,183
Total	$9,430

At December 31, 1999, the market value of securities pledged as collateral with respect to these obligations approximated $2.4 billion.

Funds received from GIA borrowings are invested in a diversified portfolio of securities and derivative transactions.

9. Debt Outstanding (continued)

(c) Medium Term Notes Payable:

(i) Medium Term Notes Payable Issued by AIG: AIG's Medium Term Notes are unsecured obligations which normally 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 AIG's Medium Term Notes for the year ended December 31, 1999 was as follows:

(in millions)

Medium Term Note Series E:	Total
Balance December 31, 1998	$ 239
Issued during year	152
Matured during year	(108)
Balance December 31, 1999	$ 283

The interest rates on this debt range from 2.25 percent to 6.38 percent. To the extent deemed appropriate, AIG may enter into swap transactions to reduce its effective borrowing rates with respect to these notes.

At December 31, 1999, AIG's Medium Term Notes also included notes in aggregate principal amount of $198 million issued by SunAmerica Inc. with maturity dates from 2000 to 2026 at interest rates ranging from 6.03 percent to 7.34 percent. AIG does not intend to have SunAmerica issue its own debt.

During 1997, AIG issued $100 million principal amount of equity-linked Medium Term Notes due July 30, 2004. These notes accrue interest at the rate of 2.25 percent and the total return on these notes is linked to the appreciation in market value of AIG's common stock. The notes may be redeemed, at the option of AIG, as a whole but not in part, at any time on or after July 30, 2000. In conjunction with the issuance of these notes, AIG entered into a series of swap transactions which effectively converted its interest expense to a fixed rate of 5.87 percent and transferred the equity appreciation exposure to a third party. AIG is exposed to credit risk with respect to the counterparties to these swap transactions.

At December 31, 1999, the maturity schedule for AIG's outstanding Medium Term Notes, including those issued by SunAmerica Inc., was as follows:

(in millions)

	Principal Amount
2000	$ 33
2001	176
2002	24
2003	25
2004	120
Remaining years after 2004	103
Total	$481

At December 31, 1999, AIG had $356 million principal amount of debt securities registered and available for issuance from time to time. An additional $658 million principal amount of debt securities was registered as of March 3, 2000.

(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, 1999, notes in aggregate principal amount of $3.23 billion were outstanding with maturity dates from 2000 to 2005 at interest rates ranging from 5.15 percent to 8.55 percent. These notes provide for a single principal payment at the maturity of each note.

At December 31, 1999, the maturity schedule for ILFC's outstanding Medium Term Notes was as follows:

(in millions)

	Principal Amount
2000	$1,056

2001	912
2002	729
2003	404
2004	120
Remaining years after 2004	5
Total	$3,226

(d) Notes and Bonds Payable:

(i) Notes, Bonds and Debentures Issued by AIG.

(A) Zero Coupon Notes: On October 1, 1984, AIG issued Eurodollar zero coupon notes in the aggregate principal amount at stated maturity of $750 million. The notes were offered at 12 percent of princi pal amount at stated maturity, bear no interest and are due August 15, 2004. The net proceeds to AIG from the issuance were $86 million. 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 58.66 percent currently, to 89.88 percent after August 15, 2003, of the principal amount at stated maturity together with accrued amortization of original issue discount from the preceding August 15. During 1999 and 1998, no notes were repurchased. At December 31, 1999, the notes outstanding after prior purchases had a face value of $189 million, an unamortized discount of $75 million and a net book value of $114 million. The amortization of the original issue discount was recorded as interest expense.

(B) Italian Lire Bonds: In December, 1991, AIG issued unsecured bonds denominated in Italian Lire. The principal amount of 200 billion Italian Lire Bonds matures December 4, 2001 and accrues interest at a rate of 11.7 percent which is paid annually. These bonds are not redeemable prior to matu-

Notes to Financial Statements (CONTINUED)

9. Debt Outstanding (continued)

rity, except in the event of certain changes involving taxation in the United States or the imposition of certain certification, identification or reporting requirements.

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

(C) Notes and Debentures Issued by SunAmerica Inc.: As of December 31, 1999, Notes and Debentures issued by SunAmerica Inc. in aggregate principal amount of $432 million (net of amortized discount of $43 million) were outstanding with maturity dates from 2007 to 2097 at interest rates ranging from 5.60 percent to 9.95 percent.

(ii) Term Notes Issued by ILFC: ILFC has issued unsecured obligations which may not be redeemed prior to maturity.

As of December 31, 1999, notes in aggregate principal amount of $3.72 billion were outstanding with maturity dates from 2000 to 2004 and interest rates ranging from 5.50 percent to 8.88 percent. Term notes in the aggregate principal amount of $100 million are at floating interest rates and the remainder are at fixed rates. These notes provide for a single principal payment at maturity.

At December 31, 1999, the maturity schedule for ILFC's Term Notes was as follows:

(in millions)

	Principal Amount
2000	$ 900
2001	1,075
2002	883
2003	200
2004	663
Total	$3,721

At December 31, 1999, ILFC had $1.68 billion in aggregate principal amount of debt securities registered for issuance from time to time. In addition, ILFC established a Euro Medium Term Note program for $2.0 billion, under which $771 million in notes were sold through December 31, 1999.

Also included in term notes are ILFC's borrowings under an Export Credit Facility.

ILFC has an Export Credit Facility up to a maximum of $4.3 billion, for approximately 75 aircraft to be delivered from 1999 through 2001. ILFC has the right, but is not required, to use the facility to fund 85 percent of each aircraft's purchase price. This facility is guaranteed by various European Export Credit Agencies. The interest rate varies from 5.75 percent to 5.90 percent on the first 75 aircraft depending on the delivery date of the aircraft. Through December 31, 1999, ILFC borrowed $1.30 billion under this facility. Borrowings with respect to this facility are included in Notes and Bonds Payable in the accompanying table of borrowings.At December 31, 1999, the future minimum payments for ILFC's borrowings under the Export Credit Facility was as follows:

(in millions)

	Principal Amount
2000	$ 135
2001	135
2002	135
2003	135
2004	135
Remaining years after 2004	620
Total	$1,295

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

(iii) Notes and Bonds Payable Issued by AIGFP: At December 31, 1999, AIGFP's bonds outstanding, the proceeds of which are invested in a segregated portfolio of securities available for sale, were as follows:

(dollars in millions)

Range of Maturities	Currency	Range of Interest Rates	U.S. Dollar Carrying Value
2000-2001	Euro	4.60% - 7.76%	$1,722
2002	Japanese yen	4.50	190
2001-2002	New Zealand dollar	8.51 - 9.43	596
2002	United Kingdom pound	7.46	79
2000-2029	U.S. dollar	4.79 - 7.72	3,970
Total			$6,557

AIGFP is also obligated under various notes maturing from 2000 through 2026. The majority of these notes are denominated in U.S. dollars and Euros and bear interest at various interest rates. At December 31, 1999, these notes had a U.S. dollar carrying value of $1.3 billion.

AIG guarantees all of AIGFP's debt.

9. Debt Outstanding (continued)

(e) Loans and Mortgages Payable: Loans and mortgages payable at December 31, 1999, consisted of the following:

(in millions)

	ILFC	AIGF-Hong Kong	AIG Consumer Finance	AIG	Total
Uncollateralized loans payable	$ --	$ 566	$ 334	$ 84	$ 984
Collateralized loans and mortgages payable	670	--	--	173	843
Total	$ 670	$ 566	$ 334	$ 257	$1,827

At December 31, 1999, ILFC's capital lease obligations were $670 million. Fixed interest rates with respect to these obligations range from 6.18 percent to 6.89 percent; variable rates are referenced to LIBOR. These obligations mature through 2005. The flight equipment associated with the capital lease obligations had a net book value of $1.05 billion.

At December 31, 1999, the maturity schedule for ILFC's capital lease obligations, were as follows:

(in millions)

	Principal Amount
2000	$134
2001	128
2002	123
2003	117
2004	162
Remaining years after 2004	199
Total minimum lease obligations	863
Less amount representing interest	193
Present value of net minimum capital lease obligations	$670

(f) CMOs: Combined principal payments due of all significant debt, excluding commercial paper, in each of the next five years ending December 31, 1999, and periods thereafter were as follows:

(in millions)

	Principal Amount
2000	$10,088
2001	5,412
2002	2,972
2003	2,218
2004	1,721
Remaining years after 2004	6,169
Total	$28,580

(g) Revolving Credit Facilities: AIG and Funding have entered into two syndicated revolving credit facilities (the Facilities) aggregating $1 billion. The Facilities consist of a $500 million 364 day revolving credit facility and a $500 million five year revolving credit facility. The Facilities can be used for general corporate purposes and also provide backup for AIG's commercial paper programs administered by Funding. There are currently no borrowings outstanding under either of the Facilities, nor were any borrowings outstanding as of December 31, 1999.

(h) Interest Expense for All Indebtedness: Total interest expense for all indebtedness, net of capitalized interest, aggregated $2.19 billion in 1999, $1.99 billion in 1998 and $1.81 billion in 1997. Dividends on the preferred shareholders' equity in subsidiary companies of ILFC and certain SunAmerica subsidiaries are accounted for as interest expense and included as minority interest in the consolidated statement of income. The dividends for ILFC for December 31, 1999, 1998 and 1997 were approximately $17 million in each of the three years. The dividends for the SunAmerica subsidiaries were approximately

$40 million in each of the years ended December 31, 1999 and 1998 and 1997.

10. Preferred Shareholders' Equity in Subsidiary Companies

Preferred shareholders' equity in subsidiary companies represents preferred stocks issued by ILFC and certain SunAmerica subsidiaries, wholly owned subsidiaries of AIG.

(a) ILFC: The preferred stock consists of 4,000 shares of market auction preferred stock ("MAPS") in eight series of 500 shares each. Each of these shares has a liquidation value of $100,000 per share and is not convertible. The dividend rate, other than the initial rate, for each dividend period for each series is reset approximately every seven weeks (49 days) on the basis of orders placed in an auction. At December 31, 1999, the dividend rate ranged from 4.70 percent to 5.18 percent.

(b) SunAmerica: The preferred stock consists of $185 million liquidation amount of 8.35% Trust Originated Preferred Securities issued by SunAmerica Capital Trust II in October 1995 and $310 million liquidation amount of 8.30% Trust Originated Preferred Securities issued by SunAmerica Capital Trust III in November 1996.

In connection with the issuance of the 8.35% Trust Originated Preferred Securities and the related purchase by SunAmerica Inc. of the grantor trust's common securities, SunAmerica Inc. issued to the grantor trust $191 million principal amount of 8.35% junior subordinated debentures, due 2044, which are redeemable at the option of AIG on or after September 30, 2000 at a redemption price of $25 per debenture plus accrued and unpaid interest.

In connection with the issuance of the 8.30% Trust Originated Preferred Securities and the related purchase by SunAmerica Inc. of the grantor trust's common securities, SunAmerica Inc. issued to the grantor trust $321 million principal amount of 8.30% junior subordinated debentures, due 2045, which are redeemable at the option of AIG on or after November 13, 2001 at a redemption price of $25 per debenture plus accrued and unpaid interest.

Notes to Financial Statements (CONTINUED)

10. Preferred Shareholders' Equity in Subsidiary Companies (continued)

The interest and other payment dates on the debentures correspond to the distribution and other payment dates on the preferred and common securities. The preferred and common securities will be redeemed on a pro rata basis, to the same extent as the debentures are repaid. Under certain circumstances involving a change in law or legal interpretation, the debentures may be distributed to holders of the preferred and common securities in liquidation of the grantor trust(s). AIG's obligations under the debentures and related agreements, taken together, provide a full and unconditional guarantee of payments due on the preferred securities.

The grantor trusts are wholly owned subsidiaries of AIG. The debentures issued to the grantor trusts and the common securities purchased by SunAmerica Inc. from the grantor trusts are eliminated in the consolidated balance sheet.

11. Capital Funds

(a) AIG parent depends on its subsidiaries for cash flow in the form of loans, advances and dividends. AIG's insurance subsidiaries 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 65 percent of consolidated capital funds were restricted from immediate transfer to AIG parent at December 31, 1999.

(b) At December 31, 1999, there were 6,000,000 shares of AIG's $5 par value serial preferred stock authorized, issuable in series.

(c) The activity for preferred stock issued by SunAmerica Inc. prior to the merger with AIG for the year ended December 31, 1999 and the two years ended September 30, 1998 was as follows:

	1999	1998	1997
Shares outstanding at beginning of year	4,000,000	4,000,000	8,001,565
Redemption of Series E Depositary Shares	(4,000,000)	--	--
Redemption of Series B Preferred Shares	--	--	(3,514,765)
Redemption of Series C Preferred Shares	--	--	(486,800)
Shares outstanding at end of year	--	4,000,000	4,000,000

On November 1, 1995, SunAmerica Inc. issued 4,000,000 $3.10 Depositary Shares (the "Series E Depositary Shares"), each representing one-fiftieth of a share of Series E Mandatory Conversion Premium Dividend Preferred Stock, with a liquidation preference of $62 per share. On September 22, 1998, SunAmerica Inc. announced that it would redeem all of its Series E Depositary Shares. The redemption was completed on October 30, 1998 and resulted in the issuance of 11,250,709 shares of SunAmerica Inc. common stock and cash payment of all accrued and unpaid dividends through the redemption date.

At September 30, 1996, SunAmerica Inc. had outstanding 486,800 shares of Adjustable Rate Cumulative Preferred Stock, Series C (the "Series C Preferred Shares"), with a liquidation preference of $100 per share. On October 4, 1996, SunAmerica Inc. redeemed all of the Series C Preferred Shares for a cash payment equal to the total liquidation amount of $49 million plus accrued and unpaid dividends to the redemption date.

In 1992, SunAmerica Inc. issued 5,620,000 shares of 9 1/4% Preferred Stock, Series B (the "Series B Preferred Shares"), with a liquidation preference of $25 per share. On June 13, 1995, SunAmerica Inc. exchanged 2,105,235 Series B Preferred Shares with a liquidation preference of $53 million for $53 million liquidation amount of 9.95% Trust Originated Preferred Securities of SunAmerica Capital Trust I. On June 16, 1997, SunAmerica Inc. redeemed all of the remaining Series B Preferred Shares for a cash payment equal to the total liquidation amount of approximately $88 million plus accrued and unpaid dividends to the redemption date.

11. Capital Funds (continued)

(d) The common stock activity for the three years ended December 31, 1999 was as follows:

	1999	1998(a)	1997(a)
Shares outstanding at beginning of year	1,217,136,817	866,541,676	571,572,606
Acquired during the year	(2,797,287)	(974,815)	(4,657,254)
Common shares issued	--	--	9,122,850
Conversion of Series E Preferred Stock	9,619,356	--	--
Conversion of PERCS Units	8,642,535	--	--
Issued pursuant to Restricted Stock Unit Obligations	538,649	--	--
Issued under stock option and purchase plans	6,427,942	1,556,136	1,082,647
Issued in connection with acquisition	--	--	4,391
Issued under contractual obligations	7,094	37,123	1,967
Stock split effected as stock dividend	327,061,951	379,536,828	308,708,094
Other (b)	(17,509,011)	(29,560,131)	(19,293,625)
Shares outstanding at end of year	1,549,128,046	1,217,136,817	866,541,676

(a) Outstanding shares have been adjusted to reflect the conversion of all outstanding SunAmerica Inc. shares by converting each outstanding share of SunAmerica Inc. to 0.855 shares of AIG.

(b) Shares issued to AIG and subsidiaries as part of stock split effected as stock dividend and conversion of SunAmerica Inc. non-transferrable Class B stock to common stock.

Common stock increased and retained earnings decreased $818 million in 1999, $949 million in 1998 and $633 million in 1997 as a result of common stock splits in the form of 25 percent, 50 percent and 50 percent common stock dividends paid July 30, 1999, July 31, 1998 and July 25, 1997, respectively.

(e) On November 6, 1996, SunAmerica Inc. issued 11,500,000 8 1/2% Premium Equity Redemption Cumulative Security Units (the "Units") with a stated amount of $37.50 per Unit. Each Unit consisted of a stock purchase contract (the "Contract") and a United States Treasury Note (the "Treasury Note") having a principal amount equal to the stated amount and maturing on October 31, 1999. The holders of the Units received interest on the Treasury Notes payable by the United States Government at a rate of 7 1/2% per annum and Contract fees payable at a rate of 1% per annum (both, the "Unit Payments") based upon the stated amount. The Contract obligated SunAmerica Inc. to deliver on October 31, 1999 to the holder of each Unit one and one-half shares of common stock of SunAmerica Inc., subject to adjustment under certain defined circumstances, and obligated the holder of the Unit to pay to SunAmerica Inc. $37.50 per Unit. The Treasury Notes were held by a collateral agent to secure payment to SunAmerica Inc. as required under the Contract, but could be redeemed by the holders of the Units under certain defined circumstances. SunAmerica Inc. redeemed all of its Units on December 6, 1998. In connection with this redemption, SunAmerica Inc. issued 10,108,229 shares of SunAmerica Inc. common stock and made a cash payment for all accrued and unpaid Contract fees.

(f) Statement of Accounting Standards No. 130 "Comprehensive Income" (FASB 130) was adopted by AIG effective January 1, 1998. FASB 130 establishes standards for reporting comprehensive income and its components as part of capital funds. The reclassification adjustments with respect to available for sale securities were $122 million, $124 million and $90 million for December 31, 1999, 1998 and 1997, respectively.

12. Commitments and Contingent Liabilities

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

(a) Commitments to extend credit are agreements to lend subject to certain conditions. These commitments generally have fixed expiration dates or termination clauses and typically require payment of a fee. These commitments approximated $150 million and $92 million for December 31, 1999 and 1998, respectively. AIG uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. AIG evaluates each counterparty's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by AIG upon extension of credit, is based on management's credit evaluation of the counterparty.

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

(c) AIGFP becomes a party to off-balance sheet financial instruments in the normal course of its business and to reduce its currency, interest rate and equity exposures. Interest rate, currency and equity risks related to such instruments are reflected in the consolidated financial statements to the extent these instruments are carried at a market or a fair value, whichever is appropriate. Because of limited liquidity of certain of these instruments, the recorded estimated fair values of such instruments may be different than the values that might be realized if AIGFP were to sell or close out the transactions prior to maturity.

AIGFP, in the ordinary course of its operations and as principal, structures derivative transactions to meet the needs of investors who may be seeking to hedge certain aspects of such investors' operations. AIGFP may also enter into derivative transactions for its own account. Such derivative

Notes to Financial Statements (CONTINUED)

12. Commitments and Contingent Liabilities (continued)

transactions include interest rate, currency and equity swaps, swaptions and forward commitments. Interest rate swap transactions generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. AIGFP typically becomes a principal in the exchange of interest payments between the parties and, therefore, may be exposed to loss, if counterparties default. Currency and equity swaps are similar to interest rate swaps, but may involve the exchange of principal amounts at the beginning and end of the transaction. Swaptions are options where the holder has the right but not the obligation to enter into a swap transaction or cancel an existing swap transaction. At December 31, 1999, the notional principal amount of the sum of the swap pays and receives approximated $413.4 billion, primarily related to interest rate swaps of approximately $281.7 billion.

The following tables provide the contractual and notional amounts of derivatives transactions of AIGFP and AIGTG at December 31, 1999.

The notional amounts used to express the extent of involvement in swap transactions represent a standard of measurement of the volume of swaps business of AIGFP and AIGTG. Notional amount is not a quantification of market risk or credit risk and it may not necessarily be recorded on the balance sheet. Notional amounts represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps.

The timing and the amount of cash flows relating to AIGFP's and AIGTG's foreign exchange forwards and exchange traded futures and options contracts are determined by each of the respective contractual agreements.

The following table presents AIGFP's derivatives portfolio by maturity and type of derivative at December 31, 1999 and December 31, 1998:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 1999	Total 1998
Interest rate, currency and equity/commodity swaps and swaptions:						
Notional amount:						
Interest rate swaps	$ 83,568	$121,534	$ 69,459	$ 7,121	$281,682	$255,917
Currency swaps	29,163	28,396	22,038	4,076	83,673	73,894
Swaptions and equity swaps	11,829	23,192	10,026	2,955	48,002	15,685
Total	$124,560	$173,122	$101,523	$ 14,152	$413,357	$345,496

Futures and forward contracts are contracts for delivery of foreign currencies or financial indices in which the seller/purchaser agrees to make/take delivery at a specified future date of a specified instrument, at a specified price or yield. Risks arise as a result of movements in current market prices from contracted prices and the potential inability of counterparties to meet their obligations under the contracts. At December 31, 1999, the contractual amount of AIGFP's futures and forward contracts approximated $28.5 billion.

The following table presents AIGFP's futures and forward contracts portfolio by maturity and type of derivative at December 31, 1999 and December 31, 1998:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 1999	Total 1998
Futures and forward contracts:						
Exchange traded futures contracts contractual amount	$ 6,587	--	--	--	$ 6,587	$ 8,290
Over the counter forward contracts contractual amount	$ 21,426	$ 447	--	--	$ 21,873	$ 42,898

These instruments involve, to varying degrees, elements of credit risk not explicitly recognized in the consolidated financial statements.

AIGFP utilizes various credit enhancements, including collateral, credit triggers and credit derivatives to reduce the credit exposure relating to these off-balance sheet financial instruments. AIGFP requires credit enhancements in connection with specific transactions based on, among other things, the creditworthiness of the counterparties and the transaction's size and maturity.

In addition, AIGFP's derivative transactions are generally documented under ISDA Master Agreements. Such agreements provide for legally enforceable set-off and close out netting of exposures to specific counterparties. Under such agreements, in connection with an early termination of a transaction, AIGFP is permitted to set off its receivables from a counterparty against its payables to the same counterparty arising out of all included transactions. As a result, the net replacement value represents the net sum of estimated positive fair values after the application of such strategies, agreements and collateral held. Prior to the application of the aforementioned credit enhancements, the gross exposure to credit risk with respect to these derivative instruments was $16.90 billion at December 31, 1999. Subsequent to the application of such

12. Commitments and Contingent Liabilities (continued)

credit enhancements, the net exposure to credit risk or the net replacement value of all interest rate, currency, and equity swaps, swaptions and forward commitments at December 31, 1999, approximated $7.53 billion. The net replacement value for futures and forward contracts at December 31, 1999, approximated $5 million. The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss.

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

AIGFP determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 1999 and December 31, 1998, the counterparty credit quality by derivative product with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 1999	Total 1998
Counterparty credit quality:				
AAA	$2,067	$ --	$2,067	$2,360
AA	2,837	2	2,839	3,688
A	1,573	3	1,576	1,883
BBB	997	--	997	1,085
Below investment grade	55	--	55	210
Total	$7,529	$ 5	$7,534	$9,226

At December 31, 1999 and December 31, 1998, the counterparty breakdown by industry with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 1999	Total 1998
Non-U.S. banks	$2,512	$ 3	$2,515	$2,877
Insured municipalities	352	--	352	784
U.S. industrials	778	2	780	1,125
Governmental	180	--	180	603
Non-U.S. financial service companies	158	--	158	272
Non-U.S. industrials	1,117	--	1,117	1,145
Special purpose	716	--	716	423
U.S. banks	510	--	510	911
U.S. financial service companies	1,112	--	1,112	932
Supranationals	94	--	94	154
Total	$7,529	$ 5	$7,534	$9,226

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.

Commissions, transaction and other fees for the twelve months ended December 31, 1999, 1998 and 1997 from AIGFP's operations were $737 million, $550 million and $452 million, respectively.

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

The following tables provide the contractual and notional amounts of AIGTG's derivatives portfolio at December 31, 1999 and December 31, 1998. In addition, the estimated positive fair

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Notes to Financial Statements (CONTINUED)

12. Commitments and Contingent Liabilities (continued)

values associated with the derivatives portfolio are also provided and include a maturity profile for the December 31, 1999 balances based upon the expected timing of the future cash flows.

Futures and forward contracts are contracts for delivery of foreign currencies, commodities or financial indices in which the seller/purchaser agrees to make/take delivery at a specified future date of a specified instrument, at a specified price or yield. Risks arise as a result of movements in current market prices from contracted prices and the potential inability of counterparties to meet their obligations under the contracts. Options are contracts that allow the holder of the option to purchase or sell the underlying commodity, currency or index at a specified price and within, or at, a specified period of time. Risks arise as a result of movements in current market prices from contracted prices, and the potential inability of the counterparties to meet their obligations under the contracts. As a writer of options, AIGTG generally receives an option premium and then manages the risk of any unfavorable change in the value of the underlying commodity, currency or index. At December 31, 1999, the contractual amount of AIGTG's futures, forward and option contracts approximated $409.9 billion.

The gross replacement values presented represent the sum of the estimated positive fair values of all of AIGTG's derivatives contracts at December 31, 1999 and December 31, 1998. These values do not represent the credit risk to AIGTG.

Net replacement values presented represent the net sum of estimated positive fair values after the application of legally enforceable master closeout netting agreements and collateral held. The net replacement values most closely represent the net credit risk to AIGTG or the maximum amount exposed to potential loss within a product category. At December 31, 1999, the net replacement value of AIGTG's futures, forward and option contracts and interest rate and currency swaps approximated $3.1 billion.

The following tables present AIGTG's derivatives portfolio and the associated credit exposure, if applicable, by maturity and type of derivative at December 31, 1999 and December 31, 1998:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 1999	Total 1998
Contractual amount of futures, forwards and options:						
Exchange traded futures and options	$ 13,873	$ 4,990	$ 45	$ --	$ 18,908	$ 11,836
Forwards	$ 199,533	$ 18,198	$ 2,697	$ --	$ 220,428	$ 282,157
Over the counter purchased options	$ 51,050	$ 18,327	$ 13,703	$ 791	$ 83,871	$ 58,860
Over the counter sold options (a)	$ 51,737	$ 18,703	$ 15,157	$ 1,129	$ 86,726	$ 58,861
Notional amount:						
Interest rate swaps and forward rate agreements	$ 43,541	$ 31,322	$ 5,510	$ 63	$ 80,436	$ 110,791
Currency swaps	2,948	4,716	695	--	8,359	7,512
Swaptions	802	6,745	2,293	156	9,996	5,766
Total	$ 47,291	$ 42,783	$ 8,498	$ 219	$ 98,791	$ 124,069
Credit exposure:						
Futures, forwards swaptions and purchased options contracts and interest rate and currency swaps:						
Gross replacement value	$ 6,404	$ 1,253	$ 211	$ 21	$ 7,889	$ 9,791
Master netting arrangements	(4,003)	(455)	(120)	(2)	(4,580)	(5,610)
Collateral	(167)	(39)	(3)	--	(209)	(359)
Net replacement value (b)	$ 2,234	$ 759	$ 88	$ 19	$ 3,100	$ 3,822

(a) Sold options obligate AIGTG to buy or sell the underlying item if the option purchaser chooses to exercise. The amounts do not represent credit exposure.

(b) The net replacement values with respect to exchange traded futures and options, forward contracts and purchased over the counter options are presented as a component of trading assets in the accompanying balance sheet. The net replacement values with respect to interest rate and currency swaps are presented as a component of unrealized gain on interest rate and currency swaps, options and forward transactions in the accompanying balance sheet.

12. Commitments and Contingent Liabilities (continued)

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

AIGTG determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 1999 and December 31, 1998, the counterparty credit quality and counterparty breakdown by industry with respect to the net replacement value of AIGTG's derivatives portfolio were as follows:

(in millions)

	Net Replacement Value	
	1999	1998
Counterparty credit quality:		
AAA	$ 276	$ 462
AA	1,241	1,821
A	1,010	1,066
BBB	256	221
Below investment grade	49	26
Not externally rated, including exchange traded futures and options*	268	226
Total	$3,100	$3,822
Counterparty breakdown by industry:		
Non-U.S. banks	$ 926	$1,253
U.S. industrials	70	381
Governmental	178	184
Non-U.S. financial service companies	698	406
Non-U.S. industrials	176	150
U.S. banks	401	593
U.S. financial service companies	383	629
Exchanges*	268	226
Total	$3,100	$3,822

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

Spot commodities sold but not yet purchased represent obligations of AIGTG to deliver spot commodities at their contracted prices and thereby create a liability to repurchase the spot commodities in the market at prevailing prices.

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, 1998, AIGTG did not have a significant concentration of credit risk from either an individual counterparty or group of counterparties.

Commissions, transaction and other fees for the twelve months ended December 31, 1999, 1998 and 1997 from AIGTG's operations were $227 million, $374 million and $562 million, respectively.

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

(e) As a component of its asset and liability management strategy, SunAmerica utilizes swap agreements to match more closely the cash flows of its assets to the cash flows of its liabilities. SunAmerica uses these swap agreements to hedge against the risk of interest rate changes. At December 31, 1999, SunAmerica's swap agreements had an aggregate notional principal amount of $2.01 billion. These agreements mature in various years through 2010.

For investment purposes, SunAmerica has entered into various total return agreements with an aggregate notional amount of $576 million (the "notional amount") at December 31, 1999. The total return agreements effectively exchange a fixed rate of interest (the "payment amount") on the notional amount for the coupon income plus or minus the increase or decrease in the fair value of specified non-investment grade bonds (the "bonds"). SunAmerica is exposed to potential loss with respect to credit risk on the underlying non-investment grade bonds and fair value risk resulting from the payment amount and any depreciation in the aggregate fair value of the bonds below the notional amount. SunAmerica is also exposed to potential credit loss in the event of nonperformance by the investment grade rated counterparty with respect to any increase in the aggregate market value of the bonds above the notional amount. However, nonperformance is not anticipated and, therefore, no collateral is held or pledged. The agreements are marked to market and the change in market value is recognized currently in life investment income. Net amounts received (paid) are included in operating income and totaled ($12 million) for the year ended

December 31, 1999 and ($34 million) and $35 million for the years ended September 30, 1998 and 1997, respectively. AIG guarantees the payment obligations of SunAmerica under such agreements.

(f) At December 31, 1999, ILFC had committed to purchase 331 aircraft deliverable from 2000 through 2007 at an estimated aggregate purchase price of $16.4 billion and had options to purchase 83 aircraft deliverable from 2000 through 2007 at an estimated aggregate purchase price of $3.9 billion. ILFC will be required to find customers for any aircraft presently on order and any aircraft to be ordered, and it must arrange financing for portions of the purchase price of such equipment.

(g) 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.

Notes to Financial Statements (CONTINUED)

12. Commitments and Contingent Liabilities (continued)

AIG continues to receive claims asserting injuries from toxic waste, hazardous substances, and other environmental pollutants and alleged damages to cover the cleanup costs of hazardous waste dump sites (hereinafter collectively referred to as environmental claims) and indemnity claims asserting injuries from asbestos. Estimation of asbestos and environmental claims loss reserves is a difficult process, as these claims, which emanate from policies written in 1984 and prior years, cannot be estimated by conventional reserving techniques. Asbestos and environmental claims development is affected by factors such as inconsistent court resolutions, the broadening of the intent of policies and scope of coverage and increasing number of new claims. AIG and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue in the future to expand the intent of the policies and the scope of the coverage, as they have in the past, additional liabilities would emerge for amounts in excess of reserves held. This emergence cannot now be reasonably estimated, but could have a material impact on AIG's future operating results. The reserves carried for these claims as at December 31, 1999 ($2.61 billion gross; $891 million net) are believed to be adequate as these reserves are based on known facts and current law.

A summary of reserve activity, including estimates for applicable incurred but not reported losses and loss expenses, relating to asbestos and environmental claims separately and combined at December 31, 1999, 1998 and 1997 follows. The 1999 and 1998 reserve activity includes Transatlantic.

(h) 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.

(in millions)

	1999		1998		1997	
	Gross	Net	Gross	Net	Gross	Net
Asbestos:						
Reserve for losses and loss expenses at beginning of year	$ 964	$ 259	$ 842	$ 195	$ 876	$ 172
Losses and loss expenses incurred	404	101	375	111	238	69
Losses and loss expenses paid	(275)	(54)	(253)	(47)	(272)	(46)
Reserve for losses and loss expenses at end of year	$ 1,093	$ 306	$ 964	$ 259	$ 842	$ 195
Environmental:						
Reserve for losses and loss expenses at beginning of year	$ 1,535	$ 605	$ 1,467	$ 592	$ 1,427	$ 571
Losses and loss expenses incurred	127	47	284	107	223	84
Losses and loss expenses paid	(143)	(67)	(216)	(94)	(183)	(63)
Reserve for losses and loss expenses at end of year	$ 1,519	$ 585	$ 1,535	$ 605	$ 1,467	$ 592
Combined:						
Reserve for losses and loss expenses at beginning of year	$ 2,499	$ 864	$ 2,309	$ 787	$ 2,303	$ 743
Losses and loss expenses incurred	531	148	659	218	461	153
Losses and loss expenses paid	(418)	(121)	(469)	(141)	(455)	(109)
Reserve for losses and loss expenses at end of year	$ 2,612	$ 891	$ 2,499	$ 864	$ 2,309	$ 787

The RBC formula develops a risk adjusted target level of adjusted statutory capital 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.

The statutory surplus of each of AIG's domestic general and life insurance subsidiaries exceeded their RBC standards by considerable margins as of December 31, 1999.

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.

13. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107 "Disclosures about Fair Value of Financial Instruments" (FASB 107) requires disclosure of fair value information about financial instruments, as defined therein, 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 securities 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.

Trading assets and trading liabilities: Fair values for trading assets and trading liabilities 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 were based on current market prices.

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

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

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

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

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

Securities and spot commodities sold but not yet purchased: The carrying amounts for the financial instruments approximate fair values. Fair values for spot commodities sold short were based on current market prices.

Trust deposits and 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.

Notes to Financial Statements (CONTINUED)

13. Fair Value of Financial Instruments (continued)

The carrying values and fair values of AIG's financial instruments at December 31, 1999 and December 31, 1998 and the average fair values with respect to derivative positions during 1999 and 1998 were as follows:

(in millions)

	1999			1998		
	Carrying Value	Fair Value	Average Fair Value	Carrying Value	Fair Value	Average Fair Value
Assets:						
Fixed maturities	$90,144	$90,268	$ --	$79,980	$80,955	$ --
Equity securities	6,714	6,714	--	6,268	6,268	--
Mortgage loans on real estate, policy and collateral loans	12,134	12,086	--	11,741	11,871	--
Securities available for sale	12,954	12,954	11,992	10,674	10,674	8,855
Trading securities	4,391	4,391	5,438	5,668	5,668	5,682
Spot commodities	683	683	536	476	476	442
Unrealized gain on interest rate and currency swaps, options and forward transactions	7,931	7,931	8,045	9,881	9,881	9,997
Trading assets	5,793	5,793	5,297	6,229	6,229	6,048
Securities purchased under agreements to resell	10,897	10,897	--	4,838	4,838	--
Other invested assets	9,900	9,900	--	8,692	8,692	--
Short-term investments	7,007	7,007	--	6,739	6,739	--
Cash	132	132	--	303	303	--
Liabilities:						
Policyholders' contract deposits	42,549	41,266	--	33,924	33,906	--
Borrowings under obligations of guaranteed investment agreements	9,430	9,308	--	9,188	10,146	--
Securities sold under agreements to repurchase	6,116	6,116	--	4,473	4,473	--
Trading liabilities	3,821	3,821	4,177	4,664	4,664	4,824
Securities and spot commodities sold but not yet purchased	6,413	6,413	6,314	4,457	4,457	5,614
Unrealized loss on interest rate and currency swaps, options and forward transactions	8,624	8,624	8,630	7,055	7,055	6,805
Trust deposits and deposits due to banks and other depositors	2,175	2,163	--	1,682	1,759	--
Commercial paper	4,404	4,404	--	4,636	4,636	--
Notes, bonds, loans and mortgages payable	19,150	18,702	--	18,086	18,527	--

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.

14. Stock Compensation Plans

At December 31, 1999, AIG had two types of stock-based compensation plans. One was a stock option plan; the other, an employee stock purchase plan. AIG applies APB Opinion 25 "Accounting for Stock Issued to Employees" and related Interpretations (APB 25) in accounting for its plans. Accordingly, no compensation costs have been recognized for either plan.

Had compensation costs for these plans been determined consistent with the method of Statement of Financial Accounting Standards No. 123 "Accounting for Awards of Stock Based Compensation to Employees" (FASB 123), AIG's net income and earnings per share for the years ended December 31, 1999, 1998 and 1997 would have been reduced to the pro forma amounts as follows:

(in millions, except per share amounts)

	1999	1998	1997
Net income:			
As reported	$ 5,055	$ 4,282(a)	$ 3,711(a)
Pro forma	5,028	4,235	3,690
Earnings per share--diluted(b):			
As reported	$ 3.23	$ 2.75	$ 2.40
Pro forma	3.21	2.73	2.39

(a) Post merger amounts.
(b) Includes SunAmerica Inc. shares which were exchanged for AIG shares at an exchange ratio of 0.855 shares of AIG common stock for each share of SunAmerica Inc. common stock for 1998 and 1997.

14. Stock Compensation Plans (continued)

(i) Stock Option Plan: On December 19, 1991, the AIG Board of Directors adopted a 1991 employee stock option plan (the 1991 Plan), which provided that options to purchase a maximum of 12,656,250 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 316,087 shares granted thereunder on December 19, 1991, were approved by shareholders at the 1992 Annual Meeting. An amendment to the 1991 Plan, approved by shareholders at the 1997 Annual Meeting, increased the aggregate number of shares available for grant to 22,148,437 shares to assure that adequate shares are available for grant during the remaining term of the 1991 Plan. A second amendment to the 1991 Plan limits the maximum number of shares as to which stock options may be granted to any employee in any one year to 253,125 shares. At December 31, 1999, 9,499,167 shares were reserved for future grants under the amended 1991 Plan. As of March 18, 1992, no further options could be granted under the 1987 employee stock option plan (the 1987 Plan), but outstanding options granted under the 1987 Plan continue in force until exercise or expiration. At December 31, 1999, there were 11,654,856 shares reserved for issuance under these plans.

During 1999, AIG granted options with respect to 383,000 shares which become exercisable on the fifth anniversary of the date of grant and expire 10 years from the date of grant. These options do not qualify for Incentive Stock Option Treatment under the Economic Recovery Tax Act of 1981 (ISO Treatment). The agreements with respect to all other options granted under these plans provide that 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 expire 10 years from the date of the grant. As of December 31, 1999, outstanding options granted with respect to 6,694,496 shares qualified for ISO Treatment.

As of the merger date, SunAmerica Inc. had five stock-based compensation plans pursuant to which options, restricted stock and deferred share and share unit obligations had been issued and remained outstanding. Options granted under these plans had an exercise price equal to the market price on the date of grant, had a maximum term of ten years and generally became exercisable ratably over a five-year period. Substantially all of the SunAmerica Inc. options outstanding at the merger date became fully vested on that date and were converted into options to purchase AIG common stock at the exchange ratio of 0.855 shares of AIG common stock for each share of SunAmerica Inc. common stock. No further options can be granted under the SunAmerica Inc. plans, but outstanding options so converted continue in force until exercise or expiration. At December 31, 1999, there were 16,262,634 shares of AIG common stock reserved for issuance under these plans. None of these options qualified for ISO Treatment as of December 31, 1999.

As a result of the merger, all unvested restricted stock then outstanding and deferred share and share unit obligations with respect to 673,312 shares of AIG common stock vested. During 1999, deferred share and share unit obligations with respect to an additional 662,021 shares of AIG common stock vested and 1,335,333 shares were issued pursuant to deferred share and share unit obligations. No deferred share or share unit obligations were granted in 1999. As of December 31, 1999, deferred share and share unit obligations relating to SunAmerica Inc. representing 931,886 shares were outstanding but not yet vested.

On September 15, 1999, the AIG Board of Directors adopted a 1999 stock option plan (the 1999 Plan), which provided that options to purchase a maximum of 10,000,000 shares of common stock could be granted to certain key employees and members of the Board of Directors at prices not less than fair market value at the date of grant. The 1999 Plan limits the maximum number of shares as to which stock options may be granted to any employee in any one year to 250,000 shares. Options granted under this Plan expire not more than 10 years from the date of the grant. Options with respect to 9,000 shares were granted to members of the Board of Directors on September 15, 1999. These options become exercisable on the first anniversary of the date of grant, expire 10 years from the date of grant and do not qualify for ISO Treatment. The Plan, and the options granted thereunder, are subject to approval by the shareholders at the 2000 Annual Meeting of Shareholders.

In 1999, the AIG Board of Directors amended the AIG stock option plans to allow deferral of delivery of AIG shares otherwise deliverable upon the exercise of an option to a date or dates specified by the optionee upon the request of an optionee. At December 31, 1999, optionees had made valid elections to defer delivery of 506,716 shares and 389,079 shares of AIG common stock, respectively, upon exercise of options expiring during 2000 and 2001.

14. Stock Compensation Plans (continued)

Additional information with respect to AIG's plans at December 31, 1999, and changes for the three years then ended, were as follows:

	1999(a)		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares Under Option:						
Outstanding at beginning of year	29,722,330	$29.80	11,637,518	$26.12	12,132,480	$20.90
Granted	1,832,371	93.64	1,144,148	69.94	1,394,156	56.42
Exercised	(3,782,244)	22.46	(1,491,089)	14.66	(1,753,727)	13.93
Forfeited	(162,373)	47.96	(187,381)	37.49	(135,391)	27.78
Outstanding at end of year	27,610,084	$34.93	11,103,196	$31.99	11,637,518	$26.12
Options exercisable at year-end	23,982,312	$28.65	7,852,838	$22.70	7,927,972	$18.41
Weighted average fair value per share of options granted		$39.00		$24.54		$20.97

(a) Includes those options that vested January 1, 1999 as a result of the merger of SunAmerica Inc. with and into AIG.

In addition, at December 31, 1999, options to purchase 316,406 shares at a weighted average exercise price of $29.47 had been previously granted to AIG directors and remained outstanding.

Information about stock options outstanding at December 31, 1999, is summarized as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.81 - 9.37	5,573,124	3.2 years	$ 6.54	5,573,124	$ 6.54
11.38 - 19.99	4,594,562	3.9 years	15.27	4,594,562	15.27
21.04 - 28.44	3,850,823	5.7 years	23.34	3,850,823	23.34
30.71 - 39.88	5,071,438	7.1 years	36.71	4,711,633	36.56
44.18 - 56.80	4,432,785	8.5 years	55.22	3,815,149	55.01
62.27 - 78.77	2,265,219	8.9 years	73.45	1,437,021	75.42
90.19 - 110.31	1,822,133	9.7 years	93.70	--	--
	27,610,084		$34.93	23,982,312	$28.65

The fair values of stock options granted during the years ended December 31, 1999, 1998 and 1997 were $71 million, $28 million and $29 million, respectively. The fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model.

The following weighted average assumptions were used for grants in 1999, 1998 and 1997, respectively: dividend yields of 0.20 percent, 0.24 percent and 0.30 percent; expected volatilities of 25.0 percent, 22.0 percent and 20.0 percent; risk-free interest rates of 5.33 percent, 4.73 percent and 6.03 percent and expected terms of 7 years.

Using the Black-Scholes option-pricing model applicable to SunAmerica Inc. for 1998 and 1997, the fair values of stock options granted by SunAmerica Inc. for such years were $49 million and $32 million, respectively.

(ii) Employee Stock Purchase Plan: AIG's 1984 employee stock purchase plan was adopted at its 1984 shareholders' meeting and became effective as of July 1, 1984. Eligible employees could receive privileges to purchase up to an aggregate of 5,537,108 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 were granted annually and were limited to the number of whole shares that could be purchased by an amount equal to 5 percent of an employee's annual salary or $5,500, whichever was less.

AIG's 1996 employee stock purchase plan was adopted at its 1996 shareholders' meeting and became effective as of July 1, 1996, replacing the 1984 plan. Eligible employees may receive privileges to purchase up to an aggregate of 2,812,500 shares of AIG common stock, at a price equal to 85 percent of the fair market value on the date of the 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 $5,500, whichever is less. Beginning with the January 1, 1998 subscription, the maximum allowable purchase limitation increased to 10 percent of an employee's annual salary or $10,000 per year, whichever is less, and the eligibility requirement was reduced from two years to one year. In all other respects, the 1996 plan is identical to the 1984 plan.

There were 130,010 shares issued under the 1984 plan at a weighted average price of $28.14 for the year ended December 31, 1997. There were 595,286 shares, 425,523 shares and 275,783 shares issued under the 1996 plan at weighted average prices of $57.36, $43.11 and $30.81 for the years ended December 31, 1999, 1998 and 1997, respectively. The excess or deficit of the proceeds over the par value or cost of the common stock issued under these plans was credited or charged to additional paid-in capital.

As of December 31, 1999, there were 495,827 shares of common stock subscribed to at a weighted average price of $77.49 per share pursuant to grants of privileges under the 1996 plan. There were 1,020,078 shares available for the grant of future purchase privileges under the 1996 plan at December 31, 1999.

The fair values of purchase privileges granted during the years ended December 31, 1999, 1998 and 1997 were $13 million, $10 million and $4 million, respectively. The weighted average fair values per share of those purchase rights granted in 1999, 1998 and 1997 were $21.06, $15.46 and $10.68, respectively. The fair value of each purchase right is estimated on the date of the subscription using the Black-Scholes model.

The following weighted average assumptions were used for grants in 1999, 1998 and 1997, respectively: dividend yields of 0.20 percent, 0.24 percent and 0.30 percent; expected volatilities of 34.0 percent, 33.0 percent and 26.0 percent; risk-free interest rates of 5.33 percent, 5.26 percent and 5.81 percent; and expected terms of 1 year.

During 1999, there were 28,385 shares of AIG common stock issued under the SunAmerica Inc. employee stock purchase plan at a weighted average price of $48.90. There are no further shares available for grant under this plan.

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.

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

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

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

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 electing immediate retirement and having a minimum of ten years of service. Retirees and their dependents who were age 65 by May 1, 1989 participate in the medical plan at no cost. Employees who retired after May 1, 1989 and on or prior to January 1, 1993 pay the active employee premium if under age 65 and 50 percent of the active employee premium if over age 65. Retiree contributions are subject to adjustment annually. Other cost sharing features of the medical plan include deductibles, coinsurance and Medicare coordination and a lifetime maximum benefit of $1.5 million. The lifetime maximum benefit of the medical plan was increased to $2.0 million effective January 1, 2000. 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 after January 1, 1993 are required to pay the actual cost of the medical benefits premium reduced by a credit which is based upon age and years of service at retirement. The life insurance benefit varies by age at retirement from $5,000 for retirement at ages 55 through 59; $10,000 for retirement at ages 60 through 64 and $15,000 for retirement at ages 65 and over.

Notes to Financial Statements (CONTINUED)

15. Employee Benefits (continued)

(b) AIG sponsors a voluntary savings plan for domestic employees (a 401(k) plan), which, during the three years ended December 31, 1999, provided for salary reduction contributions by employees and matching contributions by AIG of up to 6 percent of annual salary depending on the employees' years of service.

(c) SunAmerica sponsors a voluntary savings plan for its employees (the "SunAmerica 401(k) plan"), which, during the three years ended December 31, 1999, provided for salary reduction contributions by qualifying employees and matching contributions by SunAmerica of up to 4 percent of qualifying employees' annual salaries. Under an Executive Savings Plan, designated SunAmerica executives also could defer up to 90 percent of cash compensation during the three years ended December 31, 1999, and SunAmerica matched 4 percent of the participants' base salaries deferred.

(d) AIG has certain benefits provided to former or inactive employees who are not retirees. Certain of these benefits are insured and expensed currently; other expenses are provided for currently. Such uninsured expenses include long and short-term disability medical and life insurance continuation, short-term disability income continuation and COBRA medical subsidies. The provision for these benefits at December 31, 1999 was $6 million. The incremental expense was insignificant.

The following table sets forth the change in benefit obligation, change in plan assets and weighted average assumptions associated with various pension plan and postretirement benefits. The amounts are recognized in the accompanying consolidated balance sheet as of December 31, 1999 and 1998:

(in millions)

	Pension Benefits			Other Benefits		
1999	Non-U.S. Plans	U.S. Plans	Total	Non-U.S. Plans	U.S. Plans	Total
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 427	$ 499	$ 926	$ 7	$ 78	$ 85
Service cost	36	40	76	1	3	4
Interest cost	17	35	52	--	5	5
Participant contributions	5	--	5	--	--	--
Prior service costs	(3)	--	(3)	--	--	--
Actuarial gain	(22)	(92)	(114)	--	(16)	(16)
Benefits paid	(22)	(10)	(32)	--	(4)	(4)
Effect of foreign currency fluctuation	37	--	37	--	--	--
Benefit obligation at end of year	$ 475	$ 472	$ 947	$ 8	$ 66	$ 74
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 208	$ 399	$ 607	$--	$--	$--
Asset adjustment	--	(1)	(1)	--	--	--
Actual return on plan assets net of expenses	66	38	104	--	--	--
Employer contributions	28	10	38	--	4	4
Participant contributions	5	--	5	--	--	--
Benefits paid	(22)	(10)	(32)	--	(4)	(4)
Effect of foreign currency fluctuation	15	--	15	--	--	--
Fair value of plan assets at end of year*	$ 300	$ 436	$ 736	$--	$--	$--
Reconciliation of funded status:						
Funded status	$(176)	$ (36)	$(212)	$ (8)	$ (66)	$ (74)
Unrecognized actuarial (gain)/loss	7	(100)	(93)	--	1	1
Unrecognized transition obligation	12	6	18	--	--	--
Unrecognized prior service cost	9	19	28	--	(20)	(20)
Net amount recognized at year end	$(148)	$(111)	$(259)	$ (8)	$ (85)	$ (93)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	$ 3	$ --	$ 3	$--	$--	$--
Accrued benefit liability	(184)	(114)	(298)	(8)	(85)	(93)
Intangible asset	33	3	36	--	--	--
Net amount recognized at year end	$(148)	$(111)	$(259)	$ (8)	$ (85)	$ (93)
Weighted-average assumptions as of December 31,						
Discount rate	3.0-10.0%	8.0%		7.0-7.75%	8.0%	
Expected return on plan assets	3.5-13.0	9.0		N/A	N/A	
Rate of compensation increase	2.0-8.0	5.6		N/A	N/A	

For measurement purposes, a 9.0 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 1999. The rate was assumed to decrease to 5.0 percent for 2007 and remain at that level thereafter.

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

15. Employee Benefits (continued)

(in millions)

	Pension Benefits			Other Benefits		
1998	Non-U.S. Plans	U.S. Plans	Total	Non-U.S. Plans	U.S. Plans	Total
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 330	$ 363	$ 693	$ 19	$ 70	$ 89
Acquisitions(a)	--	49	49	--	1	1
Service cost	32	33	65	1	2	3
Interest cost	16	29	45	--	5	5
Participant contributions	4	--	4	--	--	--
Actuarial (gain)/loss	21	33	54	(13)	5	(8)
Benefits paid	(18)	(8)	(26)	--	(5)	(5)
Effect of foreign currency fluctuation	42	--	42	--	--	--
Benefit obligation at end of year	$ 427	$ 499	$ 926	$ 7	$ 78	$ 85
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 160	$ 297	$ 457	$--	$--	$--
Acquisitions(a)	--	37	37	--	--	--
Actual return on plan assets net of expenses	20	55	75	--	--	--
Employer contributions	24	18	42	--	5	5
Participant contributions	4	--	4	--	--	--
Benefits paid	(18)	(8)	(26)	--	(5)	(5)
Effect of foreign currency fluctuation	18	--	18	--	--	--
Fair value of plan assets at end of year(b)	$ 208	$ 399	$ 607	$--	$--	$--
Reconciliation of funded status:						
Funded status	$(219)	$(100)	$(319)	$ (7)	$ (78)	$ (85)
Unrecognized actuarial (gain)/loss	80	(4)	76	--	16	16
Unrecognized transition (asset)/obligation	13	7	20	--	--	--
Unrecognized prior service cost	13	21	34	--	(21)	(21)
Net amount recognized at year end	$(113)	$ (76)	$(189)	$ (7)	$ (83)	$ (90)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	$ 4	$ --	$ 4	$--	$--	$--
Accrued benefit liability	(175)	(83)	(258)	(7)	(83)	(90)
Intangible asset	58	7	65	--	--	--
Net amount recognized at year end	$(113)	$ (76)	$(189)	$ (7)	$ (83)	$ (90)
Weighted-average assumptions as of December 31						
Discount rate	3.0-10.0%	6.75%		6.25-7.0%	6.75%	
Expected return on plan assets	3.5-13.0	8.5		N/A	N/A	
Rate of compensation increase	2.0-10.0	5.0		N/A	N/A	

For measurement purposes, a 7.5 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 1998. The rate was assumed to decrease gradually to 5.5 percent for 2000 and remain at that level thereafter.

(a) Acquisitions include the opening balances with respect to Transatlantic and 21st Century. Transatlantic's domestic employees are and have been covered by AIG's plans.

(b) Plan assets are invested primarily in fixed-income securities and listed stocks.

Notes to Financial Statements (CONTINUED)

15. Employee Benefits (continued)

The net benefit cost for the years ended December 31, 1999, 1998, and 1997 included the following components:

(in millions)

	Pension Benefits			Other Benefits		
1999	Non-U.S. Plans	U.S. Plans	Total	Non-U.S. Plans	U.S. Plans	Total
1999						
Components of net period benefit cost:						
Service cost	$ 36	$ 40	$ 76	$ 1	$ 3	$ 4
Interest cost	17	35	52	--	5	5
Expected return on assets	(10)	(35)	(45)	--	--	--
Amortization of prior service cost	3	2	5	--	(1)	(1)
Amortization of transitional liability	2	2	4	--	--	--
Recognized actuarial loss	3	1	4	--	--	--
Net periodic benefit cost	$ 51	$ 45	$ 96	$ 1	$ 7	$ 8
1998						
Components of net period benefit cost:						
Service cost	$ 32	$ 33	$ 65	$ 1	$ 2	$ 3
Interest cost	16	29	45	1	5	6
Expected return on assets	(9)	(29)	(38)	--	--	--
Amortization of prior service cost	2	2	4	--	(1)	(1)
Amortization of transitional (asset)/liability	2	1	3	(1)	--	(1)
Recognized actuarial loss	3	1	4	--	--	--
Net periodic benefit cost	$ 46	$ 37	$ 83	$ 1	$ 6	$ 7
1997						
Components of net period benefit cost:						
Service cost	$ 21	$ 23	$ 44	$ 1	$ 2	$ 3
Interest cost	13	21	34	1	4	5
Expected return on assets	(9)	(20)	(29)	--	--	--
Amortization of prior service cost	2	2	4	--	(1)	(1)
Amortization of transitional liability	2	2	4	--	--	--
Recognized actuarial loss	2	--	2	--	--	--
Net periodic benefit cost	$ 31	$ 28	$ 59	$ 2	$ 5	$ 7

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $291 million, $251 million and $54 million, respectively, as of December 31, 1999 and $460 million, $394 million and $196 million as of December 31, 1998.

On December 31, 1998, AIG amended its retirement and postretirement healthcare plan to provide increased benefits to certain employees who retire prior to age 65. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

(in millions)

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$1	$--
Effect on postretirement benefit obligation	2	(2)

Notes to Financial Statements (CONTINUED)

American International Group, Inc. and Subsidiaries

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, 1999, the future minimum lease payments under operating leases were as follows:

(in millions)	
2000	$ 303
2001	236
2002	175
2003	157
2004	141
Remaining years after 2004	500
Total	$1,512

Rent expense approximated $318 million, $287 million and $252 million for the years ended December 31, 1999, 1998 and 1997 respectively.

(b) Minimum future rental income on noncancelable operating leases of flight equipment which have been delivered at December 31, 1999 was as follows:

(in millions)	
2000	$1,663
2001	1,554
2002	1,385
2003	1,162
2004	940
Remaining years after 2004	1,700
Total	$8,404

Flight equipment is leased, under operating leases, with remaining terms ranging from one to 12 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 25 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. There are no significant receivables from/payables to related parties at December 31, 1999. Net commission payments to Starr aggregated approximately $45 million in 1999 and $46 million in 1998 and 1997, from which Starr is required to pay commissions due originating brokers and its operating expenses. AIG also received approximately $11 million in 1999, $13 million in 1998 and $14 million in 1997 from Starr and paid approximately $42,000 in 1999, $37,000 in 1998 and $35,000 in 1997 to Starr in rental fees. AIG also received approximately $1 million in 1999, 1998 and 1997 from SICO and paid approximately $1 million in each of the years 1999, 1998 and 1997 to SICO as reimbursement for services rendered at cost. AIG also paid to SICO $4 million in 1999, 1998 and 1997 in rental fees.

18. Segment Information

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

General Insurance - AIG's general insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance.

DBG writes substantially all classes of business insurance accepting such business mainly from insurance brokers. This provides DBG the opportunity to select specialized markets and retain underwriting control. Any licensed broker is able to submit business to DBG without the traditional agent-company contractual relationship, but such broker usually has no authority to commit DBG to accept a risk. Transatlantic's domestic operations are included in this group.

AIG's Foreign General insurance group accepts risks primarily underwritten through AIU, a marketing unit consisting of wholly owned agencies and insurance entities. The Foreign General insurance group also includes business written by

AIG's foreign-based insurance subsidiaries for their own accounts. The Foreign General group uses various marketing methods to write both business and personal lines insurance with certain refinements for local laws, customs and needs. AIU operates in over 70 countries in Asia, the Pacific Rim, Europe, Africa, Middle East and Latin America. Transatlantic's foreign operations are included in this group.

Life Insurance - AIG's life insurance subsidiaries offer a wide range of traditional insurance and financial and investment products. Traditional products consist of individual and group life, annuity, endowment and accident and health policies. Financial and investment products consist of single premium annuity, variable annuities, guaranteed investment contracts, universal life and pensions.

AIG's three principal overseas life operations are ALICO, AIA and Nan Shan. ALICO is incorporated in Delaware and 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 Caribbean, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates in Taiwan. AIG's domestic life operations are comprised of two separate operations, AIG's domestic life companies and the life insurance subsidiaries of SunAmerica.

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Notes to Financial Statements (CONTINUED)

18. Segment Information (continued)

Both of these operations sell primarily financial and investment type products.

Financial Services - AIG's financial services subsidiaries engage in diversified financial products and services including premium financing, banking services and consumer finance services.

ILFC engages primarily in the acquisition of new and used commercial jet aircraft and the leasing and remarketing of such aircraft to airlines around the world.

AIGFP structures financial transactions, including long-dated interest rate and currency swaps and structured borrowings through notes, bonds and guaranteed investment agreements.

AIGTG engages in various commodities trading, foreign exchange trading, interest rate swaps and market making activities.

Asset Management - AIG's asset management operations offer a wide variety of investment vehicles and services, including variable annuities, mutual funds and investment asset management. Such products and services are offered to individuals and institutions both domestically and internationally.

AIG's three principal asset management operations are SAAMCo, Global Investment and Cap Partners. SAAMCo develops and sells variable annuities and other investment products, sells and manages mutual funds and provides financial services. Global Investment manages invested assets of institutions, including insurance companies and pension funds, and provides custodial services. Cap Partners organizes, and manages the invested assets of institutional investment funds and may also invest in such funds. Each of these subsidiary operations receives fees for investment products and services provided.

18. Segment Information (continued)

(b) The following table summarizes the operations by major operating segment for the years ended December 31, 1999, 1998 and 1997:

	Operating Segments-1999					
(in millions)	General Insurance	Life Insurance	Financial Services	Asset Management	Other(a)	Consolidated
Revenues (b)	$ 18,356	$ 18,000	$ 3,340	$ 985	$ (25)	$ 40,656
Interest revenue	--	--	1,381	84	--	1,465
Interest expense	8	159	2,042	5	37	2,251
Realized capital gains (losses)	295	(148)	--	--	(25)	122
Operating income (loss) before minority interest	3,481	2,858	1,081	314	(222)	7,512
Income taxes (benefit)	831	961	388	103	(64)	2,219
Depreciation expense	134	92	743	5	97	1,071
Capital expenditures	215	212	3,453	35	117	4,032
Identifiable assets	76,725	128,697	66,567	1,132	(4,883)	268,238

	Operating Segments-1998					
(in millions)	General Insurance	Life Insurance	Financial Services	Asset Management	Other(a)	Consolidated
Revenues (b)	$ 16,495	$ 15,420	$ 3,044	$ 707	$ 50	$ 35,716
Interest revenue	--	--	1,203	63	--	1,266
Interest expense	7	184	1,835	14	36	2,076
Realized capital gains (losses)	205	(74)	--	--	(7)	124
Operating income (loss) before minority interest	2,928	2,373	869	191	(84)	6,277
Income taxes	646	728	297	45	69	1,785
Equity in income of minority-owned insurance operations	57	--	--	--	--	57
Depreciation expense	109	82	662	4	95	952
Capital expenditures	220	277	3,233	33	142	3,905
Identifiable assets	73,226	103,611	59,198	915	(3,274)	233,676

	Operating Segments-1997					
(in millions)	General Insurance	Life Insurance	Financial Services	Asset Management	Other(a)	Consolidated
Revenues (b)	$ 14,403	$ 14,468	$ 3,042	$ 555	$ 85	$ 32,553
Interest revenue	--	--	992	55	--	1,047
Interest expense	2	135	1,682	17	34	1,870
Realized capital gains (losses)	128	(9)	--	--	(29)	90
Operating income (loss) before minority interest	2,472	2,048	671	127	(8)	5,310
Income taxes	514	625	244	48	94	1,525
Equity in income of minority-owned insurance operations	114	--	--	--	--	114
Depreciation expense	89	67	650	5	74	885
Capital expenditures	166	346	3,515	4	174	4,205
Identifiable assets	62,386	87,747	51,110	646	(2,275)	199,614

(a) Includes AIG Parent and other operations which are not required to be reported separately, other income (deductions)-net and adjustments and eliminations.

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

Notes to Financial Statements (CONTINUED)

18. Segment Information (continued)

(c) The following table summarizes AIG's general insurance operations by major internal reporting group for the years ended December 31, 1999, 1998 and 1997:

(in millions)	General Insurance-1999 Domestic Brokerage Group	Foreign General	Other(a)	Total General Insurance
Net premiums written	$ 8,119	$ 5,546	$ 2,559	$16,224
Net premiums earned	7,608	5,461	2,475	15,544
Losses & loss expenses incurred	6,490	3,519	1,729	11,738
Underwriting expenses	1,060	1,632	445	3,137
Adjusted underwriting profit (b)	58	310	301	669
Net investment income	1,738	522	257	2,517
Operating income before realized capital gains (c)	1,796	832	558	3,186
Depreciation expense	39	73	22	134
Capital expenditures	79	80	56	215
Identifiable assets	54,007	18,588	4,130	76,725

(in millions)	General Insurance-1998 Domestic Brokerage Group	Foreign General	Other(a)	Total General Insurance
Net premiums written	$ 8,002	$ 4,799	$ 1,785	$14,586
Net premiums earned	7,814	4,627	1,657	14,098
Losses & loss expenses incurred	6,862	2,678	1,117	10,657
Underwriting expenses	1,169	1,427	314	2,910
Adjusted underwriting profit (loss) (b)	(217)	522	226	531
Net investment income	1,570	438	184	2,192
Operating income before realized capital gains (c)	1,353	960	410	2,723
Equity in income of minority-owned insurance operations	57	--	--	57
Depreciation expense	34	63	12	109
Capital expenditures	66	110	44	220
Identifiable assets	53,844	16,060	3,322	73,226

(in millions)	General Insurance-1997 Domestic Brokerage Group	Foreign General	Other(a)	Total General Insurance
Net premiums written	$ 7,885	$ 4,370	$ 1,153	$13,408
Net premiums earned	7,207	4,069	1,145	12,421
Losses & loss expenses incurred	6,268	2,304	784	9,356
Underwriting expenses	1,080	1,268	227	2,575
Adjusted underwriting profit (loss) (b)	(141)	497	134	490
Net investment income	1,356	369	129	1,854
Operating income before realized capital gains (c)	1,215	866	263	2,344
Equity in income of minority-owned insurance operations	114	--	--	114
Depreciation expense	27	57	5	89
Capital expenditures	61	94	11	166
Identifiable assets	46,548	13,405	2,433	62,386

(a) Includes other operations which are not required to be reported separately and adjustments and eliminations.
(b) Adjusted underwriting profit (loss) represents statutory underwriting profit or loss adjusted primarily for changes in deferred acquisition costs.
(c) Realized capital gains are not deemed to be an integral part of AIG's general insurance operations' internal reporting groups.

18. Segment Information (continued)

(d) The following table summarizes AIG's life insurance operations by major reporting group for the years ended December 31, 1999, 1998 and 1997:

	Life Insurance-1999				
(in millions)	ALICO	AIA and Nan Shan	Domestic Life	Other(a)	Total Life Insurance
Premium income	$ 3,714	$ 7,014	$ 947	$ 267	$ 11,942
Net investment income	1,222	1,357	3,497	130	6,206
Operating income before realized capital gains (b)	680	1,200	1,062	64	3,006
Depreciation expense	41	30	15	6	92
Capital expenditures	62	92	39	19	212
Identifiable assets	26,294	28,310	72,358	1,735	128,697

	Life Insurance-1998				
(in millions)	ALICO	AIA and Nan Shan	Domestic Life	Other(a)	Total Life Insurance
Premium income	$ 3,212	$ 6,052	$ 784	$ 245	$ 10,293
Net investment income	1,019	1,189	2,889	104	5,201
Operating income before realized capital gains (b)	576	1,040	782	49	2,447
Depreciation expense	31	25	21	5	82
Capital expenditures	201	64	1	11	277
Identifiable assets	23,495	23,860	54,869	1,387	103,611

	Life Insurance-1997				
(in millions)	ALICO	AIA and Nan Shan	Domestic Life	Other(a)	Total Life Insurance
Premium income	$ 2,811	$ 6,278	$ 583	$ 284	$ 9,956
Net investment income	754	1,188	2,464	115	4,521
Operating income before realized capital gains (b)	461	895	632	69	2,057
Depreciation expense	24	25	13	5	67
Capital expenditures	197	132	1	16	346
Identifiable assets	16,745	20,003	49,729	1,270	87,747

(a) Includes other operations which are not required to be reported separately and adjustments and eliminations.
(b) Realized capital gains are not deemed to be an integral part of AIG's life insurance operations' internal reporting groups.

Notes to Financial Statements (CONTINUED)

18. Segment Information (continued)

(e) The following table summarizes AIG's financial services operations by major reporting group for the years ended December 31, 1999, 1998 and 1997:

	Financial Services-1999				
(in millions)	ILFC	AIGFP(a)	AIGTG	Other(b)	Total Financial Services
Commissions, transaction and other fees (c)	$ 2,194	$ 737	$ 227	$ 182	$ 3,340
Interest revenue	30	1,066	50	235	1,381
Interest expense	732	1,189	27	94	2,042
Operating income (loss)	590	482	109	(100)	1,081
Depreciation expense	664	6	10	63	743
Capital expenditures	3,366	11	11	65	3,453
Identifiable assets	17,854	33,965	9,960	4,788	66,567

	Financial Services-1998				
(in millions)	ILFC	AIGFP(a)	AIGTG	Other(b)	Total Financial Services
Commissions, transaction and other fees (c)	$ 2,002	$ 550	$ 374	$ 118	$ 3,044
Interest revenue	49	941	74	139	1,203
Interest expense	694	997	59	85	1,835
Operating income (loss)	496	323	123	(73)	869
Depreciation expense	581	6	8	67	662
Capital expenditures	3,160	3	13	57	3,233
Identifiable assets	16,846	28,080	10,526	3,746	59,198

	Financial Services-1997				
(in millions)	ILFC	AIGFP(a)	AIGTG	Other(b)	Total Financial Services
Commissions, transaction and other fees (c)	$ 1,857	$ 452	$ 562	$ 171	$ 3,042
Interest revenue	41	768	88	95	992
Interest expense	691	857	42	92	1,682
Operating income (loss)	382	241	127	(79)	671
Depreciation expense	576	7	6	61	650
Capital expenditures	3,436	5	9	65	3,515
Identifiable assets	15,028	22,941	10,017	3,124	51,110

(a) AIGFP's interest revenue and interest expense are reported as net revenues.

(b) Includes other operations which are not required to be reported separately and adjustments and eliminations.

(c) Commissions, transaction and other fees are the sum of the net gain or loss of trading activities, the net change in unrealized gain or loss, the net interest revenues from forward rate agreements and interest rate swaps, and where applicable, management and incentive fees from asset management activities.

18. Segment Information (CONTINUED)

(f) A substantial portion of AIG's operations is conducted in countries other than the United States and Canada. The following table summarizes AIG's operations by major geographic segment. Allocations have been made on the basis of the location of operations and assets.

	Geographic Segments-1999			
(in millions)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues (b)	$20,345	$13,242	$ 7,069	$40,656
Real estate and other fixed assets, net of accumulated depreciation	1,172	1,006	755	2,933
Flight equipment primarily under operating leases, net of accumulated depreciation	17,334	--	--	17,334

	Geographic Segments-1998			
(in millions)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues (b)	$18,238	$10,571	$ 6,907	$35,716
Real estate and other fixed assets, net of accumulated depreciation	1,062	895	781	2,738
Flight equipment primarily under operating leases, net of accumulated depreciation	16,330	--	--	16,330

	Geographic Segments-1997			
(in millions)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues (b)	$16,092	$11,671	$ 4,790	$32,553
Real estate and other fixed assets, net of accumulated depreciation	949	779	696	2,424
Flight equipment primarily under operating leases, net of accumulated depreciation	14,438	--	--	14,438

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

Notes to Financial Statements (CONTINUED)

19. 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, 1999 and 1998 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,		September 30,		December 31,	
(in millions, except per share amounts)	1999	1998	1999	1998	1999	1998(a)	1999	1998(a)
Revenues	$ 9,825	$ 8,277	$10,195	$ 8,740	$ 9,638	$ 9,039	$10,998	$ 9,660
Net income	1,199	1,010	1,277	1,076	1,267	1,076	1,312	1,120
Net income per common share:								
Basic	$ 0.77	$ 0.66	$ 0.83	$ 0.71	$ 0.82	$ 0.71	$ 0.85	$ 0.73
Diluted	0.77	0.65	0.81	0.69	0.81	0.69	0.84	0.72
Average shares outstanding:								
Basic	1,548	1,517	1,549	1,518	1,548	1,519	1,549	1,519
Diluted	1,568	1,556	1,569	1,557	1,568	1,553	1,568	1,552

(a) Including the operations of Transatlantic and 21st Century.

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, 1999.

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.

   2--Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.

   3--Articles of Incorporation and By-Laws.

   4--Instruments Defining the Rights of Security Holders.

   10--Material Contracts.

   11--Computation of Earnings Per Share for the Years Ended December 31, 1999, 1998, 1997, 1996 and 1995.

   12--Computation of Ratios of Earnings to Fixed Charges for the Years Ended December 31, 1999, 1998, 1997, 1996 and 1995.

   21--Subsidiaries of Registrant.

   23--Consent of PricewaterhouseCoopers LLP.

   24--Power of Attorney.

   27--Financial Data Schedule.

   99--Undertakings.

(b) Reports on Form 8-K.

There have been no reports on Form 8-K filed during the quarter ended December 31, 1999.

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, 2000.

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, 2000 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/ HOWARD I. SMITH (Howard I. Smith)	Executive Vice President, Chief Financial Officer, Comptroller and Director (Principal Financial and Accounting Officer)
/s/ M. BERNARD AIDINOFF (M. Bernard Aidinoff)	Director
/s/ ELI BROAD (Eli Broad)	Director
/s/ PEI-YUAN CHIA (Pei-yuan Chia)	Director
/s/ MARSHALL A. COHEN (Marshall A. Cohen)	Director
/s/ BARBER B. CONABLE, JR. (Barber B. Conable, Jr.)	Director
/s/ MARTIN S. FELDSTEIN (Martin S. Feldstein)	Director
/s/ ELLEN V. FUTTER (Ellen V. Futter)	Director

SIGNATURES - (Continued)

Signature	Title
/s/ LESLIE L. GONDA (Leslie L. Gonda)	Director
/s/ EVAN G. GREENBERG (Evan G. Greenberg)	Director
/s/ CARLA A. HILLS (Carla A. Hills)	Director
/s/ FRANK J. HOENEMEYER (Frank J. Hoenemeyer)	Director
/s/ EDWARD E. MATTHEWS (Edward E. Matthews)	Director
/s/ DEAN P. PHYPERS (Dean P. Phypers)	Director
/s/ THOMAS R. TIZZIO (Thomas R. Tizzio)	Director
/s/ EDMUND S.W. TSE (Edmund S.W. Tse)	Director
/s/ JAY S. WINTROB (Jay S. Wintrob)	Director
/s/ FRANK G. WISNER (Frank G. Wisner)	Director

EXHIBIT INDEX

Exhibit Number	Description	Location
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	Agreement and Plan of Merger, dated as of August 19, 1998, between SunAmerica Inc. and AIG, incorporated herein by reference to Exhibit 2 to AIG's Registration Statement on Form S-4 (File No. 333-65441).
3(i)(a)	Restated Certificate of Incorporation of AIG	Incorporated by reference to Exhibit 3(i) to AIG's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-8787).
3(i)(b)	Certificate of Amendment of Certificate of Incorporation of AIG, filed June 3, 1998	Incorporated by reference to Exhibit 3(i) to AIG's Quarterly Report on Form 10-Q for the quarter ended June 30 1998 (File No. 1-8787).
3(i)(c)	Certificate of Merger of SunAmerica Inc. with and into AIG, filed December 30, 1998 and effective January 1, 1999	Incorporated by reference to Exhibit 3(i) to AIG's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-8787).
3(ii)	By-laws of AIG	Incorporated by reference to Exhibit 3(ii) to AIG's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-8787).
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.*
	(b) Indenture dated as of July 15, 1989 between AIG and The Bank of New York	Not required to be filed.*
	(c) Subordinated Indenture, dated as of October 28, 1996, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee	Not required to be filed.*
	(d) Senior Indenture, dated as of April 15, 1993, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee	Not required to be filed.*
	(e) Supplemental Indenture, dated as of June 28, 1993, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Senior Indenture, dated as of April 15, 1993	Not required to be filed.*
	(f) Supplemental Indenture, dated as of October 28, 1996, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Senior Indenture, dated as of April 15, 1993	Not required to be filed.*

Exhibit Number	Description	Location
	(g) Third Supplemental Indenture, dated as of January 1, 1999, among SunAmerica Inc., AIG and The First National Bank of Chicago, as Trustee, supplementing the Senior Indenture, dated as of April 15, 1993	Not required to be filed.*
	(h) Junior Subordinated Indenture, dated as of March 15, 1995, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee	Not required to be filed.*
	(i) First Supplemental Indenture, dated as of March 15, 1995, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Junior Subordinated Indenture, dated as of March 15, 1995	Not required to be filed.*
	(j) Second Supplemental Indenture, dated as of October 11, 1995, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Junior Subordinated Indenture dated as of March 15, 1995	Not required to be filed.*
	(k) Supplemental Indenture, dated as of October 28, 1996, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Junior Subordinated Indenture, dated as of March 15, 1995	Not required to be filed.*
	(l) Fourth Supplemental Indenture, dated as of November 13, 1996, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Junior Subordinated Indenture, dated as of March 15, 1995	Not required to be filed.*
	(m) Fifth Supplemental Indenture, dated as of January 1, 1999, among SunAmerica Inc., AIG and The First National Bank of Chicago, as Trustee, supplementing the Junior Subordinated Indenture, dated as of March 15, 1995	Not required to be filed.*
	(n) Senior Indenture, dated as of November 15, 1991, between SunAmerica Inc. (as successor in interest to Broad Inc.) and Security Pacific National Bank, as Trustee	Not required to be filed.*
	(o) Tri-Party Agreement, dated as of July 1, 1993, among The First National Bank of Chicago, Bank of America, NT & SA and SunAmerica Inc., appointing The first National Bank of Chicago as Successor Trustee to Bank of America NT & SA (as successor in interest to Security Pacific National Bank), amending the Senior Indenture, dated as of November 15, 1991	Not required to be filed.*
	(p) First Supplemental Indenture, dated as of January 1, 1999, among SunAmerica Inc., AIG and The First National Bank of Chicago, as Trustee, supplementing Senior Indenture, dated November 15, 1991	Not required to be filed.*

Exhibit Number	Description	Location
(q)	Amended and Restated Declaration of Trust of SunAmerica Capital Trust I, dated as of June 6, 1995, among SunAmerica Inc. and the Trustees of the Trust	Not required to be filed.*
(r)	Amended and Restated Declaration of Trust of SunAmerica Capital Trust II, dated as of October 11, 1995, among SunAmerica Inc. and the Trustees of the Trust	Not required to be filed.*
(s)	Amended and Restated Declaration of Trust of SunAmerica Capital Trust III, dated as of November 13, 1996, among SunAmerica Inc. and the Trustees of the Trust	Not required to be filed.*
(t)	Guarantee Agreement, dated as of October 11, 1995, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee, relating to the Preferred Securities of SunAmerica Capital Trust II	Not required to be filed.*
(u)	Amendment to Guarantee, dated as of January 1, 1999, among SunAmerica Inc., AIG and The Bank of New York, as Guaranty Trustee, amending Guarantee Agreement, dated as of October 11, 1995, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee	Not required to be filed.*
(v)	Guarantee Agreement, dated as of November 13, 1996, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee, relating to the Preferred Securities of SunAmerica Capital Trust III	Not required to be filed.*
(w)	Amendment to Guarantee, dated as of January 1, 1999, among SunAmerica Inc., AIG and The Bank of New York, as Guaranty Trustee, amending Guarantee Agreement, dated November 13, 1996, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee	Not required to be filed.*

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 1996 Employee Stock Purchase Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated April 2, 1996 (File No. 1-8787) and incorporated herein by reference.
	(f) 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.
	(g) AIG 1982 Employee Stock Option Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-78291) and incorporated herein by reference.
	(h) 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.
	(i) AIG 1991 Employee Stock Option Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated as of April 4, 1997 (File No. 1-8787) and incorporated herein by reference.
	(j) AIRCO 1972 Employee Stock Option Plan	Incorporated by reference to AIG's Joint Proxy Statement and Prospectus (File No. 2-61994).
	(k) AIRCO 1977 Stock Option and Stock Appreciation Rights Plan	Incorporated by reference to AIG's Joint Proxy Statement and Prospectus (File No. 2-61994).
	(l) Purchase Agreement between AIA and Mr. E.S.W. Tse.	Incorporated by reference to Exhibit 10(l) to AIG's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-8787).
	(m) Retention and Employment Agreement between AIG and Jay S. Wintrob	Incorporated by reference to Exhibit 10(m) to AIG's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-8787).
	(n) SunAmerica Inc. 1988 Employee Stock Plan	Incorporated by reference to Exhibit 4(a) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(o) SunAmerica 1997 Employee Incentive Stock Plan	Incorporated by reference to Exhibit 4(b) to AIG's Registration Statement on Form S-8 (File No. 333-70069).

Exhibit Number	Description	Location
	(p) SunAmerica Non-employee Directors' Stock Option Plan	Incorporated by reference to Exhibit 4(c) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(q) SunAmerica 1995 Performance Stock Plan	Incorporated by reference to Exhibit 4(d) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(r) SunAmerica Inc. 1998 Long-Term Performance-Based Incentive Plan For the Chief Executive Officer	Incorporated by reference to Exhibit 4(e) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(s) SunAmerica Inc. Long-Term Performance-Based Incentive Plan Amended and Restated 1997	Incorporated by reference to Exhibit 4(f) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(t) SunAmerica Five Year Deferred Cash Plan	Incorporated by reference to Exhibit 4(a) to AIG's Registration Statement on Form S-8 (File No. 333-31346).
	(u) SunAmerica Executive Savings Plan	Incorporated by reference to Exhibit 4(b) to AIG's Registration Statement on Form S-8 (File No. 333-31346).
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.
23	Consent of PricewaterhouseCoopers LLP	Filed herewith.
24	Power of attorney	Included on the signature page hereof.
27	Financial Data Schedule	Provided herewith.
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, No. 33-57250, No. 33-60327, No. 33-60827, No. 33-62821, No. 333-21365, No. 333-48639, No. 333-58095, No. 333-70069 No. 333-74187, No. 333-83813, No. 333-31024 and No. 333-31346)	Filed herewith.

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* 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.

** All material contracts are management contracts or compensatory plans or arrangements.

Exhibit 11

Computation of Earnings Per Share

American International Group, Inc. and Subsidiaries

(in millions, except per share amounts)

Years Ended December 31,	1999(a)	1998(b)	1997(b)	1996(b)	1995(b)
Numerator:					
Basic:					
Net income	$ 5,055	$ 4,282	$ 3,711	$ 3,171	$ 2,704
Dividends on preferred stocks	--	(12)	(18)	(27)	(29)
Net income applicable to common stock	5,055	4,270	3,693	3,144	2,675
Diluted:					
Net income	5,055	4,282	3,711	3,171	2,704
Dividends on non-convertible preferred stock	--	--	(6)	(12)	(15)
Net income applicable to common stock	5,055	4,282	3,705	3,159	2,689
Denominator:					
Basic:					
Average shares outstanding used in the computation of per share earnings:					
Common stock issued	1,664	1,632	1,618	1,610	1,596
Common stock in treasury	(116)	(111)	(107)	(99)	(90)
Common stock issued and outstanding but not vested to participants under various employee stock plans	--	(3)	(3)	(3)	(3)
Average shares outstanding-basic	1,548	1,518	1,508	1,508	1,503
Diluted:					
Average shares outstanding used in the computation of per share earnings:					
Common stock issued	1,664	1,632	1,618	1,610	1,596
Common stock in treasury	(116)	(111)	(107)	(99)	(90)
Stock options and stock purchase plan (treasury stock method)	19	15	11	10	9
Average number of shares issuable upon conversion of Series D Mandatory Conversion Premium Dividend Preferred Stock	--	--	--	4	22
Average number of shares issuable upon conversion of Series E Mandatory Conversion Premium Dividend Preferred Stock	--	14	16	18	--
Average number of shares issuable upon conversion of Premium Equity Redemption Cumulative Security Units	--	4	4	--	--
Average shares outstanding-diluted	1,567	1,554	1,542	1,543	1,537
Earnings per share:					
Basic	$ 3.27	$ 2.81	$ 2.45	$ 2.08	$ 1.78
Diluted	$ 3.23	$ 2.75	$ 2.40	$ 2.05	$ 1.75

(a) The number of common shares outstanding as of December 31, 1999 was 1,549. The number of common shares that would have been outstanding as of December 31, 1999 assuming the exercise or issuance of all dilutive potential common shares outstanding was 1,569.

(b) Share information reflects a common stock split in the form of a 25 percent common stock dividend paid July 30, 1999 and common stock splits in the form of 50 percent common stock dividends paid July 31, 1998, July 25, 1997 and July 28, 1995.

Exhibit 12

Computation of Ratios of
Earnings to Fixed Charges American International Group, Inc. and Subsidiaries

(in millions, except ratios)

Years Ended December 31,	1999	1998	1997	1996	1995
Income before income taxes, minority interest and cumulative effect of accounting change	$7,512	$6,277	$5,310	$4,468	$3,783
Less-Equity income of less than 50% owned persons	22	98	120	121	91
Add-Dividends from less than 50% owned persons	13	24	30	13	6
	7,503	6,203	5,220	4,360	3,698
Add-Fixed charges	2,357	2,172	1,954	1,697	1,550
Less-Capitalized interest	60	86	60	61	51
Income before income taxes, minority interest cumulative effect of accounting change and fixed charges	$9,800	$8,289	$7,114	$5,996	$5,197
Fixed charges:					
Interest costs	$2,251	$2,076	$1,870	$1,621	$1,478
Rental expense *	106	96	84	76	72
Total fixed charges	$2,357	$2,172	$1,954	$1,697	$1,550
Ratio of earnings to fixed charges	4.16	3.82	3.64	3.53	3.35

* The proportion deemed representative of the interest factor.

The ratios shown are significantly affected as a result of the inclusion of the fixed charges and operating results of AIG Financial Products Corp. and its subsidiaries (AIGFP). AIGFP structures borrowings through guaranteed investment agreements and engages in other complex financial transactions, including interest rate and currency swaps. In the course of its business, AIGFP enters into borrowings that are primarily used to purchase assets that yield rates greater than the rates on the borrowings with the intent of earning a profit on the spread and to finance the acquisition of securities utilized to hedge certain transactions. The pro forma ratios of earnings to fixed charges, excluding the effects of the operating results of AIGFP, are 6.96, 5.93, 5.48, 5.29 and 4.85 for 1999, 1998, 1997, 1996 and 1995, 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)
AIG Asset Management Group, Inc.	Delaware	100%
AIG Capital Partners, Inc.	Delaware	100%
AIG Aviation, Inc.	Georgia	100%
AIG Capital Corp.	Delaware	100%
AIG Capital Management Corp.	Delaware	100%
AIG Claim Services, Inc.	Delaware	100%
AIG Consumer Finance, Inc.	Delaware	100%
AIG Credit Corp.	Delaware	100%
AICCO	New Hampshire	100%
Imperial Premium Finance, Inc.	California	100%
Imperial Premium Finance, Inc.	Delaware	100%
AIG Finance Holdings, Inc.	New York	100%
AIG Finance (Hong Kong) Limited	Hong Kong	100%
AIG Financial Products Corp.	Delaware	100%
AIG Funding, Inc.	Delaware	100%
AIG Global Investment Group, Inc.	Delaware	100%
AIG Global Trade & Political Risk Insurance Company	New Jersey	100%
AIG Life Insurance Company	Delaware	78.9%(5)
AIG Life Insurance Company of Canada	Canada	100%
AIG Life Insurance Company of Puerto Rico	Puerto Rico	100%
AIG Marketing, Inc.	Delaware	100%
AIG Private Bank Ltd.	Switzerland	100%
AIG Risk Management, Inc.	New York	100%
AIG Trading Group Inc.	Delaware	80%
AIU Insurance Company	New York	52%(6)
AIU North America, Inc.	New York	100%
American Home	New York	100%
AIG Hawaii Insurance Company, Inc.	Hawaii	100%
American International Insurance Company	New York	100%
American International Insurance Company of California, Inc.	California	100%
American International Insurance Company of New Jersey	New Jersey	100%
Minnesota Insurance Company	Minnesota	100%
Transatlantic Holdings, Inc.	Delaware	33.8%(7)
Transatlantic Reinsurance Company	New York	100%
Putnam Reinsurance Company	New York	100%
Trans Re Zurich	Switzerland	100%
American International Group Data Center, Inc.	New Hampshire	100%
American International Life Assurance Company of New York	New York	77.52%(8)
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%
American International Underwriters Corporation	New York	100%

Subsidiaries of Registrant--(continued)

Name of Corporation	Jurisdiction of Incorporation	% of Voting Securities Owned by its Immediate Parent(1)
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%
AIG Brasil Holding Ltd.	Brazil	73.6%(9)
Kenya American Insurance Company Limited	Kenya	100%
ALICO	France	89%
American Security Life Insurance Company, Ltd.	Switzerland	99.8%
Birmingham Fire Insurance Company of Pennsylvania	Pennsylvania	100%
China America Insurance Company, Ltd.	Delaware	50%
Commerce and Industry Insurance Company	New York	100%
Commerce and Industry Insurance Company of Canada	Ontario	100%
Delaware American Life Insurance Company	Delaware	100%
Hawaii Insurance Consultants, Ltd.	Hawaii	100%
The Insurance Company of the State of Pennsylvania	Pennsylvania	100%
Landmark Insurance Company	California	100%
Le Metropolitana de Seguros, C. por A	Dominican Republic	100%
Mt. Mansfield Company, Inc.	Vermont	100%
National Union	Pennsylvania	100%
American International Specialty Lines Insurance Company	Alaska	70%(10)
International Lease Finance Corporation	California	100%
Lexington	Delaware	70%(10)
JI Accident & Fire Insurance Co. Ltd.	Japan	50%
National Union Fire Insurance Company of Louisiana	Louisiana	100%
21st Century Insurance Group	California	31.7%(11)
21st Century Insurance Company	California	100%
21st Century Casualty Company	California	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	(12)
A.I. Network Corporation	New Hampshire	100%
Marketpac International, Inc.	Delaware	100%
American International Pacific Insurance Company	Colorado	100%
American International South Insurance Company	Pennsylvania	100%
Granite State Insurance Company	Pennsylvania	100%
New Hampshire Indemnity Company, Inc.	Pennsylvania	100%
AIG National Insurance Company, Inc.	New York	100%
Illinois National Insurance Co.	Illinois	100%
New Hampshire Insurance Services, Inc.	New Hampshire	100%

Subsidiaries of Registrant--(continued)

Name of Corporation	Jurisdiction of Incorporation	% of Voting Securities Owned by its Immediate Parent(1)
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%
Pine Street Real Estate Holdings Corp.	New Hampshire	(13)
American International Realty Corp.	Delaware	100%
Risk Specialist Companies, Inc.	Delaware	100%
SunAmerica Inc.	Delaware	100%
SunAmerica Investments, Inc.	Georgia	100%
SunAmerica Financial Network, Inc.	Maryland	100%
Advantage Capital Corp.	New York	100%
FSC Securities, Inc.	Delaware	100%
Sentra Securities Corp.	California	100%
Spelman & Co., Inc.	California	100%
SunAmerica Securities, Inc.	Delaware	100%
Resources Trust Company	Colorado	100%
SunAmerica Life Insurance Company	Arizona	100%
First SunAmerica Life Insurance Company	New York	100%
Anchor National Life Insurance Company	Arizona	100%
Royal Alliance Associates, Inc.	Delaware	100%
SunAmerica Asset Management Corp.	Delaware	100%
SunAmerica Capital Services, Inc.	Delaware	100%
21st Century Insurance Company of Arizona	Arizona	51%(14)
UGC	North Carolina	36.31%(15)
United Guaranty Insurance Company	North Carolina	100%
United Guaranty Mortgage Insurance Company	North Carolina	100%
United Guaranty Mortgage Insurance Company of North Carolina	North Carolina	100%
United Guaranty Residential Insurance Company of North Carolina	North Carolina	100%
United Guaranty Residential Insurance Company	North Carolina	75%(16)
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 executive officers of AIG as a group own 85.54 percent of the voting common stock of Starr and 75 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 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 13.7 percent by SICO, 2.0 percent by Starr and 2.8 percent by The Starr Foundation.
(5) Also owned 21.1 percent by Commerce & Industry Insurance Company.
(6) Also owned 8 percent by The Insurance Company of the State of Pennsylvania, 32 percent by National Union, and 8 percent by Birmingham.
(7) Also owned 25.6 percent by American International Group, Inc.
(8) Also owned 22.48 percent by American Home.
(9) Also owned 26.4 percent by American International Group, Inc.
(10) Also owned 20 percent by The Insurance Company of the State of Pennsylvania and 10 percent by Birmingham.
(11) Also owned 16.4 percent by American Home, 6.2 percent by Commerce & Industry Insurance Company and 6.2 percent by New Hampshire.
(12) 100 percent to be held with other AIG companies.
(13) Owned by 13 AIG subsidiaries.
(14) Also owned 49 percent by 21st Century Insurance Group.
(15) 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.
(16) Also owned 25 percent by United Guaranty Residential Insurance Company of North Carolina.

Exhibit 23

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the 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, No. 33-57250, No. 33-60327, No. 33-60827, No. 33-62821, No. 333-21365, No. 333-48639, No. 333- 58095, No. 333-70069, No. 333-74187, No. 333-83813, No. 333-31024 and No. 333-31346) of American International Group, Inc. of our report dated February 9, 2000, relating to the consolidated financial statements and financial statement schedules, which appears in this Form 10-K. We also consent to the reference to our firm under the headings "Financial Statements" or "Experts" included in the Prospectuses.

PricewaterhouseCoopers LLP

New York, New York
March 30, 2000.

7
1,000,000
U.S. DOLLARS

YEAR
DEC-31-1999
JAN-01-1999
DEC-31-1999
1
77,028
12,078
12,202
6,714
7,139
1,620
185,882
132
19,368
9,624
268,238
72,860
11,450
0
45,785
23,554
0
0
4,152
29,154
268,238
27,486
8,723
122
(197)
23,608
2,419
3,990
7,512
2,219
5,055
0
0
0
5,055
3.27
3.23
24,619
12,122
(384)
4,978
6,779
24,600
382

Amount represents Income before income taxes and minority interest.
Earnings per share information reflects a common stock split in the form of a 25 percent common stock dividend paid July 30, 1999. Prior period financial data schedules have not been restated for this stock split

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, 1999

(in millions)

Type of Investment	Cost*	Value	Amount at which shown in the Balance Sheet
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 2,501	$ 2,485	$ 2,486
States, municipalities and political subdivisions	21,799	21,673	21,546
Foreign governments	15,527	15,901	15,901
Public utilities	4,921	5,129	5,129
All other corporate	46,603	45,080	45,080
Total bonds	91,351	90,268	90,142
Preferred stocks	2	--	2
Total fixed maturities	91,353	90,268	90,144
Equity securities:			
Common stocks:			
Public utilities	217	245	245
Banks, trust and insurance companies	604	655	655
Industrial, miscellaneous and all other	4,675	5,102	5,102
Total common stocks	5,496	6,002	6,002
Non-redeemable preferred stocks	718	712	712
Total equity securities	6,214	6,714	6,714
Mortgage loans on real estate, policy and collateral loans	12,134	12,134	12,134
Financial services assets:			
Flight equipment primarily under operating leases, net of accumulated depreciation	17,334	--	17,334
Securities available for sale, at market value	12,920	12,954	12,954
Trading securities, at market value	--	4,391	4,391
Spot commodities, at market value	--	683	683
Unrealized gain on interest rate and currency swaps, options and forward transactions	--	7,931	7,931
Trading assets	5,793	--	5,793
Securities purchased under agreements to resell, at contract value	10,897	--	10,897
Other invested assets	9,900	--	9,900
Short-term investments, at cost (approximates market value)	7,007	--	7,007
Total investments	$173,552	$ --	$185,882

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

Schedule II

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

(in millions)

December 31,	1999	1998
Assets:		
Cash	$ 3	$ 2
Short-term investments	1	10
Invested assets	760	815
Carrying value of subsidiaries and partially-owned companies, at equity	34,603	31,982
Premiums and insurance balances receivable-net	113	56
Other assets	377	440
Total assets	35,857	33,305
Liabilities:		
Insurance balances payable	285	229
Due to affiliates-net	861	748
Medium term notes payable	481	467
Term notes payable	432	988
Zero coupon notes	114	102
Italian Lire bonds	159	159
Other liabilities	219	489
Total liabilities	2,551	3,182
Capital funds:		
Preferred stock	--	248
Common stock	4,152	3,284
Additional paid-in capital	2,080	1,319
Retained earnings	31,040	27,110
Accumulated other comprehensive income	(2,103)	(10)
Treasury stock	(1,863)	(1,828)
Total capital funds	33,306	30,123
Total liabilities and capital funds	$ 35,857	$ 33,305

STATEMENT OF INCOME--PARENT COMPANY ONLY

(in millions)

Years Ended December 31,	1999	1998	1997
Agency loss	$ (13)	$ (6)	$ --
Financial services income	246	263	106
Asset management income	5	--	--
Dividend income from consolidated subsidiaries:			
Cash	1,049	856	1,458
Other	30	--	--
Dividend income from partially-owned companies	7	14	22
Equity in undistributed net income of consolidated subsidiaries and partially-owned companies	4,180	3,737	2,793
Other income (deductions)-net	(162)	(210)	(375)
Income before income taxes	5,342	4,654	4,004
Income taxes	287	372	293
Net income	$ 5,055	$ 4,282	$ 3,711

Schedule II

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

(in millions)

Years Ended December 31,	1999	1998	1997
Cash flows from operating activities:			
Net income	$5,055	$ 4,282	$ 3,711
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	(4,180)	(3,737)	(2,793)
Change in premiums and insurance balances receivable and payable-net	(1)	30	32
Change in cumulative translation adjustments	(99)	(18)	41
Other-net	(144)	178	414
Total adjustments	(4,424)	(3,547)	(2,306)
Net cash provided by operating activities	631	735	1,405
Cash flows from investing activities:			
Purchase of investments	(44)	(154)	(12)
Sale of investments	62	__	2
Change in short-term investments	9	(9)	(1)
Change in collateral and guaranteed loans	18	(25)	(237)
Contributions to subsidiaries and investments in partially-owned companies	(415)	(444)	(1,823)
Other-net	(39)	(36)	(3)
Net cash used in investing activities	(409)	(668)	(2,074)
Cash flows from financing activities:			
Change in medium term notes	14	(29)	108
Change in term notes	(556)	100	563
Proceeds from common stock issued	220	40	614
Change in loans payable	217	218	44
Net proceeds from issuance of preferred securities of subsidiary grantor trusts	__	__	300
Payment for redemption of preferred securities of subsidiary grantor trusts	__	__	(55)
Payment for redemption of preferred stock	__	__	(137)
Cash dividends to shareholders	(303)	(324)	(267)
Acquisition of treasury stock	(275)	(81)	(508)
Proceeds from redemption of Premium Equity Redemption Cumulative security Units	431	--	--
Other-net	31	7	10
Net cash provided by (used in) financing activities	(221)	(69)	(672)
Change in cash	1	(2)	3
Cash at beginning of year	2	4	1
Cash at end of year	$ 3	$ 2	$ 4

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 1998 and 1997 financial statements to conform to their 1999 presentation.
(3) "Equity in undistributed net income of consolidated subsidiaries and partially-owned companies" in the accompanying Statement of Income--Parent Company Only--includes equity in income of the minority-owned insurance operations.
(4) See also Notes to Consolidated Financial Statements.

Schedule III

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
As of December 31, 1999, 1998 and 1997 and for the years then ended

(in millions)

Segment	Deferred Policy Acquisition Costs	Reserves for Losses and Loss Expenses, Future Policy Benefits(a)	Reserve for Unearned Premiums	Policy and Contract Claims(b)	Premium Revenue
1999					
General insurance	$ 2,132	$38,252	$11,450	$ --	$15,544
Life insurance	7,492	34,608	--	942	11,942
	$ 9,624	$72,860	$11,450	$ 942	$27,486
1998					
General insurance	$ 1,852	$38,310	$10,009	$ --	$14,098
Life insurance	6,229	29,571	--	1,135	10,293
	$ 8,081	$67,881	$10,009	$ 1,135	$24,391
1997					
General insurance	$ 1,637	$33,400	$ 8,739	$ --	$12,421
Life insurance	5,515	24,502	--	795	9,956
	$ 7,152	$57,902	$ 8,739	$ 795	$22,377

(in millions)

Segment	Net Investment Income	Losses and Loss Expenses Incurred, Benefits	Amortization of Deferred Policy Acquisition Costs(c)	Other Operating Expenses	Net Premiums Written
1999					
General insurance	$ 2,517	$11,738	$ 1,528	$ 1,609	$16,224
Life insurance	6,206	11,870	891	2,381	--
	$ 8,723	$23,608	$ 2,419	$ 3,990	$16,224
1998					
General insurance	$ 2,192	$10,657	$ 1,358	$ 1,552	$14,586
Life insurance	5,201	10,242	759	2,046	--
	$ 7,393	$20,899	$ 2,117	$ 3,598	$14,586
1997					
General insurance	$ 1,854	$ 9,356	$ 1,216	$ 1,359	$13,408
Life insurance	4,521	9,770	874	1,776	--
	$ 6,375	$19,126	$ 2,090	$ 3,135	$13,408

(a) Reserves for losses and loss expenses with respect to the general insurance operations are net of discounts of $1.08 billion, $551 million and $249 million for 1999, 1998 and 1997, respectively.
(b) Reflected in insurance balances payable on the accompanying balance sheet.
(c) Amounts shown for general insurance segment exclude amounts deferred and amortized in the same period.

Schedule IV

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
REINSURANCE
As of December 31, 1999, 1998 and 1997 and for the years then ended

(dollars in millions)

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percent of Amount Assumed to Net
1999					
Life insurance in-force	$583,670	$ 69,535	$ 1,289	$515,424	0.3%
Premiums:					
General insurance	$ 18,660	$ 6,345	$ 3,909(a)	$ 16,224	24.1%
Life insurance	12,220	310	32	11,942(b)	0.3
Total premiums	$ 30,880	$ 6,655	$ 3,941	$ 28,166	14.0%
1998					
Life insurance in-force	$502,241	$ 62,768	$ 1,408	$440,881	0.3%
Premiums:					
General insurance	$ 17,931	$ 6,098	$ 2,753(a)	$ 14,586	18.9%
Life insurance	10,550	285	28	10,293(b)	0.3
Total premiums	$ 28,481	$ 6,383	$ 2,781	$ 24,879	11.2%
1997					
Life insurance in-force	$442,080	$ 56,971	$ 1,243	$386,352	0.3%
Premiums:					
General insurance	$ 17,097	$ 5,334	$ 1,645	$ 13,408	12.3%
Life insurance	10,221	286	21	9,956(b)	0.2
Total premiums	$ 27,318	$ 5,620	$ 1,666	$ 23,364	7.1%

(a) The increase results from the consolidation of Transatlantic, which is a reinsurance company.
(b) Includes accident and health premiums of $2.25 billion, $1.88 billion and $1.71 billion in 1999, 1998 and 1997, respectively.