

## PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED FEBRUARY 20, 1996

U.S. \$747,000,000

AMERICAN INTERNATIONAL GROUP, INC.

MEDIUM-TERM NOTES, SERIES E

DUE FROM 9 MONTHS TO 30 YEARS FROM DATE OF ISSUE  
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American International Group, Inc. ("AIG") may offer from time to time its Medium-Term Notes which are issuable in one or more series. The Medium-Term Notes, Series E (the "Series E Notes") offered by this Prospectus Supplement are offered at an aggregate initial offering price not to exceed U.S. \$747,000,000 or its equivalent in another currency or composite currency. Each Series E Note will mature on a business day from nine months to thirty years from its date of issue, as selected by the investor and agreed to by AIG.

The Series E Notes may be denominated in U.S. dollars or in such foreign currencies or composite currencies as may be designated by AIG at the time of offering. The specific currency or composite currency, interest rate (if any), issue price and maturity date of any Series E Note will be set forth in the related Pricing Supplement to this Prospectus Supplement ("Pricing Supplement"). The Series E Notes may also be issued with the principal, interest and/or premium, if any, to be determined by reference to an index (e.g., a currency exchange rate or rates, the value of a particular security or commodity, a securities or commodities exchange rate, or any other index or indices) ("Indexed Series E Notes"), as specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, Series E Notes denominated in other than U.S. dollars or a composite currency will not be sold in, or to residents of, the country issuing the Specified Currency. See "Description of Series E Notes".

The Series E Notes may not be redeemed by AIG prior to their Stated Maturity unless a Redemption Commencement Date is specified in the applicable Pricing Supplement. If a Redemption Commencement Date is so specified, the Series E Notes will be redeemable at the option of AIG at any time on or after such date as described herein. The Series E Notes will be issued in fully registered form in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The authorized denominations of any Series E Note denominated in other than U.S. dollars will be specified in the applicable Pricing Supplement. See "Description of Series E Notes".

The interest rate on each Series E Note will be established by AIG at the date of issuance of such Series E Note and will be specified in a Pricing Supplement. Interest rates are subject to change by AIG, but no change will affect any Series E Note already issued or which AIG has agreed to issue. Unless otherwise specified in the applicable Pricing Supplement, each Series E Note will bear interest at a fixed rate (the "Fixed Rate Notes") or at a variable rate or rates determined by reference to an interest rate formula ("Floating Rate Notes"), applicable to such Series E Note. See "Description of Series E Notes".

Interest on Fixed Rate Notes will be payable each June 1 and December 1 and at Maturity. Interest on Floating Rate Notes will be payable on the dates specified therein and in the applicable Pricing Supplement. Zero Coupon Notes will not bear interest.

Unless otherwise specified in the applicable Pricing Supplement, the Series E Notes will be represented by one or more global securities registered in the name of a nominee of The Depository Trust Company, as Depository (the "Global Notes"). Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Depository and its participants. So long as the Depository or its nominee is the registered owner of any global security, the Depository or its nominee, as the case may be, will be considered the sole owner or holder of the Global Note or Series E Notes represented by such global security.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF ANY PRICING SUPPLEMENT, THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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PRICE TO  
PUBLIC(1)AGENTS'  
COMMISSIONS(2)PROCEEDS TO  
AIG(2)(3)

Per Series E Note.....	100%	.125%-.750%	99.250%-99.875%
Total.....	U.S. \$747,000,000	U.S. \$933,750-\$5,602,500	U.S. \$741,397,500-\$746,066,250

- (1) Unless otherwise specified in the applicable Pricing Supplement, Series E Notes will be issued at 100% of their principal amount.
- (2) AIG will pay to each firm listed below (collectively, the "Agents") a commission of .125% to .750%, depending upon maturity, of the principal amount of any Series E Note sold through such firm as agent. AIG has agreed to indemnify the Agents against certain liabilities, including liabilities under the Securities Act of 1933. See "Plan of Distribution of Series E Notes".
- (3) Proceeds to AIG are before deducting other expenses payable by AIG, estimated at up to U.S. \$175,000, including reimbursement of the Agents' expenses.

Offers to purchase Series E Notes are being solicited, on a best efforts basis, from time to time by the Agents on behalf of AIG. Series E Notes may be sold to each of the Agents on its own behalf at negotiated discounts. AIG reserves the right to sell the Series E Notes directly on its own behalf. AIG also reserves the right to withdraw, cancel or modify the offering contemplated hereby without notice. No termination date for the offering of the Series E Notes has been established. AIG or the soliciting Agent may reject any order as a whole or in part. See "Plan of Distribution of Series E Notes". The Series E Notes will not be listed on any securities exchange, and there can be no assurance that the Series E Notes offered by this Prospectus Supplement will be sold or that there will be a secondary market for the Series E Notes.

GOLDMAN, SACHS & CO.  
MERRILL LYNCH & CO.  
MORGAN STANLEY & CO.  
INCORPORATED  
SALOMON BROTHERS INC

The date of this Prospectus Supplement is June 11, 1996.

IN CONNECTION WITH THE DISTRIBUTION OF THE NOTES, THE AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS IN THE NOTES WITH A VIEW TO STABILIZING OR MAINTAINING THE MARKET PRICE OF THE NOTES AT LEVELS OTHER THAN THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN ANY OVER-THE-COUNTER MARKET OR OTHERWISE AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

#### DESCRIPTION OF SERIES E NOTES

##### GENERAL

The following description of the particular terms of the Series E Notes offered hereby (referred to in the Prospectus as "Offered Debt Securities") supplements, and to the extent inconsistent therewith, replaces the description of the general terms and provisions of Debt Securities set forth in the Prospectus, to which description reference is hereby made. The terms and conditions set forth below will apply to each Series E Note unless otherwise specified herein or in the applicable Pricing Supplement.

The Series E Notes constitute a single series for purposes of the Indenture (which term as used herein includes the Indenture, dated as of July 15, 1989, as it may be amended and supplemented from time to time), which series is limited to \$747,000,000 aggregate principal amount. For a description of the rights attaching to different series of Debt Securities under the Indenture, see "Description of Debt Securities" in the Prospectus.

Unless a Series E Note is previously redeemed or its maturity is accelerated, such Series E Note will mature on the date ("Stated Maturity") from nine months to thirty years from its date of issue that is specified on the face thereof and in the applicable Pricing Supplement or, if such Series E Note is a Floating Rate Note and such specified date is not a Market Day with respect to such Series E Note, the next succeeding Market Day (and no additional interest shall accrue and be payable for the period from and after such specified date) or, in the case of a LIBOR Note, if such next succeeding Market Day falls in the next calendar month, the immediately preceding Market Day.

Each Series E Note will be denominated in a currency or composite currency ("Specified Currency") as specified on the face thereof and in the applicable Pricing Supplement. Purchasers of the Series E Notes are required to pay for them by delivery of the requisite amount of the Specified Currency to an Agent, unless other arrangements have been made. Unless otherwise specified in the applicable Pricing Supplement, payments on the Series E Notes will be made in the applicable Specified Currency in the country issuing the Specified Currency (or, in the case of European Currency Units ("ECUs"), in Brussels), provided that, at the election of the Holder thereof and in certain circumstances at the option of AIG, payments on Series E Notes denominated in a Specified Currency other than U.S. dollars may be made in U.S. dollars. See "Payment of Principal and Interest".

The Series E Notes will be represented by either a Global Note registered in the name of a nominee of the Depositary or a certificate issued in definitive registered form, without coupons ("Certificated Notes"), as set forth in the applicable Pricing Supplement. Except as set forth under "Book-Entry System" below, Global Notes will not be issuable in certificated form. So long as the Depositary or its nominee is the registered owner of any global security, the Depositary or its nominee, as the case may be, will be considered the sole owner or holder of the Global Note or Series E Notes represented by such global security for all purposes under the Indenture and the Global Notes. Series E Notes not denominated in U.S. dollars ("Foreign Currency Notes") may be represented either by Global Notes or by Certificated Notes, as specified in the applicable Pricing Supplement. The authorized denominations of any Global Note denominated in U.S. dollars will be \$100,000 and integral multiples of \$1,000 in excess thereof. The authorized denominations of any Foreign Currency Note will be specified in the applicable Pricing Supplement; however, no Series E Note will be issued in an aggregate principal amount of less than U.S. \$100,000 or the equivalent thereof in other currencies or composite currencies.

Series E Notes will be sold in individual issues of Series E Notes having such interest rate or interest rate formula, if any, Stated Maturity, date of original issuance and any additional terms as shall be selected by the initial purchasers and agreed to by AIG. Unless otherwise indicated in the applicable Pricing Supplement, each Series E Note, except any Zero Coupon Note, will bear interest at a fixed rate or at a rate determined by reference to the Commercial Paper Rate, the Prime Rate, LIBOR, the Treasury Rate, the CD Rate or the Federal Funds Rate, as adjusted by the Spread or Spread Multiplier, if any, applicable to such Series E Note. See "Interest Rate". A "Zero Coupon Note" is a Series E Note which is issued at a discount from the principal amount payable at the stated maturity thereof, on which Holders of Zero Coupon Notes will not receive periodic payments of interest.

The Series E Notes may be issued as Original Issue Discount Notes. An Original Issue Discount Note is a Series E Note, including any Zero Coupon Note, which is issued at a price lower than the principal amount thereof and which provides that upon redemption or acceleration of the maturity thereof an amount less than the principal thereof shall become due and payable. In the event of redemption or acceleration of the maturity of an Original Issue Discount Note, the amount payable to the Holder of such Series E Note upon such redemption or acceleration will be determined in accordance with the terms of such Series E Note, but will be an amount less than the amount payable at the Stated Maturity of such Series E Note. In addition, a Series E Note issued at a discount may, for United States federal income tax purposes, be considered an original issue discount note, regardless of the amount payable upon redemption or acceleration of maturity of such Note. See "United States Taxation -- United States Holders -- Original Issue Discount".

The Series E Notes may be issued with principal, interest and/or premium, if any, to be determined with reference to an index (e.g., a currency exchange rate or rates, the value of a particular security or commodity, a securities or commodities exchange rate, or any other index or indices). A Pricing Supplement relating to an Indexed Series E Note will set forth the index, the method by and terms on which the amount of principal (payable at or prior to maturity), interest and/or premium, if any, will be determined, significant United States federal income tax consequences to holders of Indexed Series E Notes, a description of certain risks associated with investments in Indexed Series E Notes and other information relating to such Indexed Series E Notes.

The Series E Notes will not be subject to any sinking fund and, unless a Redemption Commencement Date is specified in the applicable Pricing Supplement, will not be redeemable prior to their Stated Maturity. If a Redemption Commencement Date is so specified with respect to any Series E Note, the applicable Pricing Supplement will also specify one or more redemption prices (expressed as a percentage of the principal amount of such Series E Note) ("Redemption Prices") and the redemption period or periods ("Redemption Periods") during which such Redemption Prices shall apply. Unless otherwise specified in the Pricing Supplement, any such Series E Note shall be redeemable at the option of AIG at any time on or after such specified Redemption Commencement Date at the specified Redemption Price applicable to the Redemption Period during which such Series E Note is to be redeemed, together with interest accrued to the redemption date.

Certificated Series E Notes may be registered for transfer or exchange at the Corporate Trust Office of The Bank of New York in the Borough of Manhattan, The City of New York. The transfer or exchange of beneficial interests in Global Notes will be effected as specified in "Book-Entry System" below.

Unless otherwise specified in the applicable Pricing Supplement, all Fixed Rate Notes denominated in U.S. dollars will be subject to defeasance and covenant defeasance as described in the Prospectus under "Description of Debt Securities -- Defeasance and Covenant Defeasance".

#### INTEREST RATE

Each Series E Note, other than a Zero Coupon Note, will bear interest from its date of issue or from the most recent Interest Payment Date (or, if such Series E Note is a Floating Rate Note and

the Interest Reset Dates are weekly, from the day following the most recent Regular Record Date) to which interest on such Series E Note has been paid or duly provided for at the fixed rate per annum, or at the rate per annum determined pursuant to the interest rate formula, stated therein and in the applicable Pricing Supplement until the principal thereof is paid or made available for payment. Interest will be payable on each Interest Payment Date and on the date on which the principal on such Series E Note becomes due and payable, whether at Stated Maturity or by declaration of acceleration, call for redemption or otherwise ("Maturity") as specified below under "Payment of Principal and Interest".

Each Series E Note, other than a Zero Coupon Note, will bear interest at either (a) a fixed rate (a "Fixed Rate Note") or (b) a variable rate determined by reference to an interest rate formula (a "Floating Rate Note"), which may be adjusted by adding or subtracting the Spread or multiplying by the Spread Multiplier (each term as defined below). A Floating Rate Note may also have either or both of the following: (a) a maximum numerical interest rate limitation, or ceiling, on the rate of interest which may accrue during any interest period (a "Maximum Rate"); and (b) a minimum numerical interest rate limitation, or floor, on the rate of interest which may accrue during any interest period (a "Minimum Rate"). The "Spread" is the number of basis points specified in the applicable Pricing Supplement as being applicable to the interest rate for such Series E Note and the "Spread Multiplier" is the percentage specified in the applicable Pricing Supplement as being applicable to the interest rate for such Series E Note. The term "Business Day", as used herein with respect to any particular location, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in such location are authorized or obligated by law or executive order to close. "Market Day" means (a) with respect to any Series E Note (other than any LIBOR Note), any Business Day in The City of New York, and (b) with respect to any LIBOR Note, any such Business Day on which dealings in deposits in U.S. dollars are transacted in the London interbank market. "Index Maturity" means, with respect to a Floating Rate Note, the period on which the interest rate formula is based, as specified in the applicable Pricing Supplement. Unless otherwise provided in the applicable Pricing Supplement, The Bank of New York will be the calculation agent (the "Calculation Agent") with respect to the Floating Rate Notes. AIG or an affiliate thereof may also serve as the Calculation Agent.

The applicable Pricing Supplement relating to a Fixed Rate Note will designate a fixed rate of interest per annum payable on such Fixed Rate Note. The applicable Pricing Supplement relating to a Floating Rate Note will designate an interest rate basis (the "Interest Rate Basis") for such Floating Rate Note. The Interest Rate Basis for each Floating Rate Note will be based on one of the following: (a) the Commercial Paper Rate, in which case such Series E Note will be a Commercial Paper Rate Note; (b) the Prime Rate, in which case such Series E Note will be a Prime Rate Note; (c) LIBOR, in which case such Series E Note will be a LIBOR Note; (d) the Treasury Rate, in which case such Series E Note will be a Treasury Rate Note; (e) the CD Rate, in which case such Series E Note will be a CD Rate Note; (f) the Federal Funds Rate, in which case such Series E Note will be a Federal Funds Rate Note; or (g) such other interest rate formula as is set forth in such Pricing Supplement. The applicable Pricing Supplement for a Floating Rate Note will specify the Interest Rate Basis and, if applicable, the Calculation Agent, the Index Maturity, the Spread or Spread Multiplier, the Maximum Rate, the Minimum Rate, the Initial Interest Rate, the Interest Payment Dates, the Regular Record Dates, the Calculation Dates, the Interest Determination Dates and the Interest Reset Dates with respect to such Series E Note.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or otherwise as specified in the applicable Pricing Supplement (each an "Interest Reset Date"). Unless otherwise specified in the applicable Pricing Supplement, the Interest Reset Date will be, in the case of Floating Rate Notes which reset daily, each Market Day; in the case of Floating Rate Notes (other than Treasury Rate Notes) which reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes which reset weekly (except as otherwise provided in the next succeeding paragraph), the Tuesday of each week; in the case of

Floating Rate Notes which reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes which reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes which reset semi-annually, the third Wednesday of two months of each year as specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes which reset annually, the third Wednesday of one month of each year as specified in the applicable Pricing Supplement; provided, however, that (a) the interest rate in effect from the date of issue to the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate (as set forth in the applicable Pricing Supplement) and (b) except as otherwise specified in the applicable Pricing Supplement, with respect to Floating Rate Notes that reset daily or weekly, the interest rate in effect for each day following the second Market Day prior to an Interest Payment Date to, but excluding, such Interest Payment Date, and for each day following the second Market Day prior to the maturity date, shall be the rate in effect on such second Market Day. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Market Day with respect to such Floating Rate Note, the Interest Reset Date for such Floating Rate Note shall be postponed to the next day that is a Market Day with respect to such Floating Rate Note, except that, in the case of a LIBOR Note, if such Market Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Market Day.

The Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note (the "LIBOR Interest Determination Date") and for a CD Rate Note (the "CD Rate Interest Determination Date") will be the second Market Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Commercial Paper Rate Note (the "Commercial Paper Interest Determination Date"), for a Prime Rate Note (the "Prime Rate Interest Determination Date"), and for a Federal Funds Rate Note (the "Federal Funds Rate Interest Determination Date") will be the first Market Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the "Treasury Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date shall instead be the first Market Day immediately following such auction date.

All percentages resulting from any calculations referred to in this Prospectus Supplement will be rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point (e.g., 9.876541% (or .09876541) being rounded to 9.87655% (or .0987655)), and all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded upwards).

In addition to any maximum interest rate which may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law the maximum rate of interest is 25% per annum on a simple interest basis, with certain exceptions. The limit does not apply to Floating Rate Notes in which U.S. \$2,500,000 or more has been invested.

Upon the request of the Holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate which will become effective on the next Interest Reset Date with respect to such Floating Rate Note. The Calculation Agent's determination of any interest rate will be final and binding in the absence of manifest error.

## FIXED RATE NOTES

Each Fixed Rate Note will bear interest from its date of issue at the annual interest rate stated on the face thereof. The Interest Payment Dates for the Fixed Rate Notes will be June 1 and December 1 of each year and the Regular Record Dates will be May 15 and November 15 of each year. The first payment of interest on any Fixed Rate Note originally issued between a Regular Record Date and an Interest Payment Date shall be made on the Interest Payment Date following the next succeeding Regular Record Date. Interest on Fixed Rate Notes will be computed and paid on the basis of a 360-day year of twelve 30-day months.

## COMMERCIAL PAPER RATE NOTES

Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of the Commercial Paper Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a Commercial Paper Interest Determination Date will be the tenth day after such Commercial Paper Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Reset Date, the Money Market Yield (calculated as described below) of the per annum rate (quoted on a bank discount basis) for the relevant Commercial Paper Interest Determination Date for commercial paper having the specified Index Maturity as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "Commercial Paper". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the Commercial Paper Rate with respect to such Interest Reset Date shall be the Money Market Yield of such rate on such Commercial Paper Interest Determination Date for commercial paper having the specified Index Maturity as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication published by the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Commercial Paper". If by 3:30 P.M., New York City time, on such Calculation Date such rate is not yet published in Composite Quotations, the Commercial Paper Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered per annum rates (quoted on a bank discount basis), as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized statistical rating agency; provided, however, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Commercial Paper Rate with respect to such Interest Reset Date will be the Commercial Paper Rate in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the per annum rate for the commercial paper, quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the period from the Interest Reset Date to but excluding the day that numerically corresponds to such Interest Reset Date (or, if there is not any such numerically corresponding day, the last day) in the calendar month

that is the number of months corresponding to the specified Index Maturity after the month in which such Interest Reset Date falls.

#### PRIME RATE NOTES

Prime Rate Notes will bear interest at the interest rates (calculated with reference to the Prime Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of the Prime Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a Prime Rate Interest Determination Date will be the tenth day after such Prime Rate Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Interest Reset Date, the rate set forth for the relevant Prime Rate Interest Determination Date in H.15(519) under the heading "Bank Prime Loan". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the Prime Rate with respect to such Interest Reset Date will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the display designated as page "USPRIME 1" on the Reuters Monitor Money Rates Service (or such other page as may replace the USPRIME 1 page on that service for the purpose of displaying prime rates or base lending rates of major United States banks) ("Reuters Screen USPRIME 1 Page") as such bank's prime rate or base lending rate as in effect for such Prime Rate Interest Determination Date as quoted on the Reuters Screen USPRIME 1 Page on such Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME 1 Page on such Prime Rate Interest Determination Date, the Prime Rate with respect to such Interest Reset Date will be the arithmetic mean of the prime rates or base lending rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on such Prime Rate Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent; provided, however, that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Prime Rate with respect to such Interest Reset Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

#### LIBOR NOTES

LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread or Spread Multiplier, if any) and will be payable on the dates specified on the face of the LIBOR Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a LIBOR Interest Determination Date will be the tenth day after such LIBOR Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, LIBOR with respect to any Interest Reset Date will be determined by the Calculation Agent in accordance with the following provisions:

(i) On the relevant LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rate for deposits in U.S. dollars having the specified Index Maturity, commencing on the second Market Day immediately following such LIBOR Interest Determination Date, which appears on the display designated as Page 3750 on the Dow Jones Telerate Service (or such other page as may replace Page 3750 on that service for the purpose of displaying London interbank offered rates of major banks) ("Telerate Page 3750") as of 11:00 A.M., London time. If no such offered rate appears, LIBOR with respect to such Interest Reset Date will be determined as described in (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which no offered rate for the applicable Index Maturity appears on the Telerate Page 3750 as described in (i) above, LIBOR will be determined on the basis of the rates at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date at which deposits in U.S. dollars having the specified Index



Maturity are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Calculation Agent commencing on the second Market Day immediately following such LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that in the Calculation Agent's judgment is representative for a single transaction in such market at such time (a "Representative Amount"). The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on such LIBOR Interest Determination Date by three major banks in The City of New York, selected by the Calculation Agent, for loans in U.S. dollars to leading European banks having the specified Index Maturity commencing on the Interest Reset Date and in a Representative Amount; provided, however, that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, LIBOR with respect to such Interest Reset Date will be the LIBOR in effect on such LIBOR Interest Determination Date.

#### TREASURY RATE NOTES

Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread or Spread Multiplier, if any) and will be payable on the dates specified on the face of the Treasury Rate Note and in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date" with respect to a Treasury Interest Determination Date will be the tenth day after such Treasury Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Interest Reset Date, the rate for the auction on the relevant Treasury Interest Determination Date of direct obligations of the United States ("Treasury bills") having the specified Index Maturity as published in H.15(519) under the heading "U.S. Government Securities/Treasury Bills/Auction Average (Investment)" or, if not so published by 9:00 A.M., New York City time, on the relevant Calculation Date, the auction average rate (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) for such auction as otherwise announced by the United States Department of the Treasury. In the event that the results of such auction of Treasury bills having the specified Index Maturity are not published or reported as provided above by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held during such week, then the Treasury Rate shall be the rate set forth in H.15(519) for the relevant Treasury Interest Determination Date for the specified Index Maturity under the heading "U.S. Government Securities/Treasury Bills/Secondary Market". In the event such rate is not so published by 3:00 P.M., New York City time, on the relevant Calculation Date, the Treasury Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates as of approximately 3:30 P.M., New York City time, on such Treasury Interest Determination Date, of three primary United States government securities dealers in The City of New York selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity; provided, however, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Treasury Rate with respect to such Interest Reset Date will be the Treasury Rate in effect on such Treasury Interest Determination Date.

#### CD RATE NOTES

CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face

of the CD Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a CD Interest Determination Date will be the tenth day after such CD Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "CD Rate" means, with respect to any Interest Reset Date, the rate for the relevant CD Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in H.15(519) under the heading "CDs (Secondary Market)". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the CD Rate with respect to such Interest Reset Date shall be the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in Composite Quotations under the heading "Certificates of Deposit". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in Composite Quotations, the CD Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the secondary market offered rates, as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers of negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks with a remaining maturity closest to the specified Index Maturity in a denomination of U.S. \$5,000,000; provided, however, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the CD Rate with respect to such Interest Reset Date will be the CD Rate in effect on such CD Rate Interest Determination Date.

#### FEDERAL FUNDS RATE NOTES

Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of the Federal Funds Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a Federal Funds Interest Determination Date will be the tenth day after such Federal Funds Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Federal Funds Rate" means, with respect to any Interest Reset Date, the rate on the relevant Federal Funds Interest Determination Date for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the Federal Funds Rate with respect to such Interest Reset Date will be the rate on such Federal Funds Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in Composite Quotations, the Federal Funds Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the rates, as of 9:00 A.M., New York City time, on such Federal Funds Interest Determination Date, for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; provided, however, that if fewer than three brokers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Federal Funds Rate with respect to such Interest Reset Date will be the Federal Funds Rate in effect on such Federal Funds Interest Determination Date.

#### BOOK-ENTRY SYSTEM

Upon issuance, all Fixed Rate Notes (except Series E Notes issued as Certificated Notes) having the same original issuance date, redemption provisions, if any, interest rate, Specified Currency and Stated Maturity and other terms, if any, will be represented by a single Global Note. In

addition, upon issuance, all Floating Rate Notes (except Series E Notes issued as Certificated Notes) having the same original issuance date, interest rate basis, Initial Interest Rate, Interest Reset Dates, Interest Payment Dates, Index Maturity, maximum interest rate (if any), minimum interest rate (if any), Spread (if any), Spread Multiplier (if any), Specified Currency, Stated Maturity and other terms, if any, will be represented by a single Global Note. Each Global Note will be deposited with, or on behalf of, The Depository Trust Company, New York, New York (the "Depository") and registered in the name of the Depository or a nominee of the Depository. Except as set forth below, Global Notes may be transferred, in whole and not in part, only to the Depository or another nominee of the Depository.

The Depository has advised AIG and the Agents as follows: The Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depository was created to hold securities of institutions that have accounts with the Depository or its nominee ("participants") and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (including the Agents), banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own the Depository. Access to the Depository's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The Depository agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law.

Global Notes will be registered in the name of the Depository or its nominee. Upon the issuance of a Global Note, the Depository for such Global Note or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the Series E Notes represented by such Global Note to the accounts of the participants. The accounts to be credited shall be designated by the Agents, or by AIG if such Series E Notes are offered and sold directly by AIG. Ownership of beneficial interest in such Global Notes will be limited to participants or persons that may hold interests through participants. Ownership interests in such Global Notes will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by the Depository or its nominee (with respect to participants' interests) and such participants (with respect to the owners of beneficial interests in the Global Notes). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Global Note.

So long as the Depository for a Global Note, or its nominee, is the registered holder of such Global Note, such Depository or such nominee, as the case may be, will be considered the sole owner and holder of the related Series E Notes for all purposes of such Series E Notes and for all purposes under the Indenture. Except as set forth below, owners of beneficial interest in any such Global Notes will not be entitled to have the Series E Notes represented by such Global Notes registered in their names, will not receive or be entitled to receive physical delivery of Certificated Notes in definitive form and will not be considered to be the owners or holders of any Series E Notes under the Indenture or the Series E Notes. Accordingly, each person owning a beneficial interest in a Global Note must rely on the procedures of the Depository and, if such person is not a participant, on the procedures of the participant through which such person owns its interests, to exercise any rights of a holder of Series E Notes under the Indenture or such Global Note. The Indenture provides that the Depository may grant proxies and otherwise authorize participants to take any action which the Depository, as the holder of such Global Note, is entitled to take under the Indenture or such Global Note. AIG understands that under existing industry practice, in the event AIG requests any

action of holders of Notes or an owner of a beneficial interest in a Global Note desires to take any action that the Depository, as the holder of such Global Note, is entitled to take, the Depository would authorize the participants to take such action and that the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Payment of principal of, interest, if any, and premium, if any, on Series E Notes represented by a Global Note registered in the name of or held by the Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner or holder of such Global Note.

AIG expects that the Depository for a Global Note, upon receipt of any payment of principal, interest or premium or other amounts in respect of such Global Note, will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of such Depository. AIG also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants. Neither AIG nor the Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between the Depository and its participants or the relationship between such participants and the owners of beneficial interests in a Global Note owning through such participants.

With respect to any Global Note denominated in a Specified Currency other than U.S. dollars, the Depository currently has elected to have payments of principal (and premium, if any) and interest on such Note made in U.S. dollars unless notified by any of its participants through which an interest in such Note is held that it elects to receive such payment of principal (or premium, if any) or interest in such Specified Currency. Unless otherwise specified in the applicable Pricing Supplement, a beneficial owner of Global Notes denominated in a Specified Currency other than U.S. dollars electing to receive payments of principal or any premium or interest in a currency other than U.S. dollars must notify the participant through which its interest is held on or prior to the applicable Record Date, in the case of a payment of interest, and on or prior to the sixteenth day prior to the maturity date, in the case of principal or premium, of such beneficial owner's election to receive all or a portion of such payment in such Specified Currency. Such participant must notify the Depository of such election on or prior to the third Business Day after such Record Date or after such sixteenth day. The Depository will notify the Trustee of such election on or prior to the fifth Business Day after such Record Date or after such sixteenth day. If complete instructions are received by the participant and forwarded by the participant to the Depository, and by the Depository to the Trustee, on or prior to such dates, the beneficial owner will receive payments in the Specified Currency.

Unless and until it is exchanged in whole or in part for Certificated Notes in definitive form, a Global Note may not be transferred except as a whole by the Depository to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor of such Depository or nominee of such successor.

The Series E Notes represented by one or more Global Notes are exchangeable for Certificated Notes in definitive form of like tenor as such Series E Notes if (i) the Depository for such Global Notes notifies AIG that it is unwilling or unable to continue as Depository for such Global Notes or if at any time such Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, (ii) AIG in its discretion at any time determines not to have all of the Series E Notes of such series represented by one or more Global Note and notifies the

Trustee thereof, or (iii) an Event of Default has occurred and is continuing with respect to the Series E Notes of such series. Any Series E Note that is exchangeable pursuant to the preceding sentence is exchangeable for Certificated Notes issuable in authorized denominations and registered in such names as the Depository holding such Global Notes shall direct. The authorized denominations of the Series E Notes denominated in United States dollars will be \$100,000 or any greater amount that is an integral multiple of \$1,000. The authorized denominations of Series E Notes denominated in a Specified Currency other than United States dollars will be set forth in the applicable Pricing Supplement.

#### PAYMENT OF PRINCIPAL AND INTEREST

Unless otherwise specified in the applicable Pricing Supplement, payments of principal of (and premium, if any) and interest on all Series E Notes will be made in the applicable Specified Currency; provided, however, that payments of principal of (and premium, if any) and interest on Series E Notes denominated in other than U.S. dollars will nevertheless be made in U.S. dollars (i) at the option of the Holders of Certificated Notes under the procedures described in the two following paragraphs, (ii) in the case of Global Notes as described under Book-Entry System and (iii) at the option of AIG in the case of imposition of exchange controls or other circumstances beyond the control of AIG as described in the last paragraph under this heading.

Unless otherwise specified in the applicable Pricing Supplement, and except as provided in the next paragraph, payments of interest and principal (and premium, if any) with respect to any Certificated Note denominated in other than U.S. dollars will be made on the relevant Interest Payment Date and at Maturity in U.S. dollars if the registered Holder of such Series E Note has transmitted a written request for such payment in U.S. dollars to the Trustee at its Corporate Trust Office in The City of New York on or prior to the relevant Regular Record Date or the date 15 days prior to Maturity, as the case may be. Such request may be in writing (mailed or hand delivered) or by cable, telex or other form of facsimile transmission. Any such request made with respect to any Certificated Note by a registered Holder will remain in effect with respect to any further payments of interest and principal (and premium, if any) with respect to such Certificated Note payable to such Holder, unless such request is revoked on or prior to the relevant Regular Record Date or the date 15 days prior to Maturity, as the case may be. Holders of Certificated Notes denominated in other than U.S. dollars whose Series E Notes are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in U.S. dollars may be made.

The U.S. dollar amount to be received by a Holder of a Note, in either Certificated or Global form, denominated in other than U.S. dollars who elects to receive payment in U.S. dollars will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent (as defined below) as of 11:00 A.M. New York City time on the second Business Day next preceding the applicable payment date from three recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer of the Specified Currency for U.S. dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Series E Notes electing to receive U.S. dollar payments and at which the applicable dealer commits to execute a contract. If three such bid quotations are not available on the second Business Day preceding the date of payment of principal (and premium, if any) or interest with respect to any Series E Note, unless AIG and the Holder of a Series E Note otherwise agree, such payment will be made in the Specified Currency. All currency exchange costs associated with any payment in U.S. dollars on any such Series E Note will be borne by the Holder thereof by deductions from such payment. The Exchange Rate Agent (the "Exchange Rate Agent"), if any, with respect to the Series E Notes will be named in the applicable Pricing Supplement and may be AIG or an affiliate of AIG.

Interest will be payable to the person in whose name a Series E Note is registered at the close of business on the Regular Record Date next preceding each Interest Payment Date; provided,

however, that interest payable at Maturity will be payable to the person to whom principal shall be payable. The first payment of interest on any Series E Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner on such next succeeding Regular Record Date. Unless otherwise indicated in the applicable Pricing Supplement, the "Regular Record Dates" with respect to any Floating Rate Note shall be the dates 15 calendar days prior to each Interest Payment Date, whether or not such date shall be a Business Day, and the "Regular Record Dates" with respect to any Fixed Rate Note shall be the May 15 and November 15 next preceding the June 1 and December 1 Interest Payment Dates.

Unless otherwise indicated in the applicable Pricing Supplement and except as provided below, interest will be payable, in the case of Floating Rate Notes which reset daily, on the dates specified in the applicable Pricing Supplement; in the case of Floating Rate Notes which reset weekly, on the third Wednesday of March, June, September and December of each year; in the case of Floating Rate Notes which reset monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year (as indicated in the applicable Pricing Supplement); in the case of Floating Rate Notes which reset quarterly, on the third Wednesday of March, June, September and December of each year; in the case of Floating Rate Notes which reset semi-annually, on the third Wednesday of the two months of each year specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes which reset annually, on the third Wednesday of the month specified in the applicable Pricing Supplement (each an "Interest Payment Date"), and in each case, at Maturity. If an Interest Payment Date with respect to any Floating Rate Note would otherwise fall on a day that is not a Market Day with respect to such Series E Note, such Interest Payment Date will be the next succeeding Market Day (or, in the case of a LIBOR Note, if such day falls in the next calendar month, the immediately preceding Market Day).

Payments of interest on any Fixed Rate Note or Floating Rate Note with respect to any Interest Payment Date will include interest accrued to but excluding such Interest Payment Date; provided, however, that if the Interest Reset Dates with respect to any Floating Rate Note are weekly, interest payable on such Note on any Interest Payment Date, other than interest payable on the date on which principal on any such Series E Note is payable, will include interest accrued to but excluding the day following the next preceding Regular Record Date.

With respect to a Floating Rate Note, accrued interest from the date of issue or from the last date to which interest has been paid is calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the date of issue, or from the last date to which interest has been paid, to but excluding the date for which accrued interest is being calculated. The interest factor (expressed as a decimal) for each such day is computed by dividing the interest rate (expressed as a decimal) applicable to such date by 360, in the case of Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, CD Rate Notes or Federal Funds Rate Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Any payment on any Series E Note due on any day which is not a Business Day in The City of New York (and, in the case of any Series E Note denominated in other than U.S. dollars, in the capital or financial center in the country issuing the Specified Currency (or, in the case of ECUs, in Brussels)) need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no interest shall accrue for the period from and after such date.

Payment of the principal of (and premium, if any) and any interest due with respect to any Series E Note at Maturity to be made in U.S. dollars will be made in immediately available funds upon surrender of such Series E Note at the Corporate Trust Office of The Bank of New York, as Paying Agent, in the Borough of Manhattan, The City of New York, provided that the Series E Note is

presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. Payments of interest to be made in U.S. dollars other than at Maturity will be made by check mailed to the address of the Person entitled thereto as it appears in the Security Register.

Unless otherwise specified in the applicable Pricing Supplement, payments of interest and principal (and premium, if any) with respect to any Series E Note to be made in a Specified Currency other than U.S. dollars will be made by wire transfer to such account with a bank located in the country issuing the Specified Currency (or, with respect to Series E Notes denominated in ECUs, in Brussels) or other jurisdiction acceptable to AIG and the Trustee as shall have been designated at least 5 days prior to the Interest Payment Date or Maturity, as the case may be, by the registered Holder of such Series E Note on the relevant Regular Record Date or at Maturity, provided that, in the case of payment of principal of (and premium, if any) and any interest due at Maturity, the Series E Note is presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. Such designation shall be made by filing the appropriate information with the Trustee at its Corporate Trust Office in The City of New York, and, unless revoked, any such designation made with respect to any Series E Note by a registered Holder will remain in effect with respect to any further payments with respect to such Series E Note payable to such Holder. If a payment with respect to any such Series E Note cannot be made by wire transfer because the required designation has not been received by the Trustee on or before the requisite date or for any other reason, a notice will be mailed to the Holder at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon the Trustee's receipt of such a designation, such payment will be made within 5 days of such receipt. AIG will pay any administrative costs imposed by banks in connection with making payments by wire transfer, but any tax, assessment or governmental charge imposed upon payments will be borne by the Holders of the Series E Notes in respect of which payments are made.

If the principal of (and premium, if any) or interest on any Series E Note is payable in other than U.S. dollars and such Specified Currency is not available due to the imposition of exchange controls or other circumstances beyond the control of AIG, AIG will be entitled to satisfy its obligations to Holders of the Series E Notes by making such payment in U.S. dollars on the basis of the most recently available Exchange Rate. Any payment made under such circumstances in U.S. dollars where the required payment is in other than U.S. dollars will not constitute an Event of Default under the Indenture.

#### FOREIGN CURRENCY RISKS

##### GENERAL

Exchange Rates and Exchange Controls. An investment in Series E Notes that are denominated in other than U.S. dollars or Indexed Series E Notes indexed to a foreign currency or composite currency entails significant risks that are not associated with a similar investment in an unindexed security denominated in U.S. dollars. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the U.S. dollar and the various foreign currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls by either the U.S. or foreign governments. Such risks depend on economic and political events over which AIG has no control. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Series E Note. Depreciation of the Specified Currency other than U.S. dollars against the U.S. dollar would result in a decrease in the effective yield of such Series E Note below its coupon rate, and in certain circumstances could result in a loss to the investor on a U.S. dollar basis.

Governments have imposed from time to time and may in the future impose exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at Maturity of a Series E Note. Even if there are not actual exchange controls, it is possible that the Specified Currency for any particular Series E Note would not be available at Maturity of such Series E Note. In that event, AIG will repay in U.S. dollars on the basis of the most recently available Exchange Rate. See "Description of Series E Notes--Payment of Principal and Interest".

THIS PROSPECTUS SUPPLEMENT AND THE ATTACHED PROSPECTUS AND PRICING SUPPLEMENT DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN THE SERIES E NOTES DENOMINATED IN OTHER THAN U.S. DOLLARS OR INDEXED TO A FOREIGN CURRENCY OR COMPOSITE CURRENCY. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN SERIES E NOTES DENOMINATED IN OTHER THAN U.S. DOLLARS OR INDEXED TO A FOREIGN CURRENCY OR COMPOSITE CURRENCY. SERIES E NOTES DENOMINATED IN OTHER THAN U.S. DOLLARS OR INDEXED TO A FOREIGN CURRENCY OR COMPOSITE CURRENCY ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

Unless otherwise specified in the applicable Pricing Supplement, Series E Notes denominated in other than U.S. dollars or ECUs will not be sold in, or to residents of, the country issuing the Specified Currency in which particular Series E Notes are denominated. The information set forth in this Prospectus Supplement is directed to prospective purchasers who are United States residents, and AIG disclaims any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal (and premium, if any) of and interest on the Series E Notes. Such persons should consult their own financial and legal advisors with regard to such matters.

**Governing Law and Judgments.** The Series E Notes will be governed by and construed in accordance with the laws of the State of New York. A judgment for money in an action based on a Series E Note denominated in a foreign currency or currency unit in a federal or state court in the United States ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency or currency unit in which any particular Note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a Note denominated in a foreign currency would be required to render such judgment in the Specified Currency, and such judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment.

#### NOTES DENOMINATED IN ECUS

Except as otherwise provided below, the value of the ECU for the purpose of any Series E Notes denominated in ECUs, as referred to in Article 109G and 109L.4 of the Treaty establishing the European Community, as amended (the "EC Treaty"), is equal to the value of the ECU that is from time to time used as the unit of account of the European Communities and which is valued on the basis of specified amounts of the currencies of the member states of the European Community as shown below.

Pursuant to Council Regulation (EC) No. 3320/94 of December 22, 1994, the ECU is as of the date of this Prospectus Supplement defined as the sum of the following components:

0.6242	German mark	0.130	Luxembourg franc
0.08784	Pound sterling	0.1976	Danish krone
1.332	French francs	0.008552	Irish pound
151.8	Italian lire	1.440	Greek drachmas
0.2198	Dutch guilder	6.885	Spanish pesetas
3.301	Belgian francs	1.393	Portuguese escudos



Article 109G of the EC Treaty, as amended by the Treaty on European Union (the "Treaty") provides: "The currency composition of the ECU shall not be changed. From the start of the third stage, the value of the ECU shall be irrevocably fixed in accordance with Article 109L.4". Changes as to the nature or composition of the ECU may be made by the European Community in conformity with the provisions of the EC Treaty. Reference herein to the ECU shall be deemed to be references to the ECU as so changed.

#### CHOICE OF COMPONENT CURRENCIES FOR FUTURE PAYMENTS

With respect to any payment date in respect of Series E Notes denominated in ECUs on which the ECU is not available due to the imposition of exchange controls or other circumstances beyond the control of AIG or the ECU is used neither as the unit of account of the European Communities nor as a currency in its own right, thereafter replacing some or all of the currencies of the member states of the EC, the Exchange Rate Agent shall, without liability on its part, choose a component currency of the ECU (the "chosen currency") in which all payments due on that payment date with respect to such Series E Notes shall be made. Notice of the chosen currency selected by the Exchange Rate Agent shall, where practicable, be given to Holders of Series E Notes upon their request. The amount of each payment in the chosen currency shall be computed on the basis of the equivalent of the ECU in that currency, determined as set forth herein as of the fourth Business Day prior to the date on which such payment is due.

#### CHOICE OF COMPONENT CURRENCY FOR PAYMENTS ALREADY DUE

On the first Business Day on which the ECU is not available due to the imposition of exchange controls or other circumstances beyond the control of AIG or the ECU is used neither as the unit of account of the European Communities nor as a currency in its own right, thereafter replacing some or all of the currencies of the member states of the EC, the Exchange Rate Agent shall, without liability on its part, choose a component currency of the ECU (the "chosen currency") in which all payments of principal, interest or other amounts in respect of Series E Notes denominated in ECUs having a payment date prior thereto but not yet presented for payment are to be made. The amount of each payment in the chosen currency shall be computed on the basis of the equivalent of the ECU in that currency, determined as set forth herein as of such first Business Day.

#### DETERMINATION OF EQUIVALENT IN COMPONENT CURRENCY

The equivalent of the ECU in the relevant chosen currency as of any date (the "Day of Valuation") shall be determined on the following basis by the Exchange Rate Agent. The component currencies of the ECU for this purpose (the "Components") shall be the currency amounts which were components of the ECU when the ECU was most recently used as the unit of account of the European Communities. The equivalent of the ECU in the chosen currency shall be calculated by first aggregating the U.S. dollar equivalents of the Components and then, using the rate used for determining the U.S. dollar equivalent of the Component in the chosen currency as set forth below, calculating the equivalent in the chosen currency of such aggregate amount in U.S. dollars.

#### U.S. DOLLAR EQUIVALENT OF COMPONENT CURRENCIES

The U.S. dollar equivalent of each of the Components shall be determined by the Exchange Rate Agent, on the basis of the middle spot delivery quotations prevailing at 2:30 p.m. (Luxembourg time) on the Day of Valuation of one or more leading banks, as selected by the Exchange Rate Agent (following consultation, if practicable, with AIG), in the country of issue of the Component in question.

## NO DIRECT QUOTATION FOR COMPONENT CURRENCY

If no direct quotations are available for a Component as of a Day of Valuation from any of the banks selected by the Exchange Rate Agent for this purpose because foreign exchange markets are closed in the country of issue of that currency or for any other reason, the most recent direct quotations for that currency obtained by the Exchange Rate Agent shall be used in computing the equivalents of the ECU on such Day of Valuation; provided, however, that such most recent quotations may be used only if they were prevailing in the country of issue not more than two Business Days before such Day of Valuation. Beyond such period of two Business Days, the Exchange Rate Agent shall determine the U.S. dollar equivalent of such Component on the basis of cross rates derived from the middle spot delivery quotations for such component currency and for the U.S. dollar prevailing at 2:30 p.m., (Luxembourg time) on such Day of Valuation of one or more leading banks, as selected by the Exchange Rate Agent (following consultation, if practicable, with AIG), in a country other than the country of issue of such Component. Within such period of two Business Days, the Exchange Rate Agent shall determine the U.S. dollar equivalent of such Component on the basis of such cross rates if the Exchange Rate Agent judges that the equivalent so calculated is more representative than the U.S. dollar equivalent calculated on the basis of such most recent direct quotations. Unless otherwise specified by the Exchange Rate Agent, if there is more than one market for dealing in any Component by reason of foreign exchange regulations or for any other reason, the market to be referred to in respect of such currency shall be that upon which a non-resident issuer of securities denominated in such currency would purchase such currency in order to make payments in respect of such securities.

## NOTES DENOMINATED IN CURRENCIES OF EC MEMBER STATES

If, pursuant to the Treaty, the ECU becomes a currency in its own right (such new currency to be named the "Euro") and replaces some or all of the currencies of the member states of the EC, the payment of principal of, or interest on, Notes denominated or payable in such currencies shall be effected in Euro in conformity with legally applicable measures taken pursuant to, or by virtue of, the Treaty. As of the date hereof, the currencies of the member states of the EC are the Austrian schilling, the Belgian franc, the Danish krone, the Dutch guilder, the Finnish markka, the French franc, the German mark, the Greek drachma, the Irish pound, the Italian lire, the Luxembourg franc, the Portuguese escudo, the Spanish peseta, the Swedish krona and U.K. pound sterling.

## EXCHANGE RATE AGENT

All determinations made by the Exchange Rate Agent shall be at its sole discretion (except to the extent expressly provided herein or in the applicable Pricing Supplement that any determination is subject to approval by AIG) and, in the absence of manifest error, shall be conclusive for all purposes and binding on Holders of the Series E Notes and AIG, and the Exchange Rate Agent shall have no liability therefor.

## UNITED STATES TAXATION

The following summary of the principal United States federal income tax consequences of ownership of Series E Notes is based upon the opinion of Sullivan & Cromwell, counsel to AIG. It deals only with Series E Notes held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold Series E Notes that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar. The summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as in effect on the date of this Prospectus Supplement and all are subject to change at any time, perhaps with retroactive effect. Additionally, the discussions

below under "Original Issue Discount -- Notes Subject to Contingencies Including Optional Redemption" and "Original Issue Discount -- Variable Rate Notes" take into account Treasury regulations which were issued as final regulations on June 11, 1996 but which will not take effect until 60 days after their publication in the Federal Register.

Prospective purchasers of Series E Notes should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of Series E Notes.

#### UNITED STATES HOLDERS

#### PAYMENTS OF INTEREST

Interest on a Series E Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount -- General"), will be taxable to a United States Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. A United States Holder is a beneficial owner who or that is (i) a citizen or resident of the United States, (ii) a domestic corporation or (iii) otherwise subject to United States federal income taxation on a net income basis in respect of the Series E Note.

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis United States Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis United States Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year).

Under the second method, the United States Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis United States Holder may instead translate such accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "Service").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Series E Note) denominated in, or determined by reference to, a foreign currency, the United States Holder will recognize ordinary income or loss measured by the difference between (x) the average exchange rate used to accrue interest income, or the exchange rate as determined under the second method described above if the United States Holder elects that method, and (y) the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

#### ORIGINAL ISSUE DISCOUNT

General. A Series E Note, other than a Series E Note with a term of one year or less (a "short-term Note"), will be treated as issued at an original issue discount (a "Discount Note") if the excess of the "stated redemption price at maturity" of the Series E Note over its issue price is more

than a "de minimis amount" (as defined below). Generally, the issue price of a Series E Note will be the first price at which a substantial amount of Series E Notes included in the issue of which the Series E Note is a part is sold to other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Series E Note is the total of all payments provided by the Series E Note that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Series E Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) applied to the outstanding principal amount of the Series E Note. Special rules for "Variable Rate Notes" (as defined below under "Original Issue Discount -- Variable Rate Notes") are described below under "Original Issue Discount -- Variable Rate Notes".

In general, if the excess of the stated redemption price of a Series E Note at maturity over its issue price is less than 1/4 of 1 percent of the stated redemption price of such Series E Note at maturity multiplied by the number of complete years to its maturity (the "de minimis amount"), then such excess, if any, constitutes "de minimis original issue discount" and the Series E Note is not a Discount Note. Unless the election described below under "Election to Treat All Interest as Original Issue Discount" is made, a United States Holder of a Series E Note with de minimis original issue discount must include such de minimis original issue discount in income as stated principal payments on the Series E Note are made. The includible amount with respect to each such payment will equal the product of the total amount of the de minimis original issue discount of the Series E Note and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Series E Note.

United States Holders of Discount Notes having a maturity of more than one year from their date of issue must, generally, include original issue discount ("OID") in income calculated on a constant-yield method before the receipt of cash attributable to such income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Note. The amount of OID includible in income by a United States Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year in which the United States Holder holds such Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Discount Note may be of any length selected by the United States Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Discount Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the adjusted issue price of the Discount Note at the beginning of the accrual period and the yield to maturity of such Discount Note (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Discount Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Discount Note that were not qualified stated interest payments. For purposes of determining the amount of OID allocable to an accrual period, if an interval between payments of qualified stated interest on the Discount Note contains more than one accrual period, the amount of qualified stated interest payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated pro rata on the basis of relative lengths to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval must be increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal

length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable at the maturity of the Discount Note (other than any payment of qualified stated interest) and (y) the adjusted issue price of the Discount Note as of the beginning of the final accrual period.

**Acquisition Premium.** A United States Holder that purchases a Series E Note for an amount less than or equal to the sum of all amounts payable on the Series E Note after the purchase date other than payments of qualified stated interest but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount" is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the United States Holder's adjusted basis in the Series E Note immediately after its purchase over the adjusted issue price of the Series E Note, and the denominator of which is the excess of the sum of all amounts payable on the Series E Note after the purchase date, other than payments of qualified stated interest, over the adjusted issue price of the Series E Note.

**Market Discount.** A Series E Note, other than a short-term Note, will be treated as purchased at a market discount (a "Market Discount Note") if (i) the amount for which a United States Holder purchased the Series E Note is less than the Series E Note's issue price (as determined above under "Original Issue Discount -- General") and (ii) the stated redemption price of the Series E Note at maturity or, in the case of a Discount Note, the "revised issue price" of the Discount Note, exceeds the amount for which the United States Holder purchased the Series E Note by at least 1/4 of 1 percent of the stated redemption price of such Series E Note at maturity or its revised issue price, respectively, multiplied by the number of complete years to the maturity of the Series E Note. If such excess is not sufficient to cause the Series E Note to be a Market Discount Note, then such excess constitutes "de minimis market discount". The Code provides that, for these purposes, the "revised issue price" of a Series E Note generally equals its issue price, increased by the amount of any OID that has accrued on the Series E Note.

Any gain recognized on the maturity or disposition of a Market Discount Note will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Market Discount Note. Alternatively, a United States Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Market Discount Note. Such an election shall apply to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Service.

Market discount on a Market Discount Note will accrue on a straight-line basis unless the United States Holder elects to accrue such market discount on a constant-yield method. Such an election shall apply only to the Market Discount Note with respect to which it is made and may not be revoked. A United States Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such Market Discount Note in an amount not exceeding the accrued market discount on such Market Discount Note until the maturity or disposition of such Market Discount Note.

**Pre-Issuance Accrued Interest.** If (i) a portion of the initial purchase price of a Series E Note is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the Series E Note is to be made within one year of the issue date of the Series E Note and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the United States Holder may elect to decrease the issue price of the Series E Note by the amount of pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Series E Note.

**Series E Notes Subject to Contingencies Including Optional Redemption.** In general, if a Series E Note provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each

payment schedule are known as of the issue date and one of such schedules is significantly more likely than not to occur, the yield and maturity of the Series E Note are determined by assuming that the payments will be made according to that payment schedule.

Notwithstanding the general rules for determining yield and maturity in the case of Series E Notes subject to contingencies, if AIG or the Holder has an unconditional option or options that, if exercised, would require payments to be made on the Series E Note under an alternative payment schedule or schedules, then (i) in the case of an option or options of AIG, AIG will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the Series E Note and (ii) in the case of an option or options of the Holder, the Holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on the Series E Note. For purposes of those calculations, the yield on the Series E Note is determined by using any date on which the Series E Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Series E Note as the principal amount payable at maturity.

If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a "change in circumstances") then, except to the extent that a portion of the Series E Note is repaid as a result of the change in circumstances and solely for purposes of the accrual of OID, the yield and maturity of the Series E Note are redetermined by treating the Series E Note as reissued on the date of the change in circumstances for an amount equal to the adjusted issue price of the Series E Note on that date.

**Election to Treat All Interest as Original Issue Discount.** A United States Holder may elect to include in gross income all interest that accrues on a Series E Note using the constant-yield method described above under the heading "Original Issue Discount -- General", with the modifications described below. For purposes of this election, interest includes stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described below under "Series E Notes Purchased at a Premium") or acquisition premium.

In applying the constant-yield method to a Series E Note with respect to which this election has been made, the issue price of the Series E Note will equal the electing United States Holder's adjusted basis in the Series E Note immediately after its acquisition, the issue date of the Series E Note will be the date of its acquisition by the electing United States Holder, and no payments on the Series E Note will be treated as payments of qualified stated interest. This election will generally apply only to the Series E Note with respect to which it is made and may not be revoked without the consent of the Service. If this election is made with respect to a Series E Note with amortizable bond premium, then the electing United States Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludible from gross income) held by the electing United States Holder as of the beginning of the taxable year in which the Series E Note with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Service.

If the election to apply the constant-yield method to all interest on a Series E Note is made with respect to a Market Discount Note, the electing United States Holder will be treated as having made the election discussed above under "Original Issue Discount -- Market Discount" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such United States Holder.

**Variable Rate Notes.** A "Variable Rate Note" is a Series E Note that: (i) has an issue price that does not exceed the total noncontingent principal payments by more than the lesser of (1) the product of (x) the total noncontingent principal payments, (y) the number of complete years to maturity from the issue date and (z) .015, or (2) 15 percent of the total noncontingent principal

payments, and (ii) does not provide for any stated interest other than stated interest compounded or paid at least annually at (1) one or more "qualified floating rates", (2) a single fixed rate and one or more qualified floating rates, (3) a single "objective rate" or (4) a single fixed rate and a single objective rate that is a "qualified inverse floating rate".

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

A variable rate is a "qualified floating rate" if (i) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Series E Note is denominated or (ii) it is equal to the product of such a rate and either (a) a fixed multiple that is greater than .65 but not more than 1.35 or (b) a fixed multiple greater than .65 but not more than 1.35, increased or decreased by a fixed rate. A rate is not a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Series E Note or are not reasonably expected to significantly affect the yield on the Series E Note.

An "objective rate" is a rate, other than a qualified floating rate, that is determined using a single, fixed formula and that is based on objective financial or economic information which is not within the control of or unique to the circumstances of the issuer or a related party. A variable rate is not an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the term of the Series E Note will be either significantly less than or significantly greater than the average value of the rate during the final half of the term of the Series E Note. An objective rate is a "qualified inverse floating rate" if (i) the rate is equal to a fixed rate minus a qualified floating rate, and (ii) the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. Under these rules, Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, Treasury Rate Notes, CD Rate Notes, and Federal Funds Rate Notes will generally be treated as Variable Rate Notes.

In general, if a Variable Rate provides for stated interest at a single qualified floating rate or objective rate, all stated interest on the Variable Rate Note is qualified stated interest and the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, in the case of any other objective rate, a fixed rate that reflects the yield reasonably expected for the Variable Rate Note.

If a Variable Rate Note does not provide for stated interest at a single qualified floating rate or objective rate or at a fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals on the Variable Rate Note are generally determined by (i) determining a fixed rate substitute for each variable rate provided under the Variable Rate Note (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Variable Rate Note), (ii) constructing the equivalent fixed rate debt instrument (using the fixed rate substitute described above), (iii) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and (iv) making the appropriate adjustments for actual variable rates during the applicable accrual period.

If a Variable Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and in addition provides for stated interest at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals are determined as in the immediately preceding paragraph with the modification that the Variable Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or a qualified inverse floating rate, as the case may be) rather than the fixed

rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Variable Rate Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate (or qualified inverse floating rate) rather than the fixed rate.

Short-Term Notes. In general, an individual or other cash basis United States Holder of a short-term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for United States federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis United States Holders and certain other United States Holders, including banks, regulated investment companies, dealers in securities, common trust funds, United States Holders who hold Series E Notes as part of certain identified hedging transactions, certain pass-thru entities and cash basis United States Holders who so elect, are required to accrue OID on short-term Notes on either a straight-line basis or under the constant-yield method (based on daily compounding), at the election of the United States Holder. In the case of a United States Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the short-term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. United States Holders who are not required and do not elect to accrue OID on short-term Notes will be required to defer deductions for interest on borrowings allocable to short-term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Note, including stated interest, are included in the short-term Note's stated redemption price at maturity.

Foreign Currency Discount Notes. OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder, as described under "Payments of Interest". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Series E Note), a United States Holder may recognize ordinary income or loss.

#### SERIES E NOTES PURCHASED AT A PREMIUM

A United States Holder that purchases a Series E Note for an amount in excess of its principal amount may elect to treat such excess as "amortizable bond premium", in which case the amount required to be included in the United States Holder's income each year with respect to interest on the Series E Note will be reduced by the amount of amortizable bond premium allocable (based on the yield to maturity of the Series E Note) to such year. In the case of a Foreign Currency Note, bond premium will be computed in units of foreign currency, and amortizable bond premium will reduce interest income in units of the foreign currency. At the time amortized bond premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realized measured by the difference between exchange rates at that time and at the time of the acquisition of the Series E Notes. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludible from gross income) held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder, and is irrevocable without the consent of the Service. See also "Original Issue Discount -- Election to Treat All Interest as Original Issue Discount".

#### PURCHASE, SALE AND RETIREMENT OF THE SERIES E NOTES

A United States Holder's tax basis in a Series E Note will generally be its U.S. dollar cost (as defined below), increased by the amount of any OID or market discount included in the United States Holder's income with respect to the Series E Note and the amount, if any, of income



attributable to de minimis original issue discount and de minimis market discount included in the United States Holder's income with respect to the Series E Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Series E Note. The U.S. dollar cost of a Series E Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Series E Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the purchase.

A United States Holder will generally recognize gain or loss on the sale or retirement of a Series E Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Series E Note. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on (i) the date payment is received in the case of a cash basis United States Holder, (ii) the date of disposition in the case of an accrual basis United States Holder or (iii) in the case of Series E Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the sale. Except to the extent described above under "Original Issue Discount -- Short-Term Notes" or "Original Issue Discount -- Market Discount" or described in the next succeeding paragraph or attributable to accrued but unpaid interest, gain or loss recognized on the sale or retirement of a Series E Note will be capital gain or loss and will be long-term capital gain or loss if the Series E Note was held for more than one year.

Gain or loss recognized by a United States Holder on the sale or retirement of a Series E Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

#### EXCHANGE OF AMOUNTS IN OTHER THAN U.S. DOLLARS

Foreign currency received as interest on a Series E Note or on the sale or retirement of a Series E Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Series E Notes or upon exchange for U.S. dollars) will be ordinary income or loss.

#### INDEXED SERIES E NOTES

The applicable Pricing Supplement will contain a discussion of any special United States federal income tax rules with respect to Series E Notes that are not subject to the rules governing Variable Rate Notes payments or which are determined by reference to any index.

#### UNITED STATES ALIEN HOLDERS

For purposes of this discussion, a "United States Alien Holder" is any holder of a Series E Note who is (i) a nonresident alien individual or (ii) a foreign corporation, partnership or estate or trust, in each case not subject to United States federal income tax on a net income basis in respect of income or gain from a Series E Note. This discussion assumes that the Series E Note is not subject to the rules of Section 871(h)(4)(A) of the Code (relating to interest payments that are determined by reference to the income, profits, changes in the value of property or other attributes of the debtor or a related party).

Under present United States federal income and estate tax law, and subject to the discussion of backup withholding below:

(i) payments of principal, premium (if any) and interest, including OID, by AIG or any of its paying agents to any holder of a Series E Note that is a United States Alien Holder will not be subject to United States federal withholding tax if, in the case of interest or OID, (a) the beneficial owner of the Series E Note does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of AIG entitled to vote, (b) the beneficial owner of the Series E Note is not a controlled foreign corporation that is related to AIG through stock ownership, and (c) either (A) the beneficial owner of the Series E Note certifies to AIG or its agent, under penalties of perjury, that it is not a United States Holder and provides its name and address or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Series E Note certifies to AIG or its agent under penalties of perjury that such statement has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof;

(ii) a United States Alien Holder of a Series E Note will not be subject to United States federal withholding tax on any gain realized on the sale or exchange of a Series E Note; and

(iii) a Series E Note held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for purposes of the United States federal estate tax as a result of the individual's death if (a) the individual did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of AIG entitled to vote and (b) the income on the Series E Note would not have been effectively connected with a United States trade or business of the individual at the individual's death.

Recently proposed Internal Revenue Service Treasury regulations (the "Proposed Regulations") would provide alternative methods for satisfying the certification requirement described in clause (i)(c) above. The Proposed Regulations also would require, in the case of Series E Notes held by a foreign partnership, that (x) the certification described in clause (i)(c) above be provided by the partners rather than by the foreign partnership and (y) the partnership provide certain information, including a United States taxpayer identification number. A look-through rule would apply in the case of tiered partnerships. The Proposed Regulations are proposed to be effective for payments made after December 31, 1997. There can be no assurance that the Proposed Regulations will be adopted or as to the provisions that they will include if and when adopted in temporary or final form.

#### BACKUP WITHHOLDING AND INFORMATION REPORTING

##### UNITED STATES HOLDERS

In general, information reporting requirements will apply to payments of principal, any premium and interest on a Series E Note and the proceeds of the sale of a Series E Note before maturity within the United States to, and to the accrual of OID on a Discount Note with respect to, non-corporate United States Holders, and "backup withholding" at a rate of 31% will apply to such payments and to payments of OID if the United States Holder fails to provide an accurate taxpayer identification number or to report all interest and dividends required to be shown on its federal income tax returns.

##### UNITED STATES ALIEN HOLDERS

Under current law, information reporting on Internal Revenue Service Form 1099 and backup withholding will not apply to payments of principal, premium (if any) and interest (including OID) made by AIG or a paying agent to a United States Alien Holder on a Series E Note; provided, the certification described in clause (i)(c) under "United States Alien Holders" in the third preceding paragraph above is received; and provided further that the payor does not have actual knowledge

that the holder is a United States person. AIG or a paying agent, however, may report (on Internal Revenue Service Form 1042S) payments of interest (including OID) on Series E Notes. See the discussion in the third preceding paragraph above under "United States Alien Holders" with respect to the rules applicable to foreign partnerships under the Proposed Regulations.

Payments of the proceeds from the sale by a United States Alien Holder of a Series E Note made to or through a foreign office of a broker will not be subject to information reporting or backup withholding, except that if the broker is a United States person, a controlled foreign corporation for United States tax purposes or a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, information reporting may apply to such payments. Payments of the proceeds from the sale of a Series E Note to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its non-United States status or otherwise establishes an exemption from information reporting and backup withholding.

#### PLAN OF DISTRIBUTION OF SERIES E NOTES

Subject to the terms and conditions set forth in the Distribution Agreement (the "Distribution Agreement"), the Series E Notes are being offered on a continuing basis by AIG through the Agents, who have agreed to use their best efforts to solicit purchases of the Series E Notes. AIG will have the sole right to accept offers to purchase Series E Notes and may reject any proposed purchase of Series E Notes, as a whole or in part. The Agents shall have the right, in their discretion reasonably exercised, to reject any offer to purchase Series E Notes, as a whole or in part. AIG will pay the Agents a commission of from .125% to .750% of the principal amount of Series E Notes, depending upon maturity, for sales made through them as Agents.

AIG may also sell Series E Notes to the Agents as principals for their own accounts at a discount to be agreed upon at the time of sale. Such Series E Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Agents. AIG reserves the right to sell Series E Notes directly on its own behalf or through other brokers identified in the Pricing Supplement relating to such notes. No commission will be payable on any Series E Notes sold directly by AIG.

The Agents, as agents or principals, may be deemed to be "underwriters" within the meaning of the Securities Act of 1933 (the "Act"). AIG has agreed to indemnify the Agents against certain liabilities, including liabilities under the Act. AIG has agreed to reimburse the Agents for certain expenses.

The Agents may sell Series E Notes to or through dealers who may resell Series E Notes to investors. The Agents may pay all or part of their discount or commission to such dealers. Such dealers may be deemed to be "underwriters" within the meaning of the Act.

The Series E Notes are a new issue of securities with no established trading market and will not be listed on any securities exchange. No assurance can be given as to the existence or liquidity of the secondary market for the Series E Notes.

#### VALIDITY OF SERIES E NOTES

The validity of the Series E Notes will be passed upon for AIG by Sullivan & Cromwell, New York, New York, and for the Agents by Davis Polk & Wardwell, New York, New York. The opinions of Sullivan & Cromwell and Davis Polk & Wardwell will be conditioned upon, and subject to certain assumptions regarding, future action required to be taken by AIG and the Trustee in connection with the issuance and sale of any particular Series E Note, the specific terms of Series E Notes and other matters which may affect the validity of Series E Notes but which cannot be ascertained on the date of such opinions.

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 NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES DESCRIBED IN THIS PROSPECTUS SUPPLEMENT OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER OR THEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN OR THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF SUCH INFORMATION.

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 U.S. \$747,000,000  
 AMERICAN  
 INTERNATIONAL  
 GROUP, INC.  
 MEDIUM-TERM NOTES,  
 SERIES E

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 PROSPECTUS SUPPLEMENT  
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 GOLDMAN, SACHS & CO.  
 MERRILL LYNCH & CO.  
 MORGAN STANLEY & CO.  
 INCORPORATED  
 SALOMON BROTHERS INC  
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