Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000

OR

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

For the Transition period from______to_____________

Commission file number 1-8787

American International Group, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Title of each class
None

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

Yes |X| No |_|

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

The aggregate market value of the shares of all classes of voting stock of the registrant held by non-affiliates of the registrant on January 31, 2001 was approximately $152,474,241,000 computed upon the basis of the closing sales price of the Common Stock on that date.

As of January 31, 2001, there were outstanding 2,333,119,315 shares of Common Stock, $2.50 par value, of the registrant.

Documents Incorporated by Reference:

The registrant's definitive proxy statement filed or to be filed with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors at the annual meeting of the shareholders of the registrant scheduled to be held on May 16, 2001 is incorporated by reference in Part III of this Form 10-K.

PART I

ITEM 1. Business

American International Group, Inc. ("AIG"), a Delaware corporation, is a holding company which through its subsidiaries is engaged in a broad range of insurance and insurance-related activities and financial services in the United States and abroad. AIG's primary activities include both general and life insurance operations. Other significant activities include financial services and asset management. The principal insurance company subsidiaries are American Home Assurance Company ("American Home"), National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union"), New Hampshire Insurance Company ("New Hampshire"), Lexington Insurance Company ("Lexington"), The Hartford Steam Boiler Inspection and Insurance Company ("HSB"), Transatlantic Reinsurance Company, American International Underwriters Overseas, Ltd. ("AIUO"), American Life Insurance Company ("ALICO"), American International Assurance Company, Limited together with American International Assurance Company (Bermuda) Limited ("AIA"), Nan Shan Life Insurance Company, Ltd. ("Nan Shan"), American International Reinsurance Company, Ltd. and United Guaranty Residential Insurance Company. The merger of SunAmerica Inc., a leading company in the retirement savings and asset accumulation business, with and into AIG became effective January 1, 1999. The transaction was treated as a pooling of interests for accounting purposes. AIG issued 0.855 shares of common stock in exchange for each share of SunAmerica Inc. stock outstanding at the effective time of the merger for an aggregate issuance of approximately 187.5 million shares. For information on AIG's business segments, see Note 18 of Notes to Financial Statements.

All per share information herein gives retroactive effect to all stock dividends and stock splits. As of January 31, 2001, beneficial ownership of approximately 13.6 percent, 2.7 percent and 2.0 percent of AIG's Common Stock, $2.50 par value ("Common Stock"), was held by Starr International Company, Inc. ("SICO"), The Starr Foundation and C.V. Starr & Co., Inc. ("Starr"), respectively.

At December 31, 2000, AIG and its subsidiaries had approximately 61,000 employees.

The following table shows the general development of the business of AIG on a consolidated basis, the contributions made to AIG's consolidated revenues and operating income and the assets held, in the periods indicated by its general insurance, life insurance, financial services operations, asset management operations, equity in income of minority-owned insurance companies and other realized capital losses. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1 and 18 of Notes to Financial Statements.)

(dollars in millions)

Years Ended December 31,	2000	1999	1998	1997	1996
General insurance operations:					
Gross premiums written	$ 25,050	$ 22,569	$ 20,684	$ 18,742	$ 18,319
Net premiums written	17,526	16,224	14,586	13,408	12,692
Net premiums earned	17,407	15,544	14,098	12,421	11,855
Adjusted underwriting profit(a)	785	669	531	490	450
Net investment income	2,701	2,517	2,192	1,854	1,691
Realized capital gains	38	295	205	128	65
Operating income	3,524	3,481	2,928	2,472	2,206
Identifiable assets	85,270	76,725	73,226	62,386	58,792
Loss ratio	75.3	75.5	75.6	75.3	75.9
Expense ratio	21.4	20.8	20.8	20.9	20.6
Combined ratio	96.7	96.3	96.4	96.2	96.5
Life insurance operations:					
Premium income	13,610	11,942	10,293	9,956	8,995
Net investment income	7,123	6,206	5,201	4,521	3,805
Realized capital gains (losses)	(162)	(148)	(74)	(9)	4
Operating income	3,387	2,858	2,373	2,048	1,657
Identifiable assets	142,045	128,697	103,611	87,747	72,275
Insurance in-force at end of year	583,059	584,959	503,649	443,323	429,992
Financial services operations:					
Commissions, transaction and other fees	4,052	3,340	3,044	3,042	2,379
Operating income	1,293	1,081	869	671	501
Identifiable assets	81,016	66,567	59,198	51,110	43,074
Asset management operations:					
Commissions and other fees	1,217	985	707	555	444
Operating income	430	314	191	127	101
Identifiable assets	1,590	1,132	915	646	787
Equity in income of minority-owned insurance operations	--	--	57	114	99
Other realized capital losses	(14)	(25)	(7)	(29)	(12)
Revenues (b)	45,972	40,656	35,716	32,553	29,325
Total assets	306,577	268,238	233,676	199,614	172,330

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

(b) Represents the sum of general net premiums earned, life premium income, net investment income, financial services commissions, transaction and other fees, asset management commissions and other fees, equity in income of minority-owned insurance operations, and realized capital gains (losses). Commencing in 1997, agency operations were presented as a component of general insurance and 1996 agency results have been reclassified to conform to this presentation.

The following table shows identifiable assets, revenues and income derived from operations in the United States and Canada and from operations in other countries for the year ended December 31, 2000. (See also Note 18 of Notes to Financial Statements.)

(dollars in millions)

	Total	United States and Canada	Other Countries	Percent of Total: United States and Canada	Percent of Total: Other Countries
General insurance operations:					
Net premiums earned	$17,407	$11,739	$ 5,668	67.4%	32.6%
Adjusted underwriting profit	785	450	335	57.3	42.7
Net investment income	2,701	2,076	625	76.9	23.1
Realized capital gains	38	34	4	89.8	10.2
Operating income	3,524	2,560	964	72.7	27.3
Identifiable assets	85,270	64,381	20,889	75.5	24.5
Life insurance operations:					
Premium income	13,610	1,255	12,355	9.2	90.8
Net investment income	7,123	3,926	3,197	55.1	44.9
Realized capital gains (losses)	(162)	(168)	6	--	--
Operating income	3,387	1,143	2,244	33.8	66.2
Identifiable assets	142,045	79,174	62,871	55.7	44.3
Financial services operations:					
Commissions, transaction and other fees	4,052	3,250	802	80.2	19.8
Operating income	1,293	934	359	72.3	27.7
Identifiable assets	81,016	67,727	13,289	83.6	16.4
Asset management operations:					
Commissions and other fees	1,217	1,028	189	84.4	15.6
Operating income	430	405	25	94.1	5.9
Identifiable assets	1,590	818	772	51.4	48.6
Other realized capital losses	(14)	(14)	--	--	--
Income before income taxes and minority interest	8,349	4,797	3,552	57.5	42.5
Revenues	45,972	23,126	22,846	50.3	49.7
Total Assets	306,577	207,914	98,663	67.8	32.2

General Insurance Operations

AIG's general insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance. One or more of these companies is licensed to write substantially all of these lines in all states of the United States and in approximately 70 foreign countries.

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

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

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

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

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

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

The business of United Guaranty Corporation ("UGC") and its subsidiaries is also included in the domestic operations of AIG. The principal business of the UGC subsidiaries is the writing of residential mortgage loan insurance, which is guaranty insurance on conventional first mortgage loans on single-family dwellings and condominiums. Such insurance protects lenders against loss if borrowers default. UGC subsidiaries also write home equity and property improvement loan insurance on loans to finance residential property improvements, alterations and repairs and for other purposes not necessarily related to real estate. UGC had approximately $22 billion of mortgage guarantee risk in-force at December 31, 2000.

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

During 2000, DBG and the Foreign General insurance group accounted for 50.2 percent and 32.9 percent, respectively, of AIG's net premiums written.

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

The following table summarizes general insurance premiums written and earned:

(in millions)

Years Ended December 31,	Written	Earned
2000		
Gross premiums	$25,050	$24,062
Ceded premiums	(7,524)	(6,655)
Net premiums	$17,526	$17,407
1999		
Gross premiums	$22,569	$21,187
Ceded premiums	(6,345)	(5,643)
Net premiums	$16,224	$15,544
1998		
Gross premiums	$20,684	$20,092
Ceded premiums	(6,098)	(5,994)
Net premiums	$14,586	$14,098

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

AIG is well diversified both in terms of lines of business and geographic locations. Of the general insurance lines of business, workers' compensation was approximately 9 percent of AIG's net premiums written. This line is well diversified geographically.

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

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

(dollars in millions)

Years Ended December 31,	Net Premiums Written	Net Premiums Earned	Ratio of Losses and Loss Expenses Incurred to Net Premiums Earned	Ratio of Underwriting Expenses Incurred to Net Premiums Written	Combined Ratio	Underwriting Margin	Industry Combined Ratio*
2000	$17,526	$17,407	75.3	21.4	96.7	3.3	109.6
1999	16,224	15,544	75.5	20.8	96.3	3.7	107.1
1998	14,586	14,098	75.6	20.8	96.4	3.6	104.9
1997	13,408	12,421	75.3	20.9	96.2	3.8	101.5
1996	12,692	11,855	75.9	20.6	96.5	3.5	106.3

*Source: Best's Aggregates & Averages (Stock insurance companies, after dividends to policyholders); the ratio for 2000 reflects estimated results.

During 2000, of the direct general insurance premiums written (gross premiums less return premiums and cancellations, excluding reinsurance assumed and before deducting reinsurance ceded), 12.7 percent and 6.9 percent were written in California and New York respectively. No other state accounted for more than 5 percent of such premiums.

There was no significant adverse effect on AIG's general insurance results of operations from the economic environments in any one state, country or geographic region for the year ended December 31, 2000. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

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

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

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

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

The "Analysis of Consolidated Net Losses and Loss Expense Reserve Development", which follows, presents the development of net losses and loss expense reserves for calendar years 1990 through 2000. The upper half of the table shows the cumulative amounts paid during successive years related to the opening loss reserves. For example, with respect to the net losses and loss expense reserve of $17.56 billion as of December 31, 1993, by the end of 2000 (seven years later) $14.97 billion had actually been paid in settlement of these net loss reserves. In addition, as reflected in the lower section of the table, the original reserve of $17.56 billion was reestimated to be $18.63 billion at December 31, 2000. This increase from the original estimate would generally be a combination of a number of factors, including reserves being settled for larger amounts than originally estimated. The original estimates will also be increased or decreased as more information becomes known about the individual claims and overall claim frequency and severity patterns. The redundancy (deficiency) depicted in the table, for any particular calendar year, shows the aggregate change in estimates over the period of years subsequent to the calendar year reflected at the top of the respective column heading. For example, the redundancy of $335 million at December 31, 2000 related to December 31, 1999 net losses and loss expense reserves of $24.60 billion represents the cumulative amount by which reserves for 1999 and prior years have developed redundantly during 2000. The reserve for net losses and loss expenses with respect to Transatlantic and 21st Century are included only in the consolidated net losses and loss expenses commencing with the year ended December 31, 1998. Reserve development for these operations is included only for 1998 and subsequent periods.

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

Analysis of Consolidated Net Losses and
Loss Expense Reserve Development

(in millions)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Reserve for Net Losses and Loss Expenses, December 31,	$14,699	$15,840	$16,757	$17,557	$18,419	$19,693	$20,407	$21,171	$24,619	$24,600	$24,952
Paid (Cumulative) as of:											
One Year Later	4,315	4,748	4,883	5,146	4,775	5,281	5,616	5,716	6,779	7,783	
Two Years Later	7,350	8,015	8,289	8,242	8,073	8,726	9,081	9,559	11,565		
Three Years Later	9,561	10,436	10,433	10,404	10,333	11,024	11,456	12,442			
Four Years Later	11,224	11,815	11,718	12,095	12,107	12,591	13,376				
Five Years Later	12,112	12,611	12,931	13,378	13,270	13,994					
Six Years Later	12,615	13,472	13,894	14,179	14,290						
Seven Years Later	13,235	14,193	14,502	14,968							
Eight Years Later	13,804	14,654	15,105								
Nine Years Later	14,147	15,158									
Ten Years Later	14,573										
Net Liability Reestimated as of:											
End of Year	14,699	15,840	16,757	17,557	18,419	19,693	20,407	21,171	24,619	24,600	24,952
One Year Later	14,596	15,828	16,807	17,434	18,139	19,413	20,009	20,890	24,237	24,265	
Two Years Later	14,595	15,903	16,603	17,479	18,269	19,330	19,999	20,886	23,864		
Three Years Later	14,724	15,990	16,778	17,782	18,344	19,327	20,151	20,572			
Four Years Later	14,965	16,254	17,182	18,090	18,344	19,604	19,916				
Five Years Later	15,361	16,712	17,600	18,300	18,535	19,500					
Six Years Later	15,845	17,095	17,844	18,537	18,575						
Seven Years Later	16,161	17,356	18,148	18,629							
Eight Years Later	16,385	17,679	18,320								
Nine Years Later	16,687	17,872									
Ten Years Later	16,915										
Redundancy/(Deficiency)	(2,216)	(2,032)	(1,563)	(1,072)	(156)	193	491	599	755	335	

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

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

(in millions)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Reserve for Net Losses and Loss Expenses, Excluding Asbestos and Environmental Losses and Loss Expenses, December 31,	$14,539	$15,639	$16,503	$17,249	$18,089	$19,186	$19,664	$20,384	23,754	$23,709	$24,097
Paid (Cumulative) as of:											
One Year Later	4,260	4,691	4,766	5,061	4,700	5,174	5,507	5,576	6,657	7,712	
Two Years Later	7,237	7,842	8,088	8,082	7,891	8,515	8,832	9,305	11,373		
Three Years Later	9,333	10,178	10,157	10,137	10,048	10,673	11,094	12,122			
Four Years Later	10,912	11,483	11,337	11,726	11,683	12,128	12,948				
Five Years Later	11,727	12,175	12,448	12,871	12,734	13,466					
Six Years Later	12,126	12,935	13,274	13,560	13,689						
Seven Years Later	12,646	13,519	13,771	14,285							
Eight Years Later	13,079	13,870	14,310								
Nine Years Later	13,312	14,311									
Ten Years Later	13,677										
Net Liability Reestimated as of:											
End of Year	14,539	15,639	16,503	17,249	18,089	19,186	19,664	20,384	23,754	23,709	24,097
One Year Later	14,341	15,518	16,382	17,019	17,556	18,568	19,118	19,903	23,229	23,345	
Two Years Later	14,232	15,422	16,073	16,813	17,355	18,347	18,910	19,771	22,827		
Three Years Later	14,190	15,403	15,997	16,790	17,293	18,141	18,934	19,428			
Four Years Later	14,327	15,417	16,081	16,960	17,090	18,292	18,670				
Five Years Later	14,472	15,562	16,362	16,969	17,155	18,161					
Six Years Later	14,648	15,808	16,404	17,080	17,169						
Seven Years Later	14,828	15,869	16,582	17,146							
Eight Years Later	14,854	16,067	16,731								
Nine Years Later	15,032	16,238									
Ten Years Later	15,241										
Redundancy/(Deficiency)	(702)	(599)	(228)	103	920	1,025	994	956	927	364	

Reconciliation of Net Reserve for Losses and Loss Expenses

(in millions)

	2000	1999	1998
Net reserve for losses and loss expenses at beginning of year	$24,600	$24,619	$21,171
Acquisitions (a)	236	--	2,896
Losses and loss expenses incurred:			
Current year	13,356	12,122	10,938
Prior years (b)	(252)	(384)	(281)
	13,104	11,738	10,657
Losses and loss expenses paid:			
Current year	5,205	4,978	4,389
Prior years	7,783	6,779	5,716
	12,988	11,757	10,105
Net reserve for losses and loss expenses at end of year (c)	$24,952	$24,600	$24,619

(a) Acquisitions include the opening balances with respect to HSB in 2000 and Transatlantic and 21st Century in 1998.
(b) Does not include the effects of foreign exchange adjustments which are reflected in the "Net Losses and Loss Expense Reserve Development" table.
(c) See also Note 6(a) of Notes to Financial Statements.

Approximately 48 percent of the net losses and loss expense reserves are paid out within two years of the date incurred. The remaining net losses and loss expense reserves, particularly those associated with the casualty lines of business, may extend to 20 years or more.

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

The reserve for losses and loss expenses as reported in AIG's Consolidated Balance Sheet at December 31, 2000, differs from the total reserve reported in the Annual Statements filed with state insurance departments and, where appropriate, with foreign regulatory authorities. The differences at December 31, 2000 relate primarily to reserves for certain foreign operations. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

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

The "Analysis of Consolidated Gross Losses and Loss Expense Reserve Development", which follows, presents the development of gross losses and loss expense reserves for calendar years 1992 through 2000. As with the net losses and loss expense reserve development, the deficiencies of $2.30 billion and $1.50 billion for 1992 and 1993, and redundancies of $307 million, $622 million, $1.04 billion, $590 million, $351 million and $254 million for 1994, 1995, 1996, 1997, 1998 and 1999 respectively, are relatively insignificant both in terms of an aggregate amount and as a percentage of the initial reserve balance.

Analysis of Consolidated Gross Losses
and Loss Expense Reserve Development

(in millions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Gross Losses and Loss Expenses, December 31,	$28,157	$30,046	$31,435	$33,047	$33,430	$33,400	$38,310	$38,252	$40,613
Paid (Cumulative) as of:									
One Year Later	7,281	8,807	7,640	8,392	9,199	9,185	10,344	12,543	
Two Years Later	13,006	13,279	13,036	15,496	15,043	14,696	19,155		
Three Years Later	16,432	17,311	17,540	18,837	18,721	19,706			
Four Years Later	18,550	20,803	20,653	21,811	21,729				
Five Years Later	21,322	22,895	22,634	23,463					
Six Years Later	22,807	23,779	24,205						
Seven Years Later	23,684	25,239							
Eight Years Later	25,060								
Gross Liability Reestimated as of:									
End of Year	28,157	30,046	31,435	33,047	33,430	33,400	38,310	38,252	40,613
One Year Later	28,253	29,866	30,759	32,372	32,777	32,337	37,161	37,998	
Two Years Later	27,825	29,537	30,960	32,398	31,719	32,251	37,959		
Three Years Later	27,727	30,362	30,825	31,759	31,407	32,810			
Four Years Later	28,625	31,020	30,508	31,604	32,388				
Five Years Later	29,701	30,881	30,417	32,425					
Six Years Later	29,605	30,969	31,128						
Seven Years Later	29,929	31,546							
Eight Years Later	30,452								
Redundancy/(Deficiency)	(2,295)	(1,500)	307	622	1,042	590	351	254	

Life Insurance Operations

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

Life insurance operations in foreign countries comprised 90.8 percent of life premium income and 66.2 percent of operating income in 2000. AIG operates overseas principally through American Life Insurance Company (ALICO), American International Assurance Company, Limited together with American International Assurance Company (Bermuda) Limited (AIA) and Nan Shan Life Insurance Company, Ltd. (Nan Shan). ALICO is incorporated in Delaware and all of its business is written outside of the United States. ALICO has operations either directly or through subsidiaries in approximately 50 countries located in Europe, Africa, Latin America, the Caribbean, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates in Taiwan. These operations comprised 88.1 percent of AIG's consolidated life premium income in 2000. (See also Note 18 of Notes to Financial Statements.)

AIG's domestic life operations are comprised of two separate operations, AIG's domestic life companies and the life insurance subsidiaries of SunAmerica. AIG's domestic life subsidiaries are American International Life Assurance Company of New York and AIG Life Insurance Company. These companies utilize multiple distribution channels including brokerage and career and general agents to offer primarily life insurance, financial and investment products and specialty forms of accident and health coverage for individuals and groups, including employee benefit plans. SunAmerica sells primarily financial and investment type products. The domestic life operations comprised 9.2 percent of total life premium income in 2000.

There was no significant adverse effect on AIG's life insurance results of operations from economic environments in any one state, country or geographic region for the year ended December 31, 2000. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

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

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

The foreign life companies have over 140,000 career agents and sell their products largely to indigenous persons in local currencies. In addition to the agency outlets, these companies also distribute their products through direct marketing channels, such as mass marketing, and through brokers and other distribution outlets such as financial institutions.

The following tables summarize the life insurance operating results for the years ended December 31, 2000, 1999 and 1998. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations.)

(dollars in millions)

December 31, 2000	Premium Income	Net Investment Income	Operating Income(a)	Insurance In-Force	Average Termination Rate Lapse	Average Termination Rate Other
Individual:						
Life	$ 9,533	$3,081	$1,664	$427,108(b)	8.3%	1.5%
Annuity	490	1,467	289	(c)		
Accident and health	1,945	130	529	(c)		
Group:						
Life	653	40	83	155,951	7.7%	4.2%
Pension	351	2,383	952	(c)		
Accident and health	638	31	41	(c)		
Realized capital losses	--	--	(162)	(c)		
Consolidation adjustments	--	(9)	(9)	(c)		
Total	$13,610	$7,123	$3,387	$583,059		

(a) Including income related to investment type products.
(b) Including $282.7 billion of whole life insurance and endowments.
(c) Not applicable.

(dollars in millions)

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

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

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

Consolidation adjustments	--	(8)	(8)	(c)
Total	$10,293	$5,201	$2,373	$503,649

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

AIG's individual life insurance and group life insurance portfolio accounted for 49 percent, 52 percent and 53 percent of AIG's consolidated life insurance operating income before realized capital losses for the years ended December 31, 2000, 1999 and 1998, respectively. For the years ended December 31, 2000, 1999 and 1998, 63.1 percent, 64.7 percent and 68.0 percent, respectively, of consolidated life operating income before realized capital losses was derived from foreign operations.

Insurance Investment Operations

A significant portion of AIG's general and life operating revenues are derived from AIG's insurance investment operations. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1, 2, 8 and 18 of Notes to Financial Statements.)

The following tables summarize the composition of AIG's insurance invested assets by insurance segment, including investment income due and accrued and real estate, at December 31, 2000 and 1999:

(dollars in millions)

December 31, 2000	General Insurance	Life Insurance	Total	Percent of Total	Percent Distribution Domestic	Percent Distribution Foreign
Fixed maturities:						
Available for sale, at market value (a)	$18,168	$72,159	$ 90,327	63.8%	51.8%	48.2%
Held to maturity, at amortized cost	11,533	--	11,533	8.1	100.0	--
Equity securities, at market value (b)	4,666	2,309	6,975	4.9	55.4	44.6
Mortgage loans on real estate, policy and collateral loans	65	10,563	10,628	7.5	58.6	41.4
Short-term investments, including time deposits, and cash	1,448	4,066	5,514	3.9	44.8	55.2
Real estate	408	1,359	1,767	1.3	16.6	83.4
Investment income due and accrued	584	1,689	2,273	1.6	46.8	53.2
Other invested assets	6,020	6,566	12,586	8.9	88.3	11.7
Total	$42,892	$98,711	$141,603	100.0%	58.9%	41.1%

(a) Includes $846 million of bonds trading securities, at market value.
(b) Includes $1.04 billion of non-redeemable preferred stocks, at market value.

(dollars in millions)

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

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

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

(dollars in millions)

	Annual Average Cash and Invested Assets						
Years Ended December 31,	Cash (including short-term investments)	Invested Assets(a)	Total	Net Investment Income(b)	Rate of Return on Invested Assets		Realized Capital Gains
2000	$1,212	$39,801	$41,013	$2,701	6.6%(c)	6.8%(d)	$ 38
1999	925	38,084	39,009	2,517	6.5 (c)	6.6 (d)	295
1998	745	34,619	35,364	2,192	6.2 (c)	6.3 (d)	205
1997	611	29,704	30,315	1,854	6.1 (c)	6.2 (d)	128
1996	630	27,048	27,678	1,691	6.1 (c)	6.3 (d)	65

(a) Including investment income due and accrued and real estate.
(b) Net investment income is after deduction of investment expenses and excludes realized capital gains.
(c) Net investment income divided by the annual average sum of cash and invested assets.
(d) Net investment income divided by the annual average invested assets.

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

(dollars in millions)

	Annual Average Cash and Invested Assets						
Years Ended December 31,	Cash (including short-term investments)	Invested Assets(a)	Total	Net Investment Income(b)	Rate of Return on Invested Assets		Realized Capital Gains (Losses)
2000	$4,888	$88,145	$93,033	$7,123	7.7%(c)	8.1%(d)	$(162)
1999	5,772	75,444	81,216	6,206	7.6 (c)	8.2 (d)	(148)
1998	4,619	65,796	70,415	5,201	7.4 (c)	7.9 (d)	(74)
1997	2,467	57,849	60,316	4,521	7.5 (c)	7.8 (d)	(9)
1996	1,809	48,158	49,967	3,805	7.6 (c)	7.9 (d)	4

(a) Including investment income due and accrued and real estate.
(b) Net investment income is after deduction of investment expenses and excludes realized capital gains.
(c) Net investment income divided by the annual average sum of cash and invested assets.
(d) Net investment income divided by the annual average invested assets.

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

Financial Services Operations

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

International Lease Finance Corporation (ILFC) engages primarily in the acquisition of new and used commercial jet aircraft and the leasing and remarketing of such aircraft to airlines around the world. Also, ILFC provides, for a fee, fleet management services to certain third-party operators. (See also Note 18 of Notes to Financial Statements.)

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

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

Together these three operations comprise 92.6 percent of the commissions, transaction and other fees of AIG's consolidated financial services operations.

The following table is a summary of the composition of AIG's financial services and asset management invested assets and liabilities at December 31, 2000 and 1999. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of Notes to Financial Statements.)

(in millions)

	2000	1999
Financial services and asset management invested assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation	$19,325	$17,334
Unrealized gain on interest rate and currency swaps, options and forward transactions	10,235	7,931
Securities available for sale, at market value	14,669	12,954
Trading securities, at market value	7,347	4,391
Securities purchased under agreements to resell, at contract value	14,979	10,897
Trading assets	7,045	5,793
Spot commodities, at market value	363	683
Other, including short-term investments	2,785	2,565
Total	$76,748	$62,548
Financial services and asset management liabilities:		
Borrowings under obligations of guaranteed investment agreements	$13,595	$ 9,430
Securities sold under agreements to repurchase, at contract value	11,308	6,116
Trading liabilities	4,352	3,821
Securities and spot commodities sold but not yet purchased, at market value	7,701	6,413
Unrealized loss on interest rate and currency swaps, options and forward transactions	8,581	8,624
Trust deposits and deposits due to banks and other depositors	1,895	2,175
Commercial paper	4,259	2,958
Notes, bonds and loans payable	17,923	16,806
Total	$69,614	$56,343

The following table is a summary of the revenues and operating income of AIG's principal financial services operations for the year ended December 31, 2000, 1999 and 1998. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of Notes to Financial Statements.)

(in millions)

	Revenues	Operating Income
2000		
ILFC	$2,441	$654
AIGFP*	1,056	648
AIGTG*	254	62
1999		
ILFC	$2,194	$590
AIGFP*	737	482
AIGTG*	227	109
1998		
ILFC	$2,002	$496
AIGFP*	550	323
AIGTG*	374	123

*Revenues represent commissions, transaction and other fees.

A.I. Credit Corp. also contributes to financial services income. This operation engages principally in premium financing. AIG Consumer Finance Group, Inc., through its subsidiaries, is engaged in developing a multi-product consumer finance business with an emphasis on emerging markets. (See also Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1, 9 and 12 of Notes to Financial Statements.)

Asset Management Operations

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

AIG's three principal asset management operations are SunAmerica's asset management operations (SAAMCo), AIG Global Investment Group, Inc. and its subsidiaries (Global Investment) and AIG Capital Partners, Inc. (Cap Partners). SAAMCo develops and sells variable annuities and other investment products, sells and manages mutual funds and provides financial services. Global Investment manages third-party institutional, retail and private equity funds invested assets on a global basis, and provides custodial services. Cap Partners organizes, and manages the invested assets of institutional investment funds and may also invest in such funds. Each of these subsidiary operations receives fees for investment products and services provided.

Other Operations

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

Additional Investments

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

Locations of Certain Assets

As of December 31, 2000, approximately 32 percent of the consolidated assets of AIG were located in foreign countries (other than Canada), including $816 million of cash and securities on deposit with foreign regulatory authorities. Foreign operations and assets held abroad may be adversely affected by political developments in foreign countries, including such possibilities as tax changes, nationalization and changes in regulatory policy, as well as by consequence of hostilities and unrest. The risks of such occurrences and their overall effect upon AIG vary from country to country and cannot easily be predicted. If expropriation or nationalization does occur, AIG's policy is to take all appropriate measures to seek recovery of such assets. Certain of the countries in which AIG's business is conducted have currency restrictions which generally cause a delay in a company's ability to repatriate assets and profits. (See also Notes 1, 2 and 18 of Notes to Financial Statements.)

Insurance Regulation and Competition

Certain states require registration and periodic reporting by insurance companies which are licensed in such states and are controlled by other corporations. Applicable legislation typically requires periodic disclosure concerning the corporation which controls the registered insurer and the other companies in the holding company system and prior approval of intercorporate transfers of assets (including in some instances payment of dividends by the insurance subsidiary) within the holding company system. AIG's subsidiaries are registered under such legislation in those states which have such requirements.(See also Note 11 of Notes to Financial Statements.)

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

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

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

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

The statutory surplus of each of AIG's domestic general and life insurance subsidiaries exceeded their RBC standards by considerable margins as of December 31, 2000.

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

Privacy provisions of the Gramm-Leach-Bliley Act are fully effective in 2001 and establish new consumer protections regarding the security, confidentiality, and uses of nonpublic personal information of individuals. The law also requires financial institutions to disclose their privacy policies to their customers. Additional privacy legislation pending in the United States Congress, several states, and other countries is designed to provide further privacy protections to consumers of financial products and services. These statutes and regulations may result in additional regulatory compliance costs, limit AIG's ability to market its products, or otherwise constrain the nature or scope of AIG's insurance and financial services operations.

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

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

The insurance industry is highly competitive. Within the United States, AIG's general insurance subsidiaries compete with approximately 3,000 other stock companies, specialty insurance organizations, mutual companies and other underwriting organizations. AIG's life insurance companies compete in the United States with some 1,700 life insurance companies and other participants in related financial service fields. Overseas, AIG subsidiaries compete for business with foreign insurance operations of the larger U.S. insurers and local companies in particular areas in which they are active.

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

ITEM 2. Properties

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

ITEM 3. Legal Proceedings

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

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of 2000.

Directors and Executive Officers of the Registrant

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

Name	Title	Age	Served as Director or Officer Since
M. Bernard Aidinoff*	Director	72	1984
Eli Broad	Director	67	1999
Pei-yuan Chia	Director	62	1996
Marshall A. Cohen	Director	66	1992
Barber B. Conable, Jr.	Director	78	1991
Martin S. Feldstein	Director	61	1987
Ellen V. Futter	Director	51	1999
M. R. Greenberg*	Director, Chairman and Chief Executive Officer	75	1967
Carla A. Hills	Director	67	1993
Frank J. Hoenemeyer*	Director	81	1985
Richard C. Holbrooke	Director	59	2001
Edward E. Matthews*	Director and Vice Chairman-Investments and Financial Services	69	1973
Howard I. Smith	Director, Executive Vice President and Chief Financial Officer	56	1984
Thomas R. Tizzio*	Director and Senior Vice Chairman-General Insurance	63	1982
Edmund S. W. Tse	Director and Vice Chairman-Life Insurance	63	1991
Jay S. Wintrob	Director	44	1999
Frank G. Wisner	Director and Vice Chairman-External Affairs	62	1997
Frank G. Zarb	Director	65	2001
Kristian P. Moor	Executive Vice President-Domestic General Insurance	41	1998
R. Kendall Nottingham	Executive Vice President-Life Insurance	62	1998
Robert M. Sandler	Executive Vice President, Senior Casualty Actuary and Senior Claims Officer	58	1980
Martin J. Sullivan	Executive Vice President-Foreign General Insurance	46	1997
William N. Dooley	Senior Vice President-Financial Services	48	1992
Lawrence W. English	Senior Vice President-Administration	59	1985
Axel I. Freudmann	Senior Vice President-Human Resources	54	1986
Win J. Neuger	Senior Vice President and Chief Investment Officer	51	1995
Ernest T. Patrikis	Senior Vice President and General Counsel	57	1998
Michael J. Castelli	Vice President and Comptroller	45	1998
Donald P. Kanak	Vice President and Chief Executive Officer of AIG Companies in Japan and Korea	48	1998
Robert E. Lewis	Vice President and Chief Credit Officer	50	1993
Charles M. Lucas	Vice President and Director of Market Risk Management	62	1996
Carol A. McFate	Vice President and Treasurer	48	1998
Frank Petralito II	Vice President and Director of Taxes	64	1978
Kathleen E. Shannon	Vice President and Secretary	51	1986
John T. Wooster, Jr.	Vice President-Communications	61	1989

*Member of Executive Committee.

Except as hereinafter noted, each of the directors who is also an executive officer of AIG and each of the other executive officers has, for more than five years, occupied an executive position with AIG or companies that are now its subsidiaries, or with Starr. There are no other arrangements or understandings between any director or officer and any other person pursuant to which the director or officer was elected to such position. Prior to joining AIG in 1998, Mr. Patrikis was First Vice President at the Federal Reserve Bank of New York, previously having served as Executive Vice President and General Counsel. Ms. McFate was Assistant Treasurer of AIG and Director of Financial Analysis of AIG prior to being elected Treasurer of AIG in 1998. Mr. Wisner served as a career foreign service officer with the United States Department of State from 1961 through July, 1997, with his last position being Ambassador to India.

PART II

ITEM 5. Market for the Registrant's Common Stock and Related Security Holder Matters

(a) The table below shows the high and low closing sales prices per share of AIG's common stock on the New York Stock Exchange Composite Tape, for each quarter of 2000 and 1999, as adjusted for the common stock split in the form of a 50 percent common stock dividend paid July 28, 2000 and the common stock split in the form of a 25 percent common stock dividend paid July 30, 1999.

	2000		1999	
	High	Low	High	Low
First Quarter	76.04	54.29	65.40	52.00
Second Quarter	82.17	67.75	70.90	59.47
Third Quarter	95.69	78.79	66.50	56.33
Fourth Quarter	103.69	90.13	74.46	54.67

(b) In 2000, AIG paid a quarterly dividend of 3.3 cents in March and June and 3.7 cents in September and December for a total cash payment of 14 cents per share of common stock. In 1999, AIG paid a quarterly dividend of 3.0 cents in March and June and 3.3 cents in September and December for a total cash payment of 12.6 cents per share of common stock. These amounts reflect the adjustment for common stock splits described above. Subject to the dividend preference of any of AIG's serial preferred stock which may be outstanding, the holders of shares of common stock are entitled to receive such dividends as may be declared by the Board of Directors from funds legally available therefor.

See Note 11(a) of Notes to Financial Statements for a discussion of certain restrictions on the payment of dividends to AIG by some of its insurance subsidiaries.

(c) The approximate number of holders of Common Stock as of January 31, 2001, based upon the number of record holders, was 32,000.

ITEM 6. Selected Financial Data

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

The following Selected Consolidated Financial Data, which has been restated to include the operations of SunAmerica Inc., the Maryland corporation which was merged into AIG on January 1, 1999, on a pooling of interest basis, is presented in accordance with generally accepted accounting principles. This data should be read in conjunction with the financial statements and accompanying notes included elsewhere herein.

(in millions, except per share amounts)

Years Ended December 31,	2000	1999	1998	1997	1996
Revenues (a)	$ 45,972	$ 40,656	$ 35,716	$ 32,553	$ 29,325
General insurance:					
Net premiums written	17,526	16,224	14,586	13,408	12,692
Net premiums earned	17,407	15,544	14,098	12,421	11,855
Adjusted underwriting profit	785	669	531	490	450
Net investment income	2,701	2,517	2,192	1,854	1,691
Realized capital gains	38	295	205	128	65
Operating income	3,524	3,481	2,928	2,472	2,206
Life insurance:					
Premium income	13,610	11,942	10,293	9,956	8,995
Net investment income	7,123	6,206	5,201	4,521	3,805
Realized capital gains (losses)	(162)	(148)	(74)	(9)	4
Operating income	3,387	2,858	2,373	2,048	1,657
Financial services operating income	1,293	1,081	869	671	501
Asset management operating income	430	314	191	127	101
Equity in income of minority-owned insurance operations	--	--	57	114	99
Other realized capital losses	(14)	(25)	(7)	(29)	(12)
Other income (deductions)-net	(271)	(197)	(134)	(93)	(84)
Income before income taxes and minority interest	8,349	7,512	6,277	5,310	4,468
Income taxes	2,458	2,219	1,785	1,525	1,234
Income before minority interest	5,891	5,293	4,492	3,785	3,234
Minority interest	(255)	(238)	(210)	(74)	(63)
Net income	5,636	5,055	4,282	3,711	3,171
Earnings per common share (b):					
Basic	2.43	2.18	1.87	1.63	1.39
Diluted	2.41	2.15	1.83	1.60	1.37
Cash dividends per common share (c)	.14	.13	.11	.10	.09
Total assets	306,577	268,238	233,676	199,614	172,330
Long-term debt (d)	25,242	22,896	22,720	18,950	18,079
Capital funds (shareholders' equity)	39,619	33,306	30,123	26,585	23,705

(a) Represents the sum of general net premiums earned, life premium income, net investment income, financial services commissions, transaction and other fees, asset management commissions and other fees, equity in income of minority-owned insurance operations, and realized capital gains (losses). Commencing in 1997, agency operations were presented as a component of general insurance and 1996 agency results have been reclassified to conform to this presentation.

(b) Per share amounts for all periods presented have been retroactively adjusted to reflect all stock dividends and splits and reflect the adoption of the Statement of Financial Accounting Standards No. 128 "Earnings per Share."

(c) Cash dividends have not been restated to reflect dividends paid by SunAmerica Inc.

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

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Information

This Annual Report and other publicly available documents may include, and AIG's officers and representatives may from time to time make, statements which may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts but instead represent only AIG's belief regarding future events, many of which, by their nature, are inherently uncertain and outside of AIG's control. These statements may address, among other things, AIG's strategy for growth, product development, regulatory approvals, market position, financial results and reserves. It is possible that AIG's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause AIG's actual results to differ, possibly materially, from those in the specific forward-looking statements are discussed throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. AIG is not under any obligation to (and expressly disclaims any such obligations to) update or alter any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Operational Review

General Insurance Operations

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

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

Commencing with the latter part of the fourth quarter of 2000, HSB, and the third quarter of 1998, Transatlantic and 21st Century were consolidated into AIG's financial statements, as a result of AIG obtaining majority ownership.

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

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

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

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

General insurance operations for the twelve month periods ending December 31, 2000, 1999 and 1998 were as follows:

(in millions)

	2000	1999	1998
Net premiums written*:			
Domestic	$11,768	$10,856	$ 9,976
Foreign	5,758	5,368	4,610
Total	$17,526	$16,224	$14,586
Net premiums earned*:			
Domestic	$11,739	$10,263	$ 9,659
Foreign	5,668	5,281	4,439
Total	$17,407	$15,544	$14,098
Adjusted underwriting profit*:			
Domestic	$ 450	$ 368	$ 15
Foreign	335	301	516
Total	$ 785	$ 669	$ 531

Net investment income:			
Domestic	$ 2,076	$ 1,995	$ 1,754
Foreign	625	522	438
Total	$ 2,701	$ 2,517	$ 2,192
Operating income before realized capital gains*:			
Domestic	$ 2,526	$ 2,363	$ 1,769
Foreign	960	823	954
Total	3,486	3,186	2,723
Realized capital gains	38	295	205
Operating income	$ 3,524	$ 3,481	$ 2,928

*Reflects the realignment of certain internal divisions.

In AIG's general insurance operations, 2000 net premiums written and net premiums earned increased 8.0 percent and 12.0 percent, respectively, from those of 1999. During 2000, AIG cancelled or non-renewed approximately $380 million of business worldwide that did not meet AIG's underwriting standards. In 1999, net premiums written increased 11.2 percent and net premiums earned increased 10.3 percent when compared to 1998.

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

(in millions)

	2000	1999	1998
Net premiums written:			
DBG*	$ 8,805	$ 8,297	$8,191
Personal Lines	2,510	2,162	1,422
Mortgage Guaranty	453	397	363
Total*	$11,768	$10,856	$9,976
Net premiums earned:			
DBG*	$ 8,886	$ 7,788	$8,002
Personal Lines	2,401	2,079	1,280
Mortgage Guaranty	452	396	377
Total*	$11,739	$10,263	$9,659

*Reflects the realignment of certain internal divisions.

Commencing in the latter part of 1999 and continuing through 2000, the commercial property-casualty market place has experienced rate increases. Virtually all areas of DBG have experienced rate increases. Overall, DBG's net premiums written increased $508 million or 6.1 percent in 2000 over 1999. These increases compared to an increase of $106 million or 1.3 percent in 1999 over 1998.

Personal Lines' net premiums written increased 16.1 percent or $348 million in 2000 over 1999, compared to an increase of 52.0 percent or $740 million in 1999 over 1998. The growth in 2000 primarily resulted from an increase in the number of policies issued with respect to preferred, standard and non-standard auto risks. 21st Century was consolidated into AIG's Personal Lines results for the twelve months of 1999 and last six months of 1998. Approximately half the growth in 1999 over 1998 was attributable to the inclusion of twelve months of operations of 21st Century. The remainder of the growth was due to the aforementioned growth in policy issuance. AIG has filed for rate increases in a number of states where inadequate rates persist.

Growth of 7.3 percent for both foreign general insurance net premiums written and net premiums earned in 2000 over 1999 reflect growth of operations in the United Kingdom, Continental Europe and the Far East. Growth of 16.4 percent and 19.0 percent for foreign general insurance net premiums written and net premiums earned, respectively, reflect growth of operations in the same aforementioned geographic regions and the consolidation of Transatlantic's foreign operations for twelve months in 1999 compared to six months in 1998. Foreign general insurance operations produced 32.9 percent of the general insurance net premiums written in 2000, 33.1 percent in 1999 and 31.6 percent in 1998.

Differences in foreign exchange rates during 2000 relative to 1999 had a negligible effect on foreign general insurance net premiums written when translated from original currencies into U.S. dollars. (See also the discussion under "Capital Resources" herein.)

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

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

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

	2000	1999	1998

Domestic:			
Loss Ratio	81.00	81.30	83.98
Expense Ratio	16.94	16.33	16.06
Combined Ratio	97.94	97.63	100.04
Foreign:			
Loss Ratio	63.44	64.27	57.32
Expense Ratio	30.65	29.95	30.96
Combined Ratio	94.09	94.22	88.28
Consolidated:			
Loss Ratio	75.28	75.51	75.59
Expense Ratio	21.45	20.84	20.77
Combined Ratio	96.73	96.35	96.36

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

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

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

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

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

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

The adjusted underwriting profits were $785 million in 2000, $669 million in 1999 and $531 million in 1998. Domestic adjusted underwriting profit increased primarily as a result of the disciplined underwriting of DBG. In 1999, foreign underwriting profit declined primarily as a result of catastrophe losses from European storms. The regulatory, product type and competitive environment as well as the degree of litigation activity in any one country varies significantly. These factors have a direct impact on pricing and consequently profitability as reflected by adjusted underwriting profit and statutory general insurance ratios. (See also Notes 4 and 18 of Notes to Financial Statements.)

AIG's results reflect the net impact of incurred losses from catastrophes approximating $44 million in 2000, $156 million in 1999 and $110 million in 1998. AIG's gross incurred losses from catastrophes approximated $112 million in 2000, $472 million in 1999 and $625 million in 1998. The impact of losses caused by catastrophes can fluctuate widely from year to year, making comparisons of recurring type business more difficult. The pro forma table below excludes catastrophe losses in order to present comparable results of AIG's recurring core underwriting operations. The pro forma consolidated statutory general insurance ratios would be as follows:

	2000	1999	1998
Loss Ratio	75.03	74.51	74.81
Expense Ratio	21.45	20.84	20.77
Combined Ratio	96.48	95.35	95.58

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

General insurance net investment income in 2000 increased 7.3 percent when compared to 1999. In 1999, net investment income increased 14.8 percent over 1998. The growth in net investment income in each of the three years was primarily attributable to new cash flow for investment and the consolidation of Transatlantic and 21st Century for twelve months in 1999 compared to six months in 1998. The new cash flow was generated from net general insurance operating cash flow and included the compounding of previously earned and reinvested net investment income. (See also the discussion under "Liquidity" herein and Note 8 of Notes to Financial Statements.)

General insurance realized capital gains were $38 million in 2000, $295 million in 1999 and $205 million in 1998. These realized gains resulted from the ongoing management of the general insurance investment portfolios within the overall objectives of the general insurance operations and arose primarily from the disposition of equity securities and available for sale fixed maturities as well as redemptions of fixed maturities.

General insurance operating income in 2000 increased 1.3 percent when compared to 1999. The 1999 results reflect an increase of 18.9 percent from 1998. The contribution of general insurance operating income to income before income taxes and minority interest was 42.2 percent in 2000 compared to 46.3 percent in 1999 and 46.6 percent in 1998.

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

AIG's general reinsurance assets amounted to $22.90 billion and resulted from AIG's reinsurance arrangements. Thus, a credit exposure existed at December 31, 2000 with respect to reinsurance recoverable to the extent that any reinsurer may not be able to reimburse AIG under the terms of these reinsurance arrangements. AIG manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound, and when necessary AIG holds substantial collateral in the form of funds, securities and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis. At December 31, 2000, approximately 43 percent of the general reinsurance assets were from unauthorized reinsurers. In order to obtain statutory recognition, nearly all of these balances were collateralized. The remaining 57 percent of the general reinsurance assets were from authorized reinsurers and over 95 percent of such balances are from reinsurers rated A-(excellent) or better, as rated by A.M. Best. This rating is a measure of financial strength. The terms authorized and unauthorized pertain to regulatory categories, not creditworthiness.

AIG maintains an allowance for estimated unrecoverable reinsurance and has been largely successful in its previous recovery efforts. At December 31, 2000, AIG had allowances for unrecoverable reinsurance approximating $76 million. At that date AIG had no significant reinsurance recoverables from any individual reinsurer which is financially troubled (e.g., liquidated, insolvent, in receivership or otherwise subject to formal or informal regulatory restriction).

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

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

At December 31, 2000, the consolidated general reinsurance assets of $22.90 billion include reinsurance recoverables for paid losses and loss expenses of $3.33 billion and $15.66 billion with respect to the ceded reserve for losses and loss expenses, including ceded losses incurred but not reported (IBNR) (ceded reserves). The ceded reserves represent the accumulation of estimates of ultimate ceded losses including provisions for ceded IBNR and loss expenses. The methods used to determine such estimates and to establish the resulting ceded reserves are continually reviewed and updated. Any adjustments therefrom are reflected in income currently. It is AIG's belief that the ceded reserves at December 31, 2000 were representative of the ultimate losses recoverable. In the future, as the ceded reserves continue to develop to ultimate amounts, the ultimate loss recoverable may be greater or less than the reserves currently ceded.

At December 31, 2000, general insurance reserves for losses and loss expenses (loss reserves) amounted to $40.61 billion. These loss reserves represent the accumulation of estimates of ultimate losses, including IBNR, and loss expenses and amounts of discounting related to certain workers' compensation claims. At December 31, 2000, general insurance net loss reserves increased $117 million from prior year end to $24.95 billion. The net loss reserves represent loss reserves reduced by reinsurance recoverables, net of an allowance for unrecoverable reinsurance. The methods used to determine such estimates and to establish the resulting reserves are continually reviewed and updated. Any adjustments resulting therefrom are reflected in operating income currently. It is management's belief that the general insurance net loss reserves are adequate to cover all general insurance net losses and loss expenses as at December 31, 2000. In the future, if the general insurance net loss reserves develop deficiently, such deficiency would have an adverse impact on such future results of operations.

In a very broad sense, the general loss reserves can be categorized into two distinct groups: one group being long tail casualty lines of business. Such lines include excess and umbrella liability, directors and officers' liability, professional liability, medical malpractice, general liability, products' liability, and related classes. These lines account for approximately one-half of net losses and loss expenses. The other group is short tail lines of business consisting principally of property lines, certain classes of casualty lines and includes personal lines.

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

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

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

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

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

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

In the interim, AIG and other industry members have and will continue to litigate the broadening judicial interpretation of the policy coverage and the liability issues. At the current time, it is not possible to determine the future development of asbestos and environmental claims with the same degree of reliability as is the case for other types of claims. Such development will be affected by the extent to which courts continue to expand the intent of the policies and the scope of the coverage, as they have in the past, as well as by the changes in Superfund and waste dump site coverage issues. Although the estimated liabilities for these claims are subject to a significantly greater margin of error than for other claims, the reserves carried for these claims at December 31, 2000 are believed to be adequate as these reserves are based on the known facts and current law. Furthermore, as AIG's net exposure retained relative to the gross exposure written was lower in 1984 and prior years, the potential impact of these claims is much smaller on the net loss reserves than on the gross loss reserves. In the future, if the environmental claims develop deficiently, such deficiency would have an adverse impact on future results of operations. (See the previous discussion on reinsurance collectibility herein.)

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

American International Group, Inc. and Subsidiaries

A summary of reserve activity, including estimates for applicable IBNR, relating to asbestos and environmental claims separately and combined at December 31, 2000, 1999 and 1998 follows.

(in millions)

	2000		1999		1998	
	Gross	Net	Gross	Net	Gross	Net
Asbestos:						
Reserve for losses and loss expenses at beginning of year	$1,093	$306	$ 964	$ 259	$ 842	$ 195
Losses and loss expenses incurred	405	80	404	101	375	111
Losses and loss expenses paid	(398)	(48)	(275)	(54)	(253)	(47)
Reserve for losses and loss expenses at end of year	$1,100	$338	$1,093	$ 306	$ 964	$ 259
Environmental:						
Reserve for losses and loss expenses at beginning of year	$1,519	$585	$1,535	$ 605	$1,467	$ 592
Losses and loss expenses incurred	(44)	(45)	127	47	284	107
Losses and loss expenses paid	(130)	(23)	(143)	(67)	(216)	(94)
Reserve for losses and loss expenses at end of year	$1,345	$517	$1,519	$ 585	$1,535	$ 605
Combined:						
Reserve for losses and loss expenses at beginning of year	$2,612	$891	$2,499	$ 864	$2,309	$ 787
Losses and loss expenses incurred	361	35	531	148	659	218
Losses and loss expenses paid	(528)	(71)	(418)	(121)	(469)	(141)
Reserve for losses and loss expenses at end of year	$2,445	$855	$2,612	$ 891	$2,499	$ 864

The gross and net IBNR included in the aforementioned reserve for losses and loss expenses at December 31, 2000, 1999 and 1998 were estimated as follows:

(in millions)

	2000		1999		1998	
	Gross	Net	Gross	Net	Gross	Net
Combined	$1,042	$314	$930	$352	$979	$359

A summary of asbestos and environmental claims count activity for the years ended December 31, 2000, 1999 and 1998 was as follows:

	2000			1999		
	Asbestos	Environmental	Combined	Asbestos	Environmental	Combined
Claims at beginning of year	6,746	13,432	20,178	6,388	16,560	22,948
Claims during year:						
Opened	650	1,697	2,347	946	2,040	2,986
Settled	(101)	(584)	(685)	(225)	(876)	(1,101)
Dismissed or otherwise resolved	(499)	(3,222)	(3,721)	(363)	(4,292)	(4,655)
Claims at end of year	6,796	11,323	18,119	6,746	13,432	20,178

	1998		
	Asbestos	Environmental	Combined
Claims at beginning of year	6,150	17,422	23,572
Claims during year:			
Opened	887	3,502	4,389
Settled	(81)	(677)	(758)
Dismissed or otherwise resolved	(568)	(3,687)	(4,255)
Claims at end of year	6,388	16,560	22,948

The average cost per claim settled, dismissed or otherwise resolved for the years ended December 31, 2000, 1999 and 1998 was as follows:

	Gross	Net
2000		
Asbestos	$663,300	$80,000
Environmental	34,200	6,000
Combined	119,800	16,100
1999		
Asbestos	$467,700	$91,800
Environmental	27,700	13,000
Combined	72,600	21,000
1998		
Asbestos	$389,800	$72,400
Environmental	49,500	21,500
Combined	93,600	28,100

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

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

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

AIG's survival ratios for involuntary asbestos and environmental claims, separately and combined, were based upon a three year average payment. These ratios for the years ended December 31, 2000, 1999 and 1998 were as follows:

	Gross	Net
2000		
Involuntary survival ratios:		
Asbestos	3.6	6.8
Environmental	20.0	16.9
Combined	7.6	11.5
1999		
Involuntary survival ratios:		
Asbestos	4.1	6.3
Environmental	17.3	17.5
Combined	8.2	11.7
1998		
Involuntary survival ratios:		
Asbestos	3.7	5.2
Environmental	17.0	17.2
Combined	7.8	10.8

AIG's operations are negatively impacted under guarantee fund assessment laws which exist in most states. As a result of operating in a state which has guarantee fund assessment laws, a solvent insurance company may be assessed for certain obligations arising from the insolvencies of other insurance companies which operated in that state. AIG generally records these assessments upon notice. Additionally, certain states permit at least a portion of the assessed amount to be used as a credit against a company's future premium tax liabilities. Therefore, the ultimate net assessment cannot reasonably be estimated. The guarantee fund assessments net of credits for 2000, 1999 and 1998 were $15 million, $15 million and $16 million, respectively.

AIG is also required to participate in various involuntary pools (principally workers' compensation business) which provide insurance coverage for those not able to obtain such coverage in the voluntary markets. This participation is also recorded upon notification, as these amounts cannot reasonably be estimated.

Life Insurance Operations

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

AIG's three principal overseas life operations are American Life Insurance Company (ALICO), American International Assurance Company, Limited together with American International Assurance Company (Bermuda) Limited (AIA) and Nan Shan Life Insurance Company, Ltd. (Nan Shan). ALICO is incorporated in Delaware and all of its business is written outside of the United States. ALICO has operations either directly or through subsidiaries in approximately 50 countries located in Europe, Africa, Latin America, the Caribbean, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates in Taiwan. AIG's domestic life operations are comprised of two separate operations, AIG's domestic life companies and the life insurance subsidiaries of SunAmerica Inc. (SunAmerica), a Delaware corporation which owns substantially all of the subsidiaries which were owned by SunAmerica Inc., the Maryland corporation which was merged into AIG in January 1999. Both of these operations sell primarily financial and investment type products. (See also Note 18 of Notes to Financial Statements.)

Life insurance operations for the twelve month periods ending December 31, 2000, 1999 and 1998 were as follows:

(in millions)

	2000	1999	1998
Premium income:			
Domestic	$ 1,255	$ 947	$ 784
Foreign	12,355	10,995	9,509
Total	$ 13,610	$ 11,942	$ 10,293
Net investment income:			
Domestic	$ 3,926	$ 3,497	$ 2,889
Foreign	3,197	2,709	2,312
Total	$ 7,123	$ 6,206	$ 5,201
Operating income before realized capital losses:			
Domestic	$ 1,311	$ 1,062	$ 782
Foreign	2,238	1,944	1,665
Total	3,549	3,006	2,447
Realized capital losses	(162)	(148)	(74)
Operating income	$ 3,387	$ 2,858	$ 2,373
Life insurance in-force:			
Domestic	$ 88,743	$103,049	$ 65,705
Foreign	494,316	481,910	437,944
Total	$583,059	$584,959	$503,649

AIG's life premium income in 2000 represented a 14.0 percent increase from the prior year. This compares with an increase of 16.0 percent in 1999 over 1998. Foreign life operations produced 90.8 percent, 92.1 percent and 92.4 percent of the life premium income in 2000, 1999 and 1998, respectively. (See also Notes 1, 4 and 6 of Notes to Financial Statements.)

The traditional life products, particularly individual life products, were major contributors to the growth in foreign premium income. These traditional life products, coupled with the increased distribution of financial and investment products contributed to the growth in foreign investment income. A mixture of traditional, accident and health and financial products are being sold in Japan through ALICO.

Differences in foreign exchange rates during 2000 relative to 1999 had a negligible effect on foreign life premium income when translated from original currencies into U.S. dollars.

Life insurance net investment income increased 14.8 percent in 2000 compared to an increase of 19.3 percent in 1999. The growth in net investment income in 2000 and 1999 was attributable to both foreign and domestic new cash flow for investment. The new cash flow was generated from life insurance operations and included the compounding of previously earned and reinvested net investment income. (See also the discussion under "Liquidity" herein.)

Life insurance realized capital losses were $162 million in 2000, $148 million in 1999 and $74 million in 1998. These realized capital losses resulted from the ongoing management of the life insurance investment portfolios within the overall objectives of the life insurance operations and arose primarily from the disposition of equity securities and available for sale fixed maturities as well as redemptions of fixed maturities. The increase in realized capital losses from 1998 to 2000 reflects the impact of higher interest rates, wider spreads between governmental and non-governmental obligations and weaker Asian markets on the customary trading activities of the life insurance investment operations.

Life insurance operating income in 2000 increased 18.5 percent to $3.39 billion compared to an increase of 20.5 percent in 1999. Excluding realized capital gains and losses from life insurance operating income, the percent increases would be 18.1 percent and 22.8 percent in 2000 and 1999, respectively. The contribution of life insurance operating income to income before income taxes and minority interest amounted to 40.6 percent in 2000 compared to 38.0 percent in 1999 and 37.8 percent in 1998.

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

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

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

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

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

The asset-liability relationship is appropriately managed in AIG's foreign operations, as it has been throughout AIG's history, even though certain territories lack qualified long-term investments or there are investment restrictions imposed by the local regulatory authorities. For example, in Japan and several Southeast Asia territories, the duration of the investments is often for a shorter period than the effective maturity of the related policy liabilities. Therefore, there is a risk that the reinvestment of the proceeds at the maturity of the initial investments may be at a yield below that of the interest required for the accretion of the policy liabilities. At December 31, 2000, the average duration of the investment portfolio in Japan was 6.0 years.

Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of these future premium receipts may be at a yield below that required to meet future policy liabilities. The anticipated average period for the receipt and investment of these future premium receipts is 6.1 years. These durations compare with an estimated average duration of 10.4 years for the corresponding policy liabilities. To maintain an adequate yield to match the interest necessary to support future policy liabilities, constant management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts without sacrificing investment quality. To the extent permitted under local regulation, AIG may invest in qualified longer-term securities outside Japan to achieve a closer matching in both duration and the required yield. AIG is able to manage any asset-liability duration difference through maintenance of sufficient global liquidity and to support any operational shortfall through its international financial network. (See also the discussion under "Liquidity" herein.)

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

Financial Services Operations

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

International Lease Finance Corporation (ILFC) engages primarily in the acquisition of new and used commercial jet aircraft and the leasing and remarketing of such aircraft to airlines around the world. Also, ILFC provides, for a fee, fleet management services to certain third-party operators. (See also Note 18 of Notes to Financial Statements.)

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

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

Financial services operations for the twelve month periods ending December 31, 2000, 1999 and 1998 were as follows:

(in millions)

	2000	1999	1998
Revenues:			
International Lease Finance Corporation	$2,441	$2,194	$2,002
AIG Financial Products Corp.*	1,056	737	550
AIG Trading Group Inc.*	254	227	374
Other	301	182	118
Total	$4,052	$3,340	$3,044
Operating income:			
International Lease Finance Corporation	$ 654	$ 590	$ 496
AIG Financial Products Corp.	648	482	323
AIG Trading Group Inc.	62	109	123
Other, including intercompany adjustments	(71)	(100)	(73)
Total	$1,293	$1,081	$ 869

*Represents commissions, transaction and other fees.

Financial services operating income increased 19.5 percent in 2000 over 1999. This compares with an increase of 24.4 percent in 1999 over 1998.

Financial services operating income represented 15.5 percent of AIG's income before income taxes and minority interest in 2000. This compares to 14.4

percent and 13.8 percent in 1999 and 1998, respectively.

ILFC generates its revenues primarily from leasing new and used commercial jet aircraft to domestic and foreign airlines. Revenues also result from the remarketing of commercial jets for its own account, for airlines and for financial institutions. Revenues in 2000 increased 11.3 percent from 1999 compared to a 9.6 percent increase during 1999 from 1998. The revenue growth in each year resulted primarily from the increase in flight equipment available for operating lease, the increase in the relative cost of the leased fleet and the increase in the relative composition of the fleet with wide bodies which typically receive higher lease payments. Approximately 20 percent of ILFC's operating lease revenues are derived from U.S. and Canadian airlines. During 2000, operating income increased 10.8 percent from 1999 and 19.0 percent during 1999 from 1998. ILFC finances its purchases of aircraft primarily through the issuance of a variety of debt instruments. The composite borrowing rates at December 31, 2000, 1999 and 1998 were 6.37 percent, 6.14 percent and 6.03 percent, respectively. (See also the discussions under "Capital Resources" and "Liquidity" herein and Note 18 of Notes to Financial Statements.)

ILFC is exposed to loss through non-performance of aircraft lessees, through owning aircraft which it would be unable to sell or re-lease at acceptable rates at lease expiration and through committing to purchase aircraft which it would be unable to lease. ILFC manages its lessee non-performance exposure through credit reviews and security deposit requirements. At December 31, 2000, there were 380 aircraft subject to operating leases and there were three aircraft off lease. Two of the off lease aircraft were re-leased in early 2001. (See also the discussions under "Capital Resources" and "Liquidity" herein.)

AIGFP participates in the derivatives dealer market conducting, primarily as principal, an interest rate, currency, equity and credit derivative products business. AIGFP also enters into structured transactions including long-dated forward foreign exchange contracts, option transactions, liquidity facilities and investment agreements and invests in a diversified portfolio of securities. AIGFP derives substantially all its revenues from proprietary positions entered in connection with counterparty transactions rather than from speculative transactions. Revenues in 2000 increased 43.3 percent from 1999 compared to a 33.9 percent increase during 1999 from 1998. During 2000, operating income increased 34.5 percent from 1999 and increased 49.4 percent during 1999 from 1998. As AIGFP is a transaction-oriented operation, current and past revenues and operating results may not provide a basis for predicting future performance. (See also the discussions under "Capital Resources," "Liquidity" and "Derivatives" herein and Note 18 of Notes to Financial Statements.)

AIGTG derives a substantial portion of their revenues from market making and trading activities, as principals, in foreign exchange, interest rates and precious and base metals. Revenues in 2000 increased 11.6 percent from 1999 compared to a 39.2 percent decrease during 1999 from 1998. During 2000, operating income decreased 43.2 percent from 1999 compared to a 11.4 percent decrease during 1999 from 1998. As AIGTG is a transaction-oriented operation, current and past revenues and operating results may not provide a basis for predicting future performance or for comparing revenues to operating income. (See also the discussions under "Capital Resources," "Liquidity" and "Derivatives" herein and Note 18 of Notes to Financial Statements.)

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

Asset Management Operations

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

AIG's three principal asset management operations are SunAmerica's asset management operations (SAAMCo), AIG Global Investment Group, Inc. and its subsidiaries (Global Investment) and AIG Capital Partners, Inc. (Cap Partners). SAAMCo develops and sells variable annuities and other investment products, sells and manages mutual funds and provides financial services. Global Investment manages third-party institutional, retail and private equity funds invested assets on a global basis, and provides custodial services. Cap Partners organizes, and manages the invested assets of institutional investment funds and may also invest in such funds. Each of these subsidiary operations receives fees for investment products and services provided.

Asset management operations for the twelve month periods ending December 31, 2000, 1999 and 1998 were as follows:

(in millions)

	2000	1999	1998
Revenues	$1,217	$985	$707
Operating income	430	314	191

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

Asset management operating income increased 37.0 percent in 2000 over 1999. This compares with an increase of 64.3 percent in 1999 over 1998.

Asset management operating income represented 5.2 percent of AIG's income before income taxes and minority interest in 2000. This compares to 4.2 percent and 3.0 percent in 1999 and 1998, respectively.

At December 31, 2000, AIG's third party assets under management, including both retail mutual funds and institutional accounts, approximated $35 billion.

Other Operations

In 1998, AIG's equity in income of minority-owned insurance operations was $57 million and represented 0.9 percent of income before income taxes and minority interest. In 2000 and 1999, AIG did not report equity in income of minority-owned insurance operations as a result of the consolidation of the operations of Transatlantic and SELIC Holdings, Ltd. into general insurance operating results. IPC Holdings, Ltd., the remaining operation included in equity in income of minority-owned insurance operations in previous periods is now reported as a component of other income (deductions)-net.

Other realized capital losses amounted to $14 million, $25 million and $7 million in 2000, 1999 and 1998, respectively.

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

Other income (deductions)-net includes AIG's equity in certain minor majority-owned subsidiaries and certain partially-owned companies, realized foreign exchange transaction gains and losses in substantially all currencies and unrealized gains and losses in hyperinflationary currencies, as well as the income and expenses of the parent holding company and other miscellaneous income and expenses. In 2000, net deductions amounted to $271 million. In 1999 and 1998, net deductions amounted to $197 million and $134 million, respectively. (See also the discussion under "Recent Developments" herein.)

Income before income taxes and minority interest amounted to $8.35 billion in 2000, $7.51 billion in 1999 and $6.28 billion in 1998.

In 2000, AIG recorded a provision for income taxes of $2.46 billion compared to the provisions of $2.22 billion and $1.79 billion in 1999 and 1998, respectively. These provisions represent effective tax rates of 29.4 percent in 2000, 29.5 percent in 1999 and 28.4 percent in 1998. (See Note 3 of Notes to Financial Statements.)

Minority interest represents minority shareholders' equity in income of certain majority-owned consolidated subsidiaries. Minority interest amounted to $255 million, $238 million and $210 million in 2000, 1999 and 1998, respectively.

Net income amounted to $5.64 billion in 2000, $5.06 billion in 1999 and $4.28 billion in 1998. The increases in net income over the three year period resulted from those factors described above.

Capital Resources

At December 31, 2000, AIG had total capital funds of $39.62 billion and total borrowings of $40.23 billion. At that date, $36.30 billion of such borrowings were either not guaranteed by AIG or were matched borrowings under obligations of guaranteed investment agreements (GIAs) or matched notes and bonds payable.

Total borrowings and borrowings not guaranteed or matched at December 31, 2000 and 1999 were as follows:

(in millions)

December 31,	2000	1999
GIAs -- AIGFP	$13,595	$ 9,430
Commercial Paper:		
AIG Funding, Inc. (Funding)	968	888
ILFC (a)	4,259	2,958
A.I. Credit Corp.	597	475
AIG Finance (Taiwan) Limited (a)	104	83
AIG Credit Card Company (Taiwan) (a)	36	--
Total	5,964	4,404
Medium Term Notes:		
ILFC (a)	3,175	3,226
AIG	582	481
Total	3,757	3,707
Notes and Bonds Payable:		
ILFC (a) (b)	5,529	5,016
AIGFP	8,755	7,895
AIG	720	705
Total	15,004	13,616
Loans and Mortgages Payable:		
ILFC (a) (c)	463	670
AIG Finance (Hong Kong) Limited (a)	346	566
AIG Consumer Finance Group, Inc. (a)	662	334
AIG	440	257
Total	1,911	1,827
Total Borrowings	40,231	32,984
Borrowings not guaranteed by AIG	14,574	12,853
Matched GIA borrowings	13,595	9,430
Matched notes and bonds payable -- AIGFP	8,127	7,370
	36,296	29,653
Remaining borrowings of AIG	$ 3,935	$ 3,331

(a) AIG does not guarantee or support these borrowings.
(b) Includes borrowings under Export Credit Facility of $2.07 billion.
(c) Capital lease obligations.

See also Note 9 of Notes to Financial Statements.

During 2000, AIGFP increased the aggregate principal amount outstanding of its notes and bonds payable to $8.76 billion. AIGFP uses the proceeds from the issuance of notes and bonds and GIA borrowings to invest in a diversified portfolio of securities and derivative transactions. The funds may also be temporarily invested in securities purchased under agreements to resell. (See also the discussions under "Operational Review", "Liquidity" and "Derivatives" herein and Notes 1, 8, 9, 12 and 18 of Notes to Financial Statements.)

AIG Funding, Inc. (Funding), through the issuance of commercial paper, fulfills the short-term cash requirements of AIG and its non-insurance subsidiaries. Funding intends to continue to meet AIG's funding requirements through the issuance of commercial paper guaranteed by AIG. This issuance of Funding's commercial paper is subject to the approval of AIG's Board of Directors. ILFC and A.I. Credit Corp. (AICCO) as well as AIG Credit Card Company (Taiwan) - (AIGCCC-Taiwan) and AIG Finance (Taiwan) Limited - (AIGF-Taiwan), both consumer finance subsidiaries in Taiwan, have issued commercial paper for the funding of their own operations. At December 31, 2000, AIG did not guarantee or support the commercial paper of any of its subsidiaries other than Funding and AICCO. In early 2001, AICCO ceased issuing commercial paper under its program and the agreement which AIG had provided supporting the commercial paper was terminated; AICCO's funding requirements are now met through Funding's program. (See also the discussion under "Derivatives" herein and Note 9 of Notes to Financial Statements.)

AIG and Funding have entered into syndicated revolving credit facilities (collectively, the Facility) aggregating $1.5 billion. The Facility consists of $1.0 billion in short-term revolving credit facilities and a $500 million five year revolving credit facility. The Facility can be used for general corporate purposes and also to provide backup for AIG's commercial paper programs administered by Funding. There are currently no borrowings outstanding under the Facility, nor were any borrowings outstanding as of December 31, 2000.

At December 31, 2000, ILFC had increased the aggregate principal amount outstanding of its medium term and term notes to $8.70 billion, a net increase of $462 million, and recorded a net decline in its capital lease obligations of $207 million and a net increase in its commercial paper of $1.30 billion. At December 31, 2000, ILFC had $75 million in aggregate principal amount of debt securities registered for issuance from time to time, which debt had been sold as of March 16, 2001. An additional $2.0 billion principal amount of debt securities was registered as of January 5, 2001, under which $800 million in notes were sold as of March 16, 2001. A $750 million Medium Term Note program was implemented on January 19, 2001 under which $200 million has been sold as of March 16, 2001. In addition, ILFC established a Euro Medium Term Note Program for $2.0 billion, under which $771 million in notes were sold through December 31, 2000.

ILFC has an Export Credit Facility up to a maximum of $4.3 billion, for approximately 75 aircraft to be delivered through 2001. ILFC has the right, but is not required, to use the facility to fund 85 percent of each aircraft's purchase price. This facility is guaranteed by various European Export Credit Agencies. The interest rate varies from 5.75 percent to 5.90 percent on the first 75 aircraft depending on the delivery date of the aircraft. Through March 9, 2001, ILFC borrowed $2.2 billion under this facility. Borrowings with respect to this facility are included in Notes and Bonds Payable in the accompanying table of borrowings.

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

During 2000, AIG issued $233 million principal amount of Medium Term Notes and $132 million of previously issued notes matured or were called. At December 31, 2000, AIG had $781 million in aggregate principal amount of debt securities registered for issuance from time to time. In early 2001, AIG established a new Medium Term Note program under which these securities may be issued.

AIG's capital funds increased $6.31 billion during 2000. Unrealized appreciation of investments, net of taxes increased $177 million. During 2000, the cumulative translation adjustment loss, net of taxes, increased $210 million. The change from year to year with respect to the unrealized appreciation of investments, net of taxes was primarily impacted by the decline in domestic interest rates. The cumulative translation adjustment loss, net of taxes was primarily impacted by the general strength in the U.S. dollar relative to certain currencies in Southeast Asia and South America. (See also the discussion under "Operational Review" and "Liquidity" herein.) Retained earnings increased $3.26 billion, resulting from net income less dividends.

During 2000, AIG repurchased in the open market 10,351,600 shares of its common stock. Through March 22, 2001, AIG repurchased in the open market 2,525,000 shares of its common stock. AIG intends to continue to buy its common shares in the open market for general corporate purposes, including to satisfy its obligations under various employee benefit plans.

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by statutory authorities. AIG has in the past reinvested most of its unrestricted earnings in its operations and believes such continued reinvestment in the future will be adequate to meet any foreseeable capital needs. However, AIG may choose from time to time to raise additional funds through the issuance of additional securities. At December 31, 2000, there were no significant statutory or regulatory issues which would impair AIG's financial condition, results of operations or liquidity. To AIG's knowledge, no AIG company is on any regulatory or similar "watch list". (See also the discussion under "Liquidity" herein and Note 11 of Notes to Financial Statements.)

AIG's insurance subsidiaries, in common with other insurers, are subject to regulation and supervision by the states and jurisdictions in which they do business. The National Association of Insurance Commissioners (NAIC) has developed Risk-Based Capital (RBC) requirements. RBC relates an individual insurance company's statutory surplus to the risk inherent in its overall operations. At December 31, 2000, the adjusted capital of each of AIG's domestic general companies and of each of AIG's domestic life companies exceeded each of their RBC standards by considerable margins.

A substantial portion of AIG's general insurance business and a majority of its life insurance business are conducted in foreign countries. The degree of regulation and supervision in foreign jurisdictions varies from minimal in some to stringent in others. Generally, AIG, as well as the underwriting companies operating in such jurisdictions, must satisfy local regulatory requirements. Licenses issued by foreign authorities to AIG subsidiaries are subject to modification and revocation. Thus, AIG's insurance subsidiaries could be prevented from conducting future business in certain of the jurisdictions where they currently operate. AIG's international operations include operations in various developing nations. Both current and future foreign operations could be adversely affected by unfavorable political developments up to and including nationalization of AIG's operations without compensation. Adverse effects resulting from any one country may impact AIG's results of operations, liquidity and financial condition depending on the magnitude of the event and AIG's net financial exposure at that time in that country.

Liquidity

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

At December 31, 2000, AIG's consolidated invested assets included $6.09 billion of cash and short-term investments. Consolidated net cash provided from operating activities in 2000 amounted to $5.94 billion.

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

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

The liquidity of the combined insurance operations is derived both domestically and abroad. The combined insurance operating cash flow is derived from two sources, underwriting operations and investment operations. In the aggregate, AIG's insurance operations generated approximately $15.2 billion in pre-tax cash flow during 2000. Cash flow includes periodic premium collections, including policyholders' contract deposits, paid loss recoveries less reinsurance premiums, losses, benefits, acquisition and operating expenses. Generally, there is a time lag from when premiums are collected and, when as a result of the occurrence of events specified in the policy, the losses and benefits are paid. AIG's insurance investment operations generated approximately $9.4 billion in investment income cash flow during 2000. Investment income cash flow is primarily derived from interest and dividends received and includes realized capital gains net of realized capital losses.

In addition to the combined insurance pre-tax operating cash flow, AIG's insurance operations held $5.52 billion in cash and short-term investments at December 31, 2000. The aforementioned operating cash flow and the cash and short-term balances held provided AIG's insurance operations with a significant amount of liquidity.

This liquidity is available, among other things, to purchase high quality and diversified fixed income securities and to a lesser extent marketable equity securities and to provide mortgage loans on real estate, policy loans and collateral loans. This cash flow coupled with proceeds of approximately $36 billion from the maturities, sales and redemptions of fixed income securities and from the sale of equity securities was used to purchase approximately $46 billion of fixed income securities and marketable equity securities during 2000.

The following table is a summary of AIG's invested assets by significant segment, including investment income due and accrued of $2.42 billion and $2.05 billion and real estate of $1.87 billion and $1.62 billion, at December 31, 2000 and 1999, respectively:

(dollars in millions)

	Invested Assets	Percent of Total
2000		
General insurance	$ 42,892	19.6%
Life insurance	98,711	45.0
Financial services and asset management	76,748	35.0
Other	831	0.4
Total	$219,182	100.0%
1999		
General insurance	$ 39,135	20.6%

Life insurance	87,355	46.1
Financial services and asset management	62,548	33.0
Other	651	0.3
Total	$189,689	100.0%

Insurance Invested Assets

The following tables summarize the composition of AIG's insurance invested assets by insurance segment, including investment income due and accrued and real estate, at December 31, 2000 and 1999:

(dollars in millions)

December 31, 2000	General Insurance	Life Insurance	Total	Percent of Total	Percent Distribution Domestic	Percent Distribution Foreign
Fixed maturities:						
Available for sale, at market value (a)	$18,168	$72,159	$ 90,327	63.8%	51.8%	48.2%
Held to maturity, at amortized cost	11,533	--	11,533	8.1	100.0	--
Equity securities, at market value (b)	4,666	2,309	6,975	4.9	55.4	44.6
Mortgage loans on real estate, policy and collateral loans	65	10,563	10,628	7.5	58.6	41.4
Short-term investments, including time deposits, and cash	1,448	4,066	5,514	3.9	44.8	55.2
Real estate	408	1,359	1,767	1.3	16.6	83.4
Investment income due and accrued	584	1,689	2,273	1.6	46.8	53.2
Other invested assets	6,020	6,566	12,586	8.9	88.3	11.7
Total	$42,892	$98,711	$141,603	100.0%	58.9%	41.1%

(a) Includes $846 million of bonds trading securities, at market value.
(b) Includes $1.04 billion of non-redeemable preferred stocks, at market value.

(dollars in millions)

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

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

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

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

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

The fixed maturities held to maturity portfolio is exposed to adverse interest rate fluctuations. However, AIG has the ability and intent to hold such securities to maturity. Therefore, there would be no detrimental impact to AIG's results of operations or financial condition as a result of such fluctuations.

At December 31, 2000, approximately 57 percent of the fixed maturities investments were domestic securities. Approximately 37 percent of such domestic securities were rated AAA. Approximately 13 percent were below investment grade or not rated.

A significant portion of the foreign insurance fixed income portfolio is rated by Moody's, Standard & Poor's (S&P) or similar foreign services. Similar credit quality rating services are not available in all overseas locations. AIG annually reviews the credit quality of the foreign portfolio nonrated fixed income investments, including mortgages. At December 31, 2000, approximately 11 percent of the foreign fixed income investments were either rated AAA or, on the basis of AIG's internal analysis, were equivalent from a credit standpoint to securities so rated. Approximately 16 percent were below investment grade or not rated at that date. A large portion of the foreign insurance fixed income portfolio are sovereign fixed maturity securities supporting the policy liabilities in the country of issuance.

At December 31, 2000, approximately 17 percent of the fixed maturities portfolio was collateralized mortgage obligations (CMOs), including commercial mortgage backed securities. Substantially all of the CMOs were investment grade and approximately 16 percent of the CMOs were backed by various U.S. government agencies. CMOs are exposed to interest rate risk as the duration and ultimate realized yield would be affected by the accelerated prepayments of the underlying mortgages.

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

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

Mortgage loans on real estate, policy and collateral loans comprised 7.5 percent of AIG's insurance invested assets at December 31, 2000. AIG's insurance operations' holdings of real estate mortgages amounted to $6.73 billion of which 78.3 percent was domestic. At December 31, 2000, only a nominal amount were in default. It is AIG's practice to maintain a maximum loan to value ratio of 75 percent at loan origination. At December 31, 2000, AIG's insurance holdings of collateral loans amounted to $868 million, all of which were foreign. It is AIG's strategy to enter into mortgage and collateral loans as an adjunct primarily to life insurance fixed maturity investments. AIG's policy loans increased from $2.82 billion at December 31, 1999 to $3.03 billion at December 31, 2000.

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

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

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

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

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

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

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

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

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

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

AIG calculated the VaR with respect to the net fair value of each of AIG's insurance segments as of December 31, 2000 and December 31, 1999. AIG has refined its methodology for calculating VaR and the results of the calculations presented herein were performed using historical simulation. Using historical simulation over the delta-normal approach does not significantly change the results of this disclosure. The historical simulation methodology entails re-pricing all assets and liabilities under explicit changes in market rates within a specific historical time period. In this case, the most recent three years of historical market information for interest rates, foreign exchange rates, and equity index prices were used to construct the historical scenarios.

For each scenario, each transaction was re-priced. Portfolio, business unit and finally AIG-wide scenario values were then calculated by netting the values of all the underlying assets and liabilities. The final VaR number represents the maximum potential loss incurred by these scenarios with 95% confidence (i.e., only 5% of historical scenarios show losses greater than the VaR figure). A one month holding period was assumed in computing the VaR figure. At December 31, 2000 and December 31, 1999 the VaR of AIG's insurance segments was approximately $744 million and $863 million for general insurance, respectively, and $1.16 billion and $1.19 billion for life insurance, respectively. The average VaR for 2000 for each of AIG's insurance segments was approximately $811 million for general insurance and $1.16 billion for life insurance. The high and low VaRs for general insurance during 2000 were approximately $954 million and $737 million, respectively. The high and low VaRs for life insurance during 2000 were approximately $1.21 billion and $1.11 billion, respectively.

The following table presents the VaR of each component of market risk for each of AIG's insurance segments as of December 31, 2000 and December 31, 1999. VaR with respect to combined operations cannot be derived by aggregating the individual risk or segment amounts presented herein.

(in millions)

	General Insurance		Life Insurance	
	2000	1999	2000	1999
Market Risk:				
Interest rate	$454	$338	$1,119	$950
Currency	59	29	373	566
Equity	603	798	293	396

The average, high and low VaRs for the interest rate component of market risk for the year ended December 31, 2000 were approximately $419 million, $454 million and $338 million, respectively, for general insurance and approximately $1.09 billion, $1.21 billion and $950 million, respectively, for life insurance. The average, high and low VaRs for the currency component were approximately $49 million, $65 million and $29 million, respectively, for general insurance and approximately $430 million, $566 million and $372 million, respectively, for life insurance; and the average, high and low VaRs for the equity component were approximately $694 million, $828 million and $603 million, respectively, for general insurance and approximately $315 million, $396 million and $293 million, respectively, for life insurance.

Financial Services and Asset Management Invested Assets

The following table is a summary of the composition of AIG's financial services and asset management invested assets at December 31, 2000 and 1999. (See also the discussions under "Operational Review: Financial Services Operations", "Operational Review: Asset Management Operations", "Capital Resources" and "Derivatives" herein.)

(dollars in millions)

	2000		1999	
	Invested Assets	Percent of Total	Invested Assets	Percent of Total
Flight equipment primarily under operating leases, net of accumulated depreciation	$19,325	25.2%	$17,334	27.7%
Unrealized gain on interest rate and currency swaps, options and forward transactions	10,235	13.3	7,931	12.7
Securities available for sale, at market value	14,669	19.1	12,954	20.7
Trading securities, at market value	7,347	9.6	4,391	7.0
Securities purchased under agreements to resell, at contract value	14,979	19.5	10,897	17.4
Trading assets	7,045	9.2	5,793	9.3
Spot commodities, at market value	363	0.5	683	1.1
Other, including short-term investments	2,785	3.6	2,565	4.1
Total	$76,748	100.0%	$62,548	100.0%

As previously discussed, the cash used for the purchase of flight equipment is derived primarily from the proceeds of ILFC's debt financings. The primary sources for the repayment of this debt and the interest expense thereon are the cash flow from operations, proceeds from the sale of flight equipment and the rollover and refinancing of the prior debt. During 2000, ILFC acquired flight equipment costing $3.43 billion.

At December 31, 2000, ILFC had committed to purchase 488 aircraft deliverable from 2001 through 2009 at an estimated aggregate purchase price of $27.3 billion and had options to purchase 51 aircraft deliverable from 2001 through 2008 at an estimated aggregate purchase price of $3.0 billion. As of March 15, 2001, ILFC has entered into leases for all of the aircraft to be delivered in 2001 and 96 of 421 aircraft to be delivered subsequent to 2001. ILFC will be required to find customers for any aircraft presently on order and any aircraft to be ordered, and it must arrange financing for portions of the purchase price of such equipment. In a rising interest rate environment, ILFC negotiates higher lease rates on any new contracts. ILFC has been successful to date both in placing its new aircraft on lease or under sales contract and obtaining adequate financing.

ILFC is exposed to market risk and the risk of loss of fair value resulting from adverse fluctuations in interest rates. As of December 31, 2000 and December 31, 1999, AIG statistically measured the aforementioned loss of fair value through the application of a VaR model. In this analysis, the net fair value of ILFC was determined using the financial instrument assets which included the tax adjusted future flight equipment lease revenue and the financial instrument liabilities which included the future servicing of the current debt. The estimated impact of the current derivative positions was also taken into account.

AIG calculated the VaR with respect to the net fair value of ILFC using the variance-covariance (delta-normal) methodology. This calculation also used daily historical interest rates for the two years ending December 31, 2000 and December 31, 1999. The VaR model estimated the volatility of each of these interest rates and the correlation among them. The yield curve was constructed using eleven key points on the curve to model possible curve movements. Thus, the VaR measured the sensitivity of the assets and liabilities to the calculated interest rate exposures. These sensitivities were then applied to a database, which contained the historical ranges of movements in interest rates and the correlation among them. The results were aggregated to provide a single amount that depicts the maximum potential loss in fair value of a confidence level of 95 percent for a time period of one month. As of December 31, 2000 and December 31, 1999, the VaR with respect to the aforementioned net fair value of ILFC was approximately $11 million and $50 million, respectively.

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

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

Securities available for sale is mainly a portfolio of debt securities, where the individual securities have varying degrees of credit risk. At December 31, 2000, the average credit rating of this portfolio was AA or the equivalent thereto as determined through rating agencies or internal review. AIGFP has also entered into credit derivative transactions to hedge its credit risk associated with $182 million of these securities. There were no securities deemed below investment grade at December 31, 2000. There have been no significant downgrades through March 1, 2001. Securities purchased under agreements to resell are treated as collateralized transactions. AIGFP takes possession of or obtains a security interest in securities purchased under agreements to resell. AIGFP further minimizes its credit risk by monitoring counterparty credit exposure and, when AIGFP deems necessary, it requires additional collateral to be deposited. Trading securities, at market value are marked to market daily and are held to meet the short-term risk management objectives of AIGFP.

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

The gross unrealized gains and gross unrealized losses of AIGFP and AIGTG included in the financial services assets and liabilities at December 31, 2000 were as follows:

(in millions)

	Gross Unrealized Gains	Gross Unrealized Losses
Securities available for sale, at market value (a)	$ 810	$ 777
Unrealized gain/loss on interest rate and currency swaps, options and forward transactions (b) (c)	10,235	8,581
Trading assets	8,852	5,744
Spot commodities, at market value	32	--
Trading liabilities	--	3,372
Securities and spot commodities sold but not yet purchased, at market value	491	--

(a) See also Note 8(e) of Notes to Financial Statements.
(b) These amounts are also presented as the respective balance sheet amounts.
(c) At December 31, 2000, AIGTG's replacement values with respect to interest rate and currency swaps were $484 million.

AIGFP's interest rate and currency risks on securities available for sale, at market, are managed by taking offsetting positions on a security by security basis, thereby offsetting a significant portion of the unrealized appreciation or depreciation. At December 31, 2000, the unrealized gains and losses remaining after the benefit of the offsets were $44 million and $11 million, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A significant portion of AIGTG's business is transacted in liquid markets. Certain of AIGTG's derivative product exposures are evaluated using simulation techniques which consider such factors as changes in currency and commodity prices, interest rates, volatility levels and the effect of time.

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

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

AIG calculated the VaR with respect to AIGFP and AIGTG as of December 31, 2000 and December 31, 1999. AIG has refined its methodology for calculating VaR and the results of the calculations presented herein were performed using historical simulation. Using historical simulation over the delta-normal approach does not significantly change the results of this disclosure. The historical simulation methodology entails re-pricing all assets and liabilities under explicit changes in market rates within a specific historical time period. In this case, the most recent three years of historical market information for interest rates, foreign exchange rates, and equity index prices were used to construct the historical scenarios. For each scenario, each transaction was re-priced. Portfolio, business unit and finally AIG-wide scenario values were then calculated by netting the values of all the underlying assets and liabilities. The final VaR number represents the maximum potential loss incurred by these scenarios with 95% confidence (i.e., only 5% of historical scenarios show losses greater than the VaR figure).

The following table presents the VaR on a combined basis and of each component of AIGFP's and AIGTG's market risk as of December 31, 2000 and December 31, 1999. VaR with respect to combined operations cannot be derived by aggregating the individual risk presented herein.

(in millions)

	AIGFP(a)		AIGTG(b)	
	2000	1999	2000	1999
Market Risk:				
Combined	$15	$24	$ 6	$ 5
Interest rate	15	23	4	3
Currency	--	--	3	4
Equity/Commodity	--	1	--	--

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

The average, high and low VaRs on a combined basis for the year ended December 31, 2000 were approximately $15 million, $24 million and $8 million, respectively, for AIGFP and approximately $5 million, $6 million and $4 million, respectively, for AIGTG. The average, high and low VaRs for the interest rate component of market risk were approximately $15 million, $23 million and $7 million, respectively, for AIGFP and approximately $3 million, $4 million and $3 million, respectively, for AIGTG for that year. The average, high and low VaRs for the currency component were approximately $267,000, $396,000 and $118,000, respectively, for AIGFP and approximately $3 million, $4 million and $2 million, respectively, for AIGTG; and the average, high and low VaRs for the equity/commodity component were approximately $1 million, $2 million and $371,000, respectively, for AIGFP.

Derivatives

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

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

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

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

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

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

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

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

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

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

The following tables provide the notional and contractual amounts of AIGFP's and AIGTG's derivatives transactions at December 31, 2000 and December 31, 1999.

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

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

The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss after the application of the aforementioned strategies, netting under ISDA Master Agreements and applying collateral held. Prior to the application of these credit enhancements, the gross credit risk with respect to these derivative instruments was $33.4 billion at December 31, 2000 and $16.90 billion at December 31, 1999. Subsequent to the application of such credit enhancements, the net exposure to credit risk or the net replacement value of all interest rate, currency and equity swaps, swaptions and forward commitments approximated $9.51 billion at December 31, 2000 and $7.53 billion at December 31, 1999. The net replacement value for futures and forward contracts approximated $204 million at December 31, 2000 and $5 million at December 31, 1999. The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss.

The following table presents AIGFP's derivatives portfolio by maturity and type of derivative at December 31, 2000 and December 31, 1999:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 2000	Total 1999
Interest rate, currency and equity/commodity swaps and swaptions:						
Notional amount:						
Interest rate swaps	$ 70,847	$173,892	$ 90,745	$ 8,719	$344,203	$281,682
Currency swaps	34,507	44,271	33,185	5,829	117,792	83,673
Swaptions and equity swaps	12,216	30,835	10,692	5,283	59,026	48,002
Total	$117,570	$248,998	$134,622	$19,831	$521,021	$413,357
Futures and forward contracts:						
Exchange traded futures contracts contractual amount	$ 11,082	--	--	--	$ 11,082	$6,587
Over the counter forward contracts contractual amount	$ 22,263	$ 502	$ 44	--	$ 22,809	$ 21,873

AIGFP determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 2000 and December 31, 1999, the counterparty credit quality by derivative product with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 2000	Total 1999
Counterparty credit quality:				
AAA	$3,778	$ --	$3,778	$2,067
AA	2,621	204	2,825	2,839
A	1,801	--	1,801	1,576
BBB	1,059	--	1,059	997
Below investment grade	252	--	252	55
Total	$9,511	$204	$9,715	$7,534

At December 31, 2000 and December 31, 1999, the counterparty breakdown by industry with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 2000	Total 1999
Non-U.S. banks	$2,419	$ 98	$2,517	$2,515
Insured municipalities	595	--	595	352
U.S. industrials	1,945	--	1,945	780
Governmental	463	--	463	180
Non-U.S. financial service companies	309	--	309	158
Non-U.S. industrials	1,372	--	1,372	1,117
Special purpose	1,204	--	1,204	716
U.S. banks	114	106	220	510
U.S. financial service companies	894	--	894	1,112
Supranationals	196	--	196	94
Total	$9,511	$204	$9,715	$7,534

The gross replacement values presented in the following table represent the sum of the estimated positive fair values of all of AIGTG's derivatives contracts at December 31, 2000 and December 31, 1999. These values do not represent the credit risk to AIGTG.

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

The following table provides the contractual and notional amounts and credit exposure, if applicable, by maturity and type of derivative of AIGTG's derivatives portfolio at December 31, 2000 and December 31, 1999. In addition, the estimated positive fair values associated with the derivatives portfolio are also provided and include a maturity profile for the December 31, 2000 balances based upon the expected timing of the future cash flows.

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 2000	Total 1999
Contractual amount of futures, forwards and options:						
Exchange traded futures and options	$ 13,715	$ 4,318	$ 31	$ --	$ 18,064	$ 18,908
Forwards	$216,062	$16,160	$ 2,094	$ --	$234,316	$220,428
Over the counter purchased options	$ 59,922	$19,581	$25,222	$ 194	$104,919	$ 83,871
Over the counter sold options (a)	$ 58,754	$19,369	$25,422	$ 197	$103,742	$ 86,726
Notional amount:						
Interest rate swaps and forward rate agreements	$ 18,960	$36,598	$ 7,592	$ 114	$ 63,264	$ 80,436
Currency swaps	1,071	6,668	834	--	8,573	8,359
Swaptions	2,398	10,978	1,970	73	15,419	9,996
Total	$ 22,429	$54,244	$10,396	$ 187	$ 87,256	$ 98,791
Credit exposure:						
Futures, forwards, swaptions and purchased options contracts and interest rate and currency swaps:						
Gross replacement value	$ 7,219	$ 2,263	$ 831	$ 6	$ 10,319	$ 7,889
Master netting arrangements	(4,061)	(1,467)	(602)	(6)	(6,136)	(4,580)
Collateral	(65)	(34)	(8)	--	(107)	(209)
Net replacement value (b)	$ 3,093	$ 762	$ 221	$ --	$ 4,076	$ 3,100

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

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

AIGTG determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 2000 and December 31, 1999, the counterparty credit quality and counterparty breakdown by industry with respect to the net replacement value of AIGTG's derivatives portfolio were as follows:

(in millions)

	Net Replacement Value	
	2000	1999
Counterparty credit quality:		
AAA	$ 442	$ 276
AA	1,807	1,241
A	1,139	1,010
BBB	460	256
Below investment grade	48	49
Not externally rated, including exchange traded futures and options*	180	268
Total	$4,076	$3,100
Counterparty breakdown by industry:		
Non-U.S. banks	$2,076	$ 926
U.S. industrials	67	70
Governmental	70	178
Non-U.S. financial service companies	282	698
Non-U.S. industrials	243	176
U.S. banks	468	401
U.S. financial service companies	690	383
Exchanges*	180	268
Total	$4,076	$3,100

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

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

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

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

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

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

Accounting Standards

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FASB 133). In June 2000, FASB issued Statement of Financial Accounting Standards No. 138 "Accounting for Derivative Instruments and Hedging Activities-an amendment of FASB Statement No.133" (FASB 138).

Together, these Statements require AIG to recognize all derivatives in the consolidated balance sheet at fair value. The financial statement recognition of the change in the fair value of a derivative depends on a number of factors, including the intended use of the derivative and the extent to which it is effective as part of a hedge transaction. Due to the operating nature of AIGFP and AIGTG, the changes in fair value of their derivative transactions are currently presented, in all material respects, as a component of AIG's operating income. FASB 133 and FASB 138 are effective for AIG for the year commencing January 1, 2001. AIG estimates that it will record in its first quarter of 2001 consolidated statement of income, in accordance with the transition provisions of FASB 133, a cumulative effect of an accounting change adjustment gain of $17 million. This gain represents the net fair value of all previously unrecorded derivative instruments as of January 1, 2001, net of taxes and after the application of hedge accounting. AIG also estimates that it will record in its first quarter of 2001 consolidated statement of comprehensive income, a cumulative effect of an accounting change adjustment loss of $211 million. The loss represents the reduction of other comprehensive income, net of taxes, arising from the fair value of all derivative contracts designated as cash flow hedging instruments.

Recent Developments

On November 22, 2000, AIG completed its acquisition of HSB Group, Inc. (HSB), which through its subsidiary, The Hartford Steam Boiler Inspection and Insurance Company, provides equipment breakdown and other specialty insurance coverages. Each of the outstanding shares of HSB common stock was exchanged for 0.4178 of a share of AIG common stock resulting in the issuance of 12.2 million shares of AIG common stock. The acquisition has been accounted for as a purchase and HSB's results of operations have been consolidated with those of AIG since the date of acquisition.

On February 23, 2001, AIG announced that it had been named the exclusive sponsor for the reorganization of The Chiyoda Mutual Life Insurance Company (Chiyoda) by its Legal Trustee. In connection with the reorganization, AIG expects to make a capital contribution to Chiyoda of approximately $522 million. AIG expects to close the transaction by mid-April, subject to the approval of Japanese regulatory authorities.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8. Financial Statements and Supplementary Data

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

- --

Report of Independent Accountants

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the consolidated financial position of American International Group, Inc. and its subsidiaries (the "Company") at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York
February 7, 2001

Consolidated Balance Sheet

American International Group, Inc. and Subsidiaries

(in millions)

December 31,	2000	1999
Assets:		
Investments and cash:		
Fixed maturities:		
Bonds available for sale, at market value (amortized cost: 2000-$89,461; 1999-$78,218)	$ 89,631	$ 77,028
Bonds held to maturity, at amortized cost (market value: 2000-$12,053; 1999-$12,202)	11,533	12,078
Bonds trading securities, at market value (cost: 2000-$838; 1999-$1,057)	846	1,038
Equity securities:		
Common stocks (cost: 2000-$6,371; 1999-$5,496)	6,125	6,002
Non-redeemable preferred stocks (cost: 2000-$1,166; 1999-$718)	1,056	712
Mortgage loans on real estate, net of allowance (2000-$87; 1999-$78)	7,127	7,139
Policy loans	3,032	2,822
Collateral and guaranteed loans, net of allowance (2000-$40; 1999-$74)	2,084	2,173
Financial services and asset management assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation (2000-$2,723; 1999-$2,200)	19,325	17,334
Securities available for sale, at market value (amortized cost: 2000-$14,636; 1999-$12,920)	14,669	12,954
Trading securities, at market value	7,347	4,391
Spot commodities, at market value	363	683
Unrealized gain on interest rate and currency swaps, options and forward transactions	10,235	7,931
Trading assets	7,045	5,793
Securities purchased under agreements to resell, at contract value	14,991	10,897
Other invested assets	13,394	9,900
Short-term investments, at cost (approximates market value)	5,831	7,007
Cash	256	132
Total investments and cash	214,890	186,014
Investment income due and accrued	2,420	2,054
Premiums and insurance balances receivable-net of allowance (2000-$170; 1999-$133)	11,832	12,236
Reinsurance assets	23,135	19,368
Deferred policy acquisition costs	10,189	9,624
Investments in partially-owned companies	251	346
Real estate and other fixed assets, net of accumulated depreciation (2000-$2,101; 1999-$1,892)	3,578	2,933
Separate and variable accounts	31,328	29,666
Other assets	8,954	5,997
Total assets	$306,577	$268,238

See Accompanying Notes to Financial Statements.

Consolidated Balance Sheet (continued)

American International Group, Inc. and Subsidiaries

(in millions, except share amounts)

December 31,	2000	1999
Liabilities:		
Reserve for losses and loss expenses	$ 40,613	$ 38,252
Reserve for unearned premiums	12,510	11,450
Future policy benefits for life and accident and health insurance contracts	38,165	34,608
Policyholders' contract deposits	47,209	42,549
Other policyholders' funds	3,475	3,236
Reserve for commissions, expenses and taxes	2,807	2,598
Insurance balances payable	2,380	2,254
Funds held by companies under reinsurance treaties	1,435	861
Income taxes payable:		
Current	197	138
Deferred	1,873	751
Financial services and asset management liabilities:		
Borrowings under obligations of guaranteed investment agreements	13,595	9,430
Securities sold under agreements to repurchase, at contract value	11,308	6,116
Trading liabilities	4,352	3,821
Securities and spot commodities sold but not yet purchased, at market value	7,701	6,413
Unrealized loss on interest rate and currency swaps, options and forward transactions	8,581	8,624
Trust deposits and deposits due to banks and other depositors	1,895	2,175
Commercial paper	4,259	2,958
Notes, bonds and loans payable	17,923	16,806
Commercial paper	1,705	1,446
Notes, bonds, loans and mortgages payable	2,749	2,344
Separate and variable accounts	31,328	29,666
Minority interest	1,465	1,350
Other liabilities	8,086	6,191
Total liabilities	265,611	234,037
Preferred shareholders' equity in subsidiary companies	1,347	895
Capital funds:		
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued 2000-2,475,663,919; 1999-1,660,707,090	6,189	4,152
Additional paid-in capital	2,668	2,080
Retained earnings	34,304	31,040
Accumulated other comprehensive income	(2,136)	(2,103)
Treasury stock, at cost; 2000-142,950,798; 1999-111,579,044 shares of common stock (including 132,388,146 and 87,540,027 shares, respectively, held by subsidiaries)	(1,406)	(1,863)
Total capital funds	39,619	33,306
Total liabilities and capital funds	$ 306,577	$ 268,238

See Accompanying Notes to Financial Statements.

Consolidated Statement of Income

American International Group, Inc. and Subsidiaries

(in millions, except per share amounts)

Years Ended December 31,	2000	1999	1998
General insurance operations:			
Net premiums written	$ 17,526	$ 16,224	$ 14,586
Change in unearned premium reserve	(119)	(680)	(488)
Net premiums earned	17,407	15,544	14,098
Net investment income	2,701	2,517	2,192
Realized capital gains	38	295	205
	20,146	18,356	16,495
Losses incurred	11,379	9,819	9,164
Loss expenses incurred	1,725	1,919	1,493
Underwriting expenses (principally policy acquisition costs)	3,518	3,137	2,910
	16,622	14,875	13,567
Operating income	3,524	3,481	2,928
Life insurance operations:			
Premium income	13,610	11,942	10,293
Net investment income	7,123	6,206	5,201
Realized capital losses	(162)	(148)	(74)
	20,571	18,000	15,420
Death and other benefits	5,461	5,000	4,543
Increase in future policy benefits	8,154	6,870	5,699
Acquisition and insurance expenses	3,569	3,272	2,805
	17,184	15,142	13,047
Operating income	3,387	2,858	2,373
Financial services operating income	1,293	1,081	869
Asset management operating income	430	314	191
Equity in income of minority-owned insurance operations	--	--	57
Other realized capital losses	(14)	(25)	(7)
Other income (deductions)-net	(271)	(197)	(134)
Income before income taxes and minority interest	8,349	7,512	6,277
Income taxes:			
Current	1,337	1,813	1,100
Deferred	1,121	406	685
	2,458	2,219	1,785
Income before minority interest	5,891	5,293	4,492
Minority interest	(255)	(238)	(210)
Net income	$ 5,636	$ 5,055	$ 4,282
Earnings per common share:			
Basic	$ 2.43	$ 2.18	$ 1.87
Diluted	2.41	2.15	1.83
Average shares outstanding:			
Basic	2,318	2,322	2,278
Diluted	2,343	2,350	2,331

See Accompanying Notes to Financial Statements.

Consolidated Statement of Capital Funds

American International Group, Inc. and Subsidiaries

(in millions, except per share amounts)

Years Ended December 31,	2000	1999	1998
Preferred stock:			
Balance at beginning of year	$ --	$ 248	$ 248
Conversion to common stock	--	(248)	--
Balance at end of year	--	--	248
Common stock:			
Balance at beginning of year	4,152	3,284	2,334
Issuance of common stock	--	--	1
Stock split effected as dividend	2,037	818	949
Issued in conversion of Series E preferred stock to common stock	--	24	--
Issued in connection with redemption of Premium Equity Redemption Cumulative Security Units (PERCS Units)	--	21	--
Issued under stock option and stock purchase plans	--	5	--
Balance at end of year	6,189	4,152	3,284
Additional paid-in capital:			
Balance at beginning of year	2,080	1,319	1,335
Issuance of common stock	--	--	(1)
Excess of cost over proceeds of common stock issued under stock option and stock purchase plans	(145)	(84)	(22)
Excess of redemption value of Series E preferred stock over par value of common stock issued	--	224	--
Excess of proceeds over par value of common stock issued in connection with redemption of PERCS Units	--	410	--
Excess of proceeds over par value of common stock issued under stock option and stock purchase plans	--	83	--
Excess of proceeds over cost of common stock issued in connection with acquisitions	616	--	--
Other	117	128	7
Balance at end of year	2,668	2,080	1,319
Retained earnings:			
Balance at beginning of year	31,040	27,110	24,101
Net income	5,636	5,055	4,282
Stock dividends to shareholders	(2,037)	(818)	(949)
Cash dividends to shareholders:			
Preferred	--	--	(12)
Common ($.14, $.13 and $.13 per share, respectively)	(335)	(303)	(312)
Other	--	(4)	--
Balance at end of year	34,304	31,040	27,110
Accumulated other comprehensive income:			
Balance at beginning of year	(2,103)	(10)	382
Unrealized appreciation (depreciation) of investments-net of reclassification adjustments	351	(2,541)	(387)
Deferred income tax (expense) benefit on changes	(174)	895	95
Foreign currency translation adjustments	(273)	(432)	(137)
Applicable income tax benefit (expense) on changes	63	(15)	37
Other comprehensive income	(33)	(2,093)	(392)
Balance at end of year	(2,136)	(2,103)	(10)
Treasury stock, at cost:			
Balance at beginning of year	(1,863)	(1,828)	(1,815)
Cost of shares acquired during year	(947)	(275)	(81)
Issued under stock option and stock purchase plans	277	240	68
Issued in connection with acquisitions	1,127	--	--
Balance at end of year	(1,406)	(1,863)	(1,828)
Total capital funds at end of year	$ 39,619	$ 33,306	$ 30,123

See Accompanying Notes to Financial Statements.

Consolidated Statement of Cash Flows

American International Group, Inc. and Subsidiaries

(in millions)

Years Ended December 31,	2000	1999	1998
Summary:			
Net cash provided by operating activities	$ 5,936	$ 10,321	$ 7,439
Net cash used in investing activities	(16,577)	(20,758)	(16,207)
Net cash provided by financing activities	10,765	10,266	8,984
Change in cash	124	(171)	216
Cash at beginning of year	132	303	87
Cash at end of year	$ 256	$ 132	$ 303
Cash flows from operating activities:			
Net income	$ 5,636	$ 5,055	$ 4,282
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash revenues, expenses, gains and losses included in income:			
Change in:			
General and life insurance reserves	6,488	6,684	6,990
Premiums and insurance balances receivable and payable-net	577	(586)	(733)
Reinsurance assets	(3,752)	(1,624)	(972)
Deferred policy acquisition costs	(480)	(1,543)	(1,025)
Investment income due and accrued	(346)	(185)	(111)
Funds held under reinsurance treaties	572	24	370
Other policyholders' funds	239	516	368
Current and deferred income taxes-net	1,210	319	225
Reserve for commissions, expenses and taxes	68	373	455
Other assets and liabilities-net	(1,319)	(1,314)	(411)
Trading assets and liabilities-net	(721)	(407)	(216)
Trading securities, at market value	(2,956)	1,277	(1,693)
Spot commodities, at market value	320	(207)	(16)
Net unrealized gain on interest rate and currency swaps, options and forward transactions	(2,347)	3,519	(1,382)
Securities purchased under agreements to resell	(4,094)	(6,059)	(287)
Securities sold under agreements to repurchase	5,192	1,643	1,767
Securities and spot commodities sold but not yet purchased, at market value	1,288	1,956	(715)
Realized capital gains (losses)	138	(122)	(124)
Equity in income of partially-owned companies and other invested assets	(327)	(186)	(176)
Depreciation expenses, principally flight equipment	1,176	1,071	952
Change in cumulative translation adjustments	(273)	(432)	(137)
Other-net	(353)	549	28
Total adjustments	300	5,266	3,157
Net cash provided by operating activities	$ 5,936	$ 10,321	$ 7,439

See Accompanying Notes to Financial Statements.

Consolidated Statement of Cash Flows (CONTINUED)

American International Group, Inc. and Subsidiaries

(in millions)

Years Ended December 31,	2000	1999	1998
Cash flows from investing activities:			
Cost of fixed maturities, at amortized cost matured or redeemed	$ 1,227	$ 1,062	$ 1,578
Cost of bonds, at market sold	22,220	27,375	28,110
Cost of bonds, at market matured or redeemed	7,359	8,178	8,315
Cost of equity securities sold	5,162	3,703	2,784
Realized capital gains (losses)	(138)	122	124
Purchases of fixed maturities	(40,229)	(50,365)	(43,659)
Purchases of equity securities	(6,085)	(3,821)	(3,277)
Acquisitions, net of cash acquired	--	--	(515)
Mortgage, policy and collateral loans granted	(2,666)	(3,498)	(2,942)
Repayments of mortgage, policy and collateral loans	2,568	3,105	2,341
Sales of securities available for sale	5,588	4,787	2,618
Maturities of securities available for sale	1,559	787	1,848
Purchases of securities available for sale	(8,890)	(7,869)	(5,967)
Sales of flight equipment	713	1,699	687
Purchases of flight equipment	(3,432)	(3,365)	(3,160)
Net additions to real estate and other fixed assets	(1,033)	(602)	(624)
Sales or distributions of other invested assets	4,397	2,995	2,869
Investments in other invested assets	(6,285)	(4,827)	(5,109)
Change in short-term investments	1,309	(268)	(2,227)
Investments in partially-owned companies	79	44	(1)
Net cash used in investing activities	$(16,577)	$(20,758)	$(16,207)
Cash flows from financing activities:			
Change in policyholders' contract deposits	$ 4,707	$ 8,625	$ 4,474
Change in trust deposits and deposits due to banks and other depositors	(280)	493	(595)
Change in commercial paper	1,560	(232)	1,261
Proceeds from notes, bonds, loans and mortgages payable	10,477	8,539	7,909
Repayments on notes, bonds, loans and mortgages payable	(9,130)	(7,486)	(4,973)
Proceeds from guaranteed investment agreements	9,957	7,927	6,540
Maturities of guaranteed investment agreements	(5,792)	(7,685)	(5,353)
Proceeds from common stock issued	144	244	40
Proceeds from subsidiary company issuance of preferred stock	350	--	--
Cash dividends to shareholders	(335)	(303)	(324)
Acquisition of treasury stock	(947)	(275)	(81)
Proceeds from redemption of Premium Equity Redemption Cumulative Security Units	--	431	--
Other-net	54	(12)	86
Net cash provided by financing activities	$ 10,765	$ 10,266	$ 8,984
Supplementary information:			
Taxes paid	$ 1,014	$ 1,625	$ 1,334
Interest paid	$ 2,634	$ 1,993	$ 2,076

See Accompanying Notes to Financial Statements.

Consolidated Statement of Comprehensive Income

American International Group, Inc. and Subsidiaries

(in millions)

Years Ended December 31,	2000	1999	1998
Comprehensive income:			
Net income	$ 5,636	$ 5,055	$ 4,282
Other comprehensive income:			
Unrealized appreciation (depreciation) of investments-net of reclassification adjustments	351	(2,541)	(387)
Deferred income tax (expense) benefit on changes	(174)	895	95
Foreign currency translation adjustments	(273)	(432)	(137)
Applicable income tax benefit (expense) on changes	63	(15)	37
Other comprehensive income	(33)	(2,093)	(392)
Comprehensive income	$ 5,603	$ 2,962	$ 3,890

See Accompanying Notes to Financial Statements.

1. Summary of Significant Accounting Policies

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

The following is a reconciliation of the individual company results to the combined results for the 1998 twelve month period:

(in millions)

	AIG December 31,	SunAmerica September 30,	Total
1998			
Revenues	$33,296	$2,420	$35,716
Net income	3,766	516	4,282

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

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

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

(b) Basis of Presentation: The accompanying financial statements have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain accounts have been reclassified in the 1999 and 1998 financial statements to conform to their 2000 presentation.

General Insurance Operations: AIG's general insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance. Premiums are earned primarily on a pro rata basis over the term of the related coverage. The reserve for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Acquisition costs represent those costs, including commissions, that vary with and are primarily related to the acquisition of new business. These costs are deferred and amortized over the period in which the related premiums written are earned. Investment income is not anticipated in the deferral of acquisition costs. (See Note 4.)

Losses and loss expenses are charged to income as incurred. The reserve for losses and loss expenses represents the accumulation of estimates for reported losses and includes provisions for losses incurred but not reported. The methods of determining such estimates and establishing resulting reserves, including amounts relating to reserves for estimated unrecoverable reinsurance, are continually reviewed and updated. Adjustments resulting therefrom are reflected in income currently. AIG discounts certain of its loss reserves which are primarily related to certain workers' compensation claims. (See Note 6.)

Life Insurance Operations: AIG's life insurance subsidiaries offer a wide range of traditional insurance and financial and investment products. Traditional products consist of individual and group life, annuity, endowment and accident and health policies. Financial and investment products consist of single premium annuity, variable annuities, guaranteed investment contracts, universal life and pensions. Premiums for traditional life insurance products and life contingent annuities, excluding accident and health products, are recognized as revenues when due. Estimates for premiums due but not yet collected are accrued. Benefits and expenses are provided against such revenues to recognize profits over the estimated life of the policies. Revenues for universal life and investment-type products consist of policy charges for the cost of insurance, administration and surrenders during the period. Expenses include interest credited to policy account balances and benefit payments made in excess of policy account balances. Accident and health products are accounted for in a manner similar to general insurance products described above. Investment income reflects certain amounts of realized capital gains where the gains are deemed to be an inherent element in pricing certain life products in some foreign countries.

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

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Notes to Financial Statements (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

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

As debt and equity securities available for sale are carried at aggregate fair value, an adjustment is made to deferred policy acquisition costs equal to the change in amortization that would have been recorded if such securities had been sold at their stated aggregate fair value and the proceeds reinvested at current yields. The change in this adjustment, net of tax, is included with the change in net unrealized gains/losses on debt and equity securities available for sale that is credited or charged directly to comprehensive income. Deferred policy acquisition costs have been increased by $99 million at December 31, 2000 and increased by $130 million at December 31, 1999 for this adjustment. (See Note 4.)

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

Financial Services Operations: AIG participates in the derivatives dealer market conducting, primarily as principal, an interest rate, currency, equity and credit derivative products business. AIG also enters into structured transactions including long-dated forward foreign exchange contracts, option transactions, liquidity facilities and investment agreements and invests in a diversified portfolio of securities.

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

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

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

(c) Non-cash Transactions: During 2000, AIG issued 17.77 million common shares in connection with acquisitions. In July 1998, 224,950 shares of 21st Century's Series A preferred stock were converted into 19,584,368 shares of 21st Century's common stock.

(d) Investments in Fixed Maturities and Equity Securities: Bonds and preferred stocks held to maturity, both of which are principally owned by the insurance subsidiaries, are carried at amortized cost where AIG has the ability and positive intent to hold these securities until maturity. Where AIG may not have the positive intent to hold these securities until maturity, those bonds are considered to be available for sale and carried at current market values. Interest income with respect to fixed maturity securities is accrued currently.

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

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (CONTINUED)

(f) Flight Equipment: Flight equipment is stated at cost. Major additions and modifications are capitalized. Normal maintenance and repairs, airframe and engine overhauls and compliance with return conditions of flight equipment on lease are provided by and paid for by the lessee. Under the provisions of most leases for certain airframe and engine overhauls, the lessee is reimbursed for costs incurred up to but not exceeding contingent rentals paid to AIG by the lessee. AIG provides a charge to income for such reimbursements based upon the expected reimbursements during the life of the lease. Depreciation and amortization are computed on the straight-line basis to a residual value of approximately 15 percent over the estimated useful lives of the related assets but not exceeding 25 years. AIG monitors the global aircraft market and the values of various types and models of aircraft within that market relative to the values of its own fleet. If events or circumstances were such that the carrying amount of AIG's aircraft might be impaired, AIG would determine if such impairment existed and recognize such impairment. This caption also includes deposits for aircraft to be purchased.

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

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

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

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

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

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

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

(l) Securities Purchased (Sold) Under Agreements to Resell (Repurchase), at contract value: Purchases of securities under agreements to resell and sales of securities under agreements to repurchase are accounted for as collateralized lending transactions and are recorded at their contracted resale or repurchase amounts, plus accrued interest. Generally, it is AIG's policy to take possession of or obtain a security interest in securities purchased under agreements to resell.

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

1. Summary of Significant Accounting Policies (continued)

(m) Other Invested Assets: Other invested assets consist primarily of investments by AIG's insurance operations in joint ventures and partnerships and other investments not classified elsewhere herein. The joint ventures and partnerships are carried at equity or cost depending on the nature of the invested asset and the ownership percentage thereof. Other investments are carried at cost or market values depending upon the nature of the underlying assets. Unrealized gains and losses from the revaluation of those investments carried at market values are reflected in comprehensive income, net of any related deferred income taxes.

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

(o) Investments in Partially-Owned Companies: The equity method of accounting is used for AIG's investment in companies in which AIG's ownership interest approximates twenty but is not greater than fifty percent (minority-owned companies). In years prior to 1999, equity in income of minority-owned insurance operations was presented separately in the consolidated statement of income. In 2000 and 1999, AIG did not report equity in income of minority-owned insurance operations as a result of the consolidation of the operations of Transatlantic and SELIC Holdings, Ltd. into general insurance operating results. IPC Holdings, Ltd., the remaining operation included in equity in income of minority-owned insurance operations in previous periods is now reported as a component of other income (deductions) -- net. Equity in net income of other unconsolidated companies is principally included in other income (deductions)-net. At December 31, 2000, AIG's significant investments in partially-owned companies included its 24.4 percent interest in IPC Holdings, Ltd. This balance sheet caption also includes investments in less significant partially-owned companies and in certain minor majority-owned subsidiaries. The amounts of dividends received from unconsolidated entities owned less than 50 percent were $3 million, $13 million and $24 million in 2000, 1999 and 1998 respectively. The undistributed earnings of unconsolidated entities owned less than 50 percent was $58 million as of December 31, 2000.

(p) Real Estate and Other Fixed Assets: The costs of buildings and furniture and equipment are depreciated principally on a straight-line basis over their estimated useful lives (maximum of 40 years for buildings and 10 years for furniture and equipment). Expenditures for maintenance and repairs are charged to income as incurred; expenditures for betterments are capitalized and depreciated.

From time to time, AIG assesses the carrying value of its real estate relative to the market values of real estate within the specific local area. At December 31, 2000, there were no impairments.

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

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

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

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

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

(v) Earnings Per Share: Basic earnings per common share are based on the weighted average number of common shares outstanding, retroactively adjusted to reflect all stock dividends and stock splits. Diluted earnings per share are based on

1. Summary of Significant Accounting Policies (continued)

those shares used in basic earnings per share plus shares that would have been outstanding assuming issuance of common shares for all dilutive potential common shares outstanding, retroactively adjusted to reflect all stock dividends and stock splits.

The computation of earnings per share for December 31, 2000, 1999 and 1998 was as follows:

(in millions, except per share amounts)

Years Ended December 31,	2000	1999	1998
Numerator for basic earnings per share:			
Net income	$ 5,636	$ 5,055	$ 4,282
Less:			
Dividends on convertible preferred stock	--	--	(12)
Net income applicable to common stock	$ 5,636	$ 5,055	$ 4,270
Denominator for basic earnings per share:			
Average shares outstanding used in the computation of per share earnings:			
Common stock issued	2,484	2,496	2,448
Common stock in treasury	(166)	(174)	(166)
Common stock contingently issuable	--	--	(4)
Average shares outstanding-- basic	2,318	2,322	2,278
Numerator for diluted earnings per share:			
Net income applicable to common stock	$ 5,636	$ 5,055	$ 4,282
Denominator for diluted earnings per share:			
Average shares outstanding	2,318	2,322	2,282
Incremental shares from potential common stock:			
Average number of shares arising from outstanding employee stock plans (treasury stock method)	25	28	22
Average number of shares issuable upon conversion of convertible securities and preferred stock	--	--	27
Average shares outstanding-- diluted	2,343	2,350	2,331
Earnings per share:			
Basic	$ 2.43	$ 2.18	$ 1.87
Diluted	2.41	2.15	1.83

(w) Accounting Standards: In June 1998, FASB issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FASB 133). In June 2000, FASB issued Statement of Financial Accounting Standards No. 138 "Accounting for Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133" (FASB 138).

Together, these Statements require AIG to recognize all derivatives in the consolidated balance sheet at fair value. The financial statement recognition of the change in the fair value of a derivative depends on a number of factors, including the intended use of the derivative and the extent to which it is effective as part of a hedge transaction. Due to the operating nature of AIGFP and AIGTG, the changes in fair value of their derivative transactions are currently presented, in all material respects, as a component of AIG's operating income. FASB 133 and FASB 138 are effective for AIG for the year commencing January 1, 2001. The impact of the adoption of FASB 133 and FASB 138 at January 1, 2001 with respect to AIG's results of operations, financial condition and liquidity is deemed insignificant.

2. Foreign Operations

Certain subsidiaries operate solely outside of the United States. Their assets and liabilities are located principally in the countries where the insurance risks are written and/or investment and non-insurance related operations are located. In addition, certain of AIG's domestic subsidiaries have branch and/or subsidiary operations and substantial assets and liabilities in foreign countries. Certain countries have restrictions on the conversions of funds which generally cause a delay in the outward remittance of such funds. Approximately 32 percent of consolidated assets at December 31, 2000 and 1999 and 50 percent, 50 percent and 48 percent of revenues for the years ended December 31, 2000, 1999 and 1998, respectively, were located in or derived from foreign countries (other than Canada). (See Note 18.)

3. Federal Income Taxes

(a) AIG and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Revenue Agent's Reports assessing additional taxes for the years 1987, 1988, 1989 and 1990 have been issued and Letters of Protest contesting the assessments have been filed with the Internal Revenue Service. In addition, Revenue Agent's Reports assessing additional taxes for the years ended September 30, 1993 and 1994 have been issued to SunAmerica. Such assessments relate to years prior to the acquisition of SunAmerica by AIG. Letters of Protest contesting the assessments have been filed with the Internal Revenue Service. Issues regarding SunAmerica's tax years ending November 30, 1988 and September 30, 1989, 1990, 1991 and 1992 have recently been agreed to with the Internal Revenue Service. It is management's belief that there are substantial arguments in support of the positions taken by AIG and SunAmerica in their Letters of Protest. AIG also believes that the impact of the results of these examinations will not be significant to AIG's financial condition, results of operations or liquidity.

Notes to Financial Statements (CONTINUED)

3. Federal Income Taxes (continued)

Foreign income not expected to be taxed in the United States has arisen because AIG's foreign subsidiaries were generally not subject to U.S. income taxes on income earned prior to January 1, 1987. Such income would become subject to U.S. income taxes at current tax rates if remitted to the United States or if other events occur which would make these amounts currently taxable. The cumulative amount of translated undistributed earnings of AIG's foreign subsidiaries currently not subject to U.S. income taxes was approximately $3.5 billion at December 31, 2000. Management presently has not subjected and has no intention of subjecting these accumulated earnings to material U.S. income taxes and no provision has been made in the accompanying financial statements for such taxes.

(b) The U.S. Federal income tax rate is 35 percent for 2000, 1999 and 1998. Actual tax expense on income differs from the "expected" amount computed by applying the Federal income tax rate because of the following:

(dollars in millions)

Years Ended December 31,	2000		1999		1998	
	Amount	Percent of pre-tax income	Amount	Percent of pre-tax income	Amount	Percent of pre-tax income
"Expected" tax expense	$ 2,922	35.0%	$ 2,629	35.0%	$ 2,197	35.0%
Adjustments:						
Tax exempt interest	(277)	(3.3)	(280)	(3.7)	(284)	(4.5)
Dividends received deduction	(50)	(0.6)	(38)	(0.5)	(30)	(0.5)
State income taxes	35	0.4	55	0.7	34	0.5
Foreign income not expected to be taxed in the U.S., less foreign income taxes	(110)	(1.3)	(81)	(1.1)	(85)	(1.4)
Affordable housing tax credits	(48)	(0.6)	(55)	(0.7)	(39)	(0.6)
Other	(14)	(0.2)	(11)	(0.2)	(8)	(0.1)
Actual tax expense	$ 2,458	29.4%	$ 2,219	29.5%	$ 1,785	28.4%
Foreign and domestic components of actual tax expense:						
Foreign:						
Current	$ 450		$ 403		$ 386	
Deferred	131		123		31	
Domestic*						
Current	887		1,410		714	
Deferred	990		283		654	
Total	$ 2,458		$ 2,219		$ 1,785	

*Including U.S. tax on foreign income.

(c) The components of the net deferred tax liability as of December 31, 2000 and December 31, 1999 were as follows:

(in millions)

	2000	1999
Deferred tax assets:		
Loss reserve discount	$1,311	$1,357
Unearned premium reserve reduction	401	380
Accruals not currently deductible	458	466
Adjustment to life policy reserves	1,165	1,126
Cumulative translation adjustment	225	137
Unrealized depreciation of investments	19	191
Other	82	68
	3,661	3,725
Deferred tax liabilities:		
Deferred policy acquisition costs	2,725	2,305
Financial service products mark to market differential	599	454
Depreciation of flight equipment	1,504	1,210
Acquisition net asset basis adjustments	27	63
Other	679	444
	5,534	4,476
Net deferred tax liability	$1,873	$ 751

4. Deferred Policy Acquisition Costs

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

(in millions)

Years Ended December 31,	2000	1999	1998
General insurance operations:			
Balance at beginning of year	$ 2,132	$1,852	$1,637
Acquisition costs deferred			
Commissions	876	799	664
Other	1,138	1,009	909
	2,014	1,808	1,573
Amortization charged to income			
Commissions	748	642	568
Other	960	886	790
	1,708	1,528	1,358
Balance at end of year	$ 2,438	$2,132	$1,852
Life insurance operations:			
Balance at beginning of year	$ 7,492	$6,229	$5,515
Acquisition costs deferred			
Commissions	1,047	1,068	892
Other	565	951	421
	1,612	2,019	1,313
Amortization charged to income			
Commissions	500	502	450
Other	458	389	309
	958	891	759
Increase (decrease) due to foreign exchange	(395)	135	160
Balance at end of year	$ 7,751	$7,492	$6,229
Total deferred policy acquisition costs	$10,189	$9,624	$8,081

5. Reinsurance

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

General reinsurance is effected under reinsurance treaties and by negotiation on individual risks. Certain of these reinsurance arrangements consist of excess of loss contracts which protect AIG against losses over stipulated amounts. Ceded premiums are considered prepaid reinsurance premiums and are amortized into income over the contract period in proportion to the protection received. Amounts recoverable from general reinsurers are estimated in a manner consistent with the claims liabilities associated with the reinsurance and presented as a component of reinsurance assets.

AIG life companies limit exposure to loss on any single life. For ordinary insurance, AIG retains a maximum of approximately one million dollars of coverage per individual life. There are smaller retentions for other lines of business. Life reinsurance is effected principally under yearly renewable term treaties. The premiums with respect to these treaties are considered prepaid reinsurance premiums and are amortized into income over the contract period in proportion to the protection provided. Amounts recoverable from life reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits and are presented as a component of reinsurance assets.

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

(in millions)

Years Ended December 31,	Written	Earned
2000		
Gross premiums	$25,050	$24,062

Ceded premiums	(7,524)	(6,655)
Net premiums	$17,526	$17,407
1999		
Gross premiums	$22,569	$21,187
Ceded premiums	(6,345)	(5,643)
Net premiums	$16,224	$15,544
1998		
Gross premiums	$20,684	$20,092
Ceded premiums	(6,098)	(5,994)
Net premiums	$14,586	$14,098

For the years ended December 31, 2000, 1999 and 1998, reinsurance recoveries, which reduced loss and loss expenses incurred, amounted to $6.00 billion, $5.13 billion and $5.36 billion, respectively.

Life insurance net premium income was comprised of the following:

(in millions)

Years Ended December 31,	2000	1999	1998
Gross premium income	$13,928	$12,252	$10,578
Ceded premiums	(318)	(310)	(285)
Net premium income	$13,610	$11,942	$10,293

Life insurance recoveries, which reduced death and other benefits, approximated $156 million, $168 million and $176 million, respectively, for the years ended December 31, 2000, 1999 and 1998.

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

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

5. Reinsurance (continued)

Life insurance ceded to other insurance companies was as follows:

(in millions)

Years Ended December 31,	2000	1999	1998
Life insurance in-force	$56,927	$69,535	$62,768

Life insurance assumed represented 0.2 percent of gross life insurance in-force at December 31, 2000, 0.2 percent for 1999 and 0.3 percent for 1998 and life insurance premium income assumed represented 0.3 percent of gross premium income for each of the periods ended December 31, 2000, 1999 and 1998.

Supplemental information for gross loss and benefit reserves net of ceded reinsurance at December 31, 2000 and 1999 follows:

(in millions)

	As Reported	Net of Reinsurance
2000		
Reserve for losses and loss expenses	$(40,613)	$(24,952)
Future policy benefits for life and accident and health insurance contracts	(38,165)	(37,926)
Premiums and insurance balances receivable-net	11,832	15,164
Funds held under reinsurance treaties	--	578
Reserve for unearned premiums	(12,510)	(9,185)
Reinsurance assets	23,135	--
1999		
Reserve for losses and loss expenses	$(38,252)	$(24,600)
Future policy benefits for life and accident and health insurance contracts	(34,608)	(34,372)
Premiums and insurance balances receivable-net	12,236	14,776
Funds held under reinsurance treaties	--	484
Reserve for unearned premiums	(11,450)	(8,994)
Reinsurance assets	19,368	--

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

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

(in millions)

Years Ended December 31,	2000	1999	1998
At beginning of year:			
Reserve for losses and loss expenses	$ 38,252	$ 38,310	$ 33,400
Reinsurance recoverable	(13,652)	(13,691)	(12,229)
	24,600	24,619	21,171
Acquisitions	236	--	2,896
Losses and loss expenses incurred:			
Current year	13,356	12,122	10,938
Prior years	(252)	(384)	(281)
Total	13,104	11,738	10,657
Losses and loss expenses paid:			
Current year	5,205	4,978	4,389
Prior years	7,783	6,779	5,716
Total	12,988	11,757	10,105
At end of year:			
Net reserve for losses and loss expenses	24,952	24,600	24,619
Reinsurance recoverable	15,661	13,652	13,691
Total	$ 40,613	$ 38,252	$ 38,310

(b) The analysis of the future policy benefits and policyholders' contract deposits liabilities as at December 31, 2000 and 1999 follows:

(in millions)

	2000	1999
Future policy benefits:		
Long duration contracts	$37,400	$33,670
Short duration contracts	765	938
Total	$38,165	$34,608
Policyholders' contract deposits:		
Annuities	$15,987	$18,027
Guaranteed investment contracts (GICs)	25,344	18,905
Corporate life products	1,862	1,891
Universal life	3,109	2,962
Other investment contracts	907	764
Total	$47,209	$42,549

(c) Long duration contract liabilities included in future policy benefits, as presented in the table above, result from traditional life products. Short duration contract liabilities are primarily accident and health products. The liability for future life policy benefits has been established based upon the following assumptions:

(i) Interest rates (exclusive of immediate/terminal funding annuities), which vary by territory, year of issuance and products, range from 1.5 percent to 12.0 percent within the first 20 years. Interest rates on immediate/terminal funding annuities are at a maximum of 12.2 percent and grade to not greater than 7.5 percent.

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

(ii) Mortality and surrender rates are based upon actual experience by geographical area modified to allow for variations in policy form. The weighted average lapse rate, including surrenders, for individual and group life approximated 8.1 percent.

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

(iv) Participating life business represented approximately 31 percent of the gross insurance in-force at December 31, 2000 and 43 percent of gross premium income in 2000. The amount of annual dividends to be paid is determined locally by the Boards of Directors. Provisions for future dividend payments are computed by jurisdiction, reflecting local regulations.

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

(i) Interest rates credited on deferred annuities, which vary by territory and year of issuance, range from 2.0 percent to 9.0 percent. Credited interest rate guarantees are generally for a period of one year. Withdrawal charges generally range from zero percent to 10.0 percent grading to zero over a period of zero to 10 years.

(ii) Domestically, GICs have market value withdrawal provisions for any funds withdrawn other than benefit responsive payments. Interest rates credited generally range from 4.0 percent to 9.4 percent. The vast majority of these GICs mature within 10 years. Overseas, interest rates credited on GICs generally range from 4.8 percent to 7.3 percent and maturities range from 1 to 6 years.

(iii) Interest rates on corporate life insurance products are guaranteed at 4.0 percent and the weighted average rate credited in 2000 was 6.8 percent.

(iv) The universal life funds have credited interest rates of 4.5 percent to 7.5 percent and guarantees ranging from 4.0 percent to 5.5 percent depending on the year of issue. Additionally, universal life funds are subject to surrender charges that amount to 11.0 percent of the fund balance grading to zero over a period not longer than 20 years.

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

7. Statutory Financial Data

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

(in millions)

Years Ended December 31,	2000	1999	1998
Statutory surplus:			
General insurance	$16,934	$16,225	$15,523
Life insurance	12,564	10,230	8,177
Statutory net income*:			
General insurance	2,508	2,458	2,252
Life insurance	1,378	1,431	925

*Includes net realized capital gains and losses.

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

8. Investment Information

(a) Statutory Deposits: Cash and securities with carrying values of $5.37 billion and $4.34 billion were deposited by AIG's subsidiaries under requirements of regulatory authorities as of December 31, 2000 and 1999, respectively.

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

(in millions)

Years Ended December 31,	2000	1999	1998
General insurance:			
Fixed maturities	$1,815	$1,852	$1,663
Equity securities	214	101	80
Short-term investments	70	52	73
Other invested assets	556	399	202
Miscellaneous (net of interest expense on funds held)	189	256	279
Total investment income	2,844	2,660	2,297
Investment expenses	143	143	105
Net investment income	$2,701	$2,517	$2,192
Life insurance:			
Fixed maturities	$5,125	$4,427	$3,683
Equity securities	98	91	72
Short-term investments	226	338	308
Interest on mortgage, policy and collateral loans	889	824	820
Other	1,031	769	627
Total investment income	7,369	6,449	5,510
Investment expenses	246	243	309
Net investment income	$7,123	$6,206	$5,201

8. Investment Information (continued)

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

(in millions)

Years Ended December 31,	2000	1999	1998
Realized capital gains (losses) on investments:			
Fixed maturities (a)	$ (384)	$ (191)	$ 121
Equity securities	328	410	105
Other	(82)	(97)	(102)
Realized capital gains (losses)	$ (138)	$ 122	$ 124
Increase (decrease) in unrealized appreciation of investments:			
Fixed maturities	$1,360	$(3,634)	$ 555
Equity securities	(856)	327	(484)
Other (b)	(153)	766	(458)
Increase (decrease) in unrealized appreciation	$ 351	$(2,541)	$(387)

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

(b) Includes $51 million increase, $264 million decrease and $301 million increase in unrealized appreciation attributable to participating policyholders at December 31, 2000, 1999 and 1998, respectively.

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

(in millions)

	Gross Realized Gains	Gross Realized Losses
2000		
Bonds	$ 251	$ 621
Common stocks	754	372
Preferred stocks	47	27
Financial services securities available for sale	8	--
Total	$1,060	$1,020
1999		
Bonds	$ 197	$ 401
Common stocks	806	336
Preferred stocks	35	11
Financial services securities available for sale	26	--
Total	$1,064	$ 748
1998		
Bonds	$ 502	$ 363
Common stocks	542	454
Preferred stocks	12	11
Financial services securities available for sale	4	2
Total	$1,060	$ 830

(d) Market Value of Fixed Maturities and Unrealized Appreciation of Investments: At December 31, 2000 and 1999, the balance of the unrealized appreciation of investments in equity securities (before applicable taxes) included gross gains of approximately $670 million and $1.2 billion and gross losses of approximately $1 billion and $706 million, respectively.

The deferred tax asset related to the net unrealized depreciation of investments was $19 million at December 31, 2000 and the deferred tax asset related to the net unrealized depreciation of investments was $191 million at December 31, 1999.

The amortized cost and estimated market value of investments in fixed maturities carried at amortized cost at December 31, 2000 and 1999 were as follows:

(in millions)

	Gross	Gross	Estimated

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
2000				
Fixed maturities held to maturity:				
Bonds:				
U.S. Government (a)	$ 67	$ 3	$ --	$ 70
States (b)	11,461	523	6	11,978
Other	5	--	--	5
Total fixed maturities	$11,533	$526	$ 6	$12,053
1999				
Fixed maturities held to maturity:				
Bonds:				
U.S. Government (a)	$ 30	$ --	$ --	$ 30
States (b)	12,042	275	149	12,168
Other	4	--	--	4
Total bonds	12,076	275	149	12,202
Preferred stocks	2	--	2	--
Total fixed maturities	$12,078	$275	$151	$12,202

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

(b) Including municipalities and political subdivisions.

8. Investment Information (continued)

The amortized cost and estimated market value of bonds available for sale and carried at market value at December 31, 2000 and 1999 were as follows:

(in millions)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
2000				
Fixed maturities available for sale:				
Bonds:				
U.S. Government (a)	$ 1,794	$ 103	$ 23	$ 1,874
States (b)	10,131	427	102	10,456
Foreign governments	17,725	890	208	18,407
All other corporate	59,811	1,312	2,229	58,894
Total bonds	$89,461	$2,732	$2,562	$89,631
1999				
Fixed maturities available for sale:				
Bonds:				
U.S. Government (a)	$ 2,470	$ 62	$ 77	$ 2,455
States (b)	9,470	145	384	9,231
Foreign governments	14,780	461	84	15,157
All other corporate	51,498	782	2,095	50,185
Total bonds	$78,218	$1,450	$2,640	$77,028

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

(b) Including municipalities and political subdivisions.

The amortized cost and estimated market values of fixed maturities held to maturity and fixed maturities available for sale at December 31, 2000, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

(in millions)

	Amortized Cost	Estimated Market Value
Fixed maturities held to maturity:		
Due in one year or less	$ 661	$ 687
Due after one year through five years	2,066	2,151
Due after five years through ten years	3,579	3,753
Due after ten years	5,227	5,462
Total held to maturity	$11,533	$12,053
Fixed maturities available for sale:		
Due in one year or less	$ 5,391	$ 5,403
Due after one year through five years	27,555	27,634
Due after five years through ten years	28,118	27,689
Due after ten years	28,397	28,905
Total available for sale	$89,461	$89,631

(e) Securities Available for Sale: AIGFP follows a policy of minimizing interest rate, equity and currency risks associated with securities available for sale by entering into swap or other transactions. In addition, to reduce its credit risk, AIGFP has entered into credit derivative transactions with respect to $182 million of securities available for sale. At December 31, 2000, the cumulative increase in carrying value of the securities available for sale and related hedges as a result of marking to market such securities net of hedging transactions was $33 million.

The amortized cost, related hedges and estimated market value of securities available for sale and carried at market value at December 31, 2000 and 1999 were as follows:

(in millions)

	Unrealized Gains

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	(Losses) - net on Hedging Transactions	Estimated Market Value
2000					
Securities available for sale:					
Corporate and bank debt	$ 8,140	$ 82	$275	$ 219	$ 8,166
Foreign government obligations	30	--	21	20	29
Asset-backed and collateralized	4,946	113	77	(37)	4,945
Preferred stocks	1,328	9	4	5	1,338
U.S. Government obligations	192	4	4	(1)	191
Total	$14,636	$208	$381	$ 206	$14,669
1999					
Securities available for sale:					
Corporate and bank debt	$ 7,477	$ 54	$199	$ 167	$ 7,499
Foreign government obligations	354	311	1	(311)	353
Asset-backed and collateralized	3,985	6	165	163	3,989
Preferred stocks	957	13	--	(4)	966
U.S. Government obligations	147	4	7	3	147
Total	$12,920	$388	$372	$ 18	$12,954

The amortized cost and estimated market values of securities available for sale at December 31, 2000, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Notes to Financial Statements (CONTINUED)

8. Investment Information (continued)

(in millions)

	Amortized Cost	Estimated Market Value
Securities available for sale:		
Due in one year or less	$ 1,473	$ 1,478
Due after one year through five years	5,096	5,122
Due after five years through ten years	1,822	1,828
Due after ten years	1,299	1,296
Asset-backed and collateralized	4,946	4,945
Total securities available for sale	$14,636	$14,669

No securities available for sale were below investment grade at December 31, 2000.

(f) CMOs: At December 31, 2000, CMOs, held by AIG's life companies, were presented as a component of bonds available for sale, at market value. Substantially all of the CMOs were investment grade and approximately 16 percent of the CMOs were backed by various U.S. government agencies. The remaining 84 percent were corporate issuances.

The distribution of the CMOs at December 31, 2000 and 1999 was as follows:

	2000	1999
GNMA	2%	1%
FHLMC	8	10
FNMA	6	6
VA	--	1
Non-governmental	84	82
	100%	100%

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

At December 31, 2000, the gross weighted average coupon of this portfolio was 6.96 percent. The gross weighted average life of this portfolio was approximately 6.30 years.

At December 31, 2000 and 1999, the market value of the CMO portfolio was $17.61 billion and $14.94 billion, respectively; the amortized cost was approximately $17.58 billion in 2000 and $15.63 billion in 1999. AIG's CMO portfolio is readily marketable. There were no derivative (high risk) CMO securities contained in this portfolio at December 31, 2000 and 1999.

(g) Fixed Maturities Below Investment Grade: At December 31, 2000, fixed maturities held by AIG that were below investment grade or not rated totaled $14.23 billion.

(h) At December 31, 2000, non-income producing invested assets were insignificant.

9. Debt Outstanding

At December 31, 2000, AIG's debt outstanding of $40.23 billion, shown below, included borrowings of $36.30 billion which were either not guaranteed by AIG or were matched borrowings under obligations of guaranteed investment agreements (GIAs) or matched notes and bonds payable.

(in millions)

Borrowings under obligations of GIAs -- AIGFP	$13,595
Commercial Paper:	
Funding	968
ILFC (a)	4,259
AICCO	597
AIGF - Taiwan (a)	104
AIGCCC - Taiwan (a)	36
Total	5,964
Medium Term Notes:	

ILFC (a)	3,175
AIG	582
Total	3,757
Notes and Bonds Payable:	
ILFC (a) (b)	5,529
AIGFP	8,755
AIG	720
Total	15,004
Loans and Mortgages Payable:	
ILFC (a) (c)	463
AIG Finance (Hong Kong) Limited (a)	346
AIG Consumer Finance Group, Inc. (a)	662
AIG	440
Total	1,911
Total Borrowings	40,231
Borrowings not guaranteed by AIG	14,574
Matched GIA borrowings	13,595
Matched notes and bonds payable -- AIGFP	8,127
	36,296
Remaining borrowings of AIG	$ 3,935

(a) AIG does not guarantee or support these borrowings.

(b) Includes borrowings under Export Credit Facility of $2.07 billion.

(c) Capital lease obligations.

The amount of long-term borrowings is $25.24 billion and the amount of short-term borrowings is $14.99 billion. Long-term borrowings include commercial paper; short-term borrowings represent borrowings that mature in less than one year.

(a) Commercial Paper: At December 31, 2000, the commercial paper issued and outstanding was as follows:

(dollars in millions)

	Net Book Value	Unamortized Discount	Face Amount	Weighted Average Interest Rate	Weighted Average Maturity
Funding	$ 968	$ 2	$ 970	6.50%	19 days
ILFC	4,259	30	4,289	6.63	111 days
AICCO	597	2	599	6.51	16 days
AIGF - Taiwan*	104	2	106	6.04	177 days
AIGCCC - Taiwan*	36	--	36	5.87	161 days
Total	$5,964	$36	$6,000	--	--

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

9. Debt Outstanding (continued)

Commercial paper issued by Funding is guaranteed by AIG. At December 31, 2000, AIG did not guarantee or support the commercial paper of any of its subsidiaries other than Funding and AICCO. In early 2001, AICCO ceased issuing commercial paper under its program and the agreement which AIG had provided supporting the commercial paper was terminated; AICCO's funding requirements are now met through Funding's program.

(b) Borrowings under Obligations of Guaranteed Investment Agreements: Borrowings under obligations of guaranteed investment agreements, which are guaranteed by AIG, are recorded at the amount outstanding under each contract. Obligations may be called at various times prior to maturity at the option of the counterparty. Interest rates on these borrowings are primarily fixed, vary by maturity, and range up to 9.8 percent.

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

(in millions)

	Principal Amount
2001	$ 6,061
2002	1,464
2003	280
2004	72
2005	106
Remaining years after 2005	5,612
Total	$13,595

At December 31, 2000, the market value of securities pledged as collateral with respect to these obligations approximated $3.8 billion.

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

(c) Medium Term Notes Payable:

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

An analysis of AIG's Medium Term Notes for the year ended December 31, 2000 was as follows:

(in millions)

	AIG	SunAmerica	Total
Balance December 31, 1999	$ 283	$198	$ 481
Issued during year	233	--	233
Redeemed during year	(130)	(2)	(132)
Balance December 31, 2000	$ 386	$196	$ 582

The interest rates on AIG's Medium Term Notes range from 0.50 percent to 7.15 percent. To the extent deemed appropriate, AIG may enter into swap transactions to reduce its effective borrowing rates with respect to these notes.

At December 31, 2000, AIG's Medium Term Notes also included notes in aggregate principal amount of $196 million issued by SunAmerica Inc. with maturity dates from 2001 to 2026 at interest rates ranging from 6.03 percent to 7.34 percent. AIG does not intend to have SunAmerica issue its own debt.

During 1997, AIG issued $100 million principal amount of equity-linked Medium Term Notes due July 30, 2004. These notes accrued interest at the rate of 2.25 percent and the total return on these notes was linked to the appreciation in market value of AIG's common stock. In conjunction with the issuance of these notes, AIG entered into a series of swap transactions which effectively converted its interest expense to a fixed rate of 5.87 percent and transferred the equity appreciation exposure to a third party. These notes were redeemed during 2000.

During 2000, AIG issued $210 million principal amount of equity-linked Medium Term Notes due May 15, 2007. These notes accrue interest at the rate of 0.50 percent and the total return on these notes is linked to the appreciation in market value of AIG's common stock. The notes may be redeemed, at the option of AIG, as a whole but not in part, at any time on or after May 15, 2003. In conjunction with the issuance of these notes, AIG entered into a series of swap transactions which effectively converted its interest expense to a fixed rate of 7.17 percent and transferred the equity appreciation exposure to a third party. AIG is exposed to credit risk with respect to the counterparties to these swap transactions.

At December 31, 2000, the maturity schedule for AIG's outstanding Medium Term Notes, including those issued by SunAmerica Inc., was as follows:

(in millions)

	Principal Amount
2001	$176
2002	48
2003	25
2004	20
2005	55
Remaining years after 2005	258
Total	$582

At December 31, 2000, AIG had $781 million principal amount of debt securities registered and available for issuance from time to time. In early 2001, AIG established a new Medium Term Note program under which these securities may be issued.

(ii) Medium Term Notes Payable Issued by ILFC: ILFC's Medium Term Notes are unsecured obligations which may not be redeemed by ILFC prior to maturity and bear interest at fixed rates set by ILFC at issuance.

Notes to Financial Statements (CONTINUED)

9. Debt Outstanding (continued)

As of December 31, 2000, notes in aggregate principal amount of $3.18 billion were outstanding with maturity dates from 2001 to 2005 at interest rates ranging from 5.20 percent to 8.55 percent. These notes provide for a single principal payment at the maturity of each note.

At December 31, 2000, the maturity schedule for ILFC's outstanding Medium Term Notes was as follows:

(in millions)

	Principal Amount
2001	$1,217
2002	1,328
2003	485
2004	120
2005	25
Total	$3,175

(d) Notes and Bonds Payable:

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

(A) Zero Coupon Notes: On October 1, 1984, AIG issued Eurodollar zero coupon notes in the aggregate principal amount at stated maturity of $750 million. The notes were offered at 12 percent of principal amount at stated maturity, bear no interest and are due August 15, 2004. The net proceeds to AIG from the issuance were $86 million. The notes are redeemable at any time in whole or in part at the option of AIG at 100 percent of their principal amount at stated maturity. The notes are also redeemable at the option of AIG or bearer notes may be redeemed at the option of the holder in the event of certain changes involving taxation in the United States at prices ranging from 65.26 percent currently, to 89.88 percent after August 15, 2003, of the principal amount at stated maturity together with accrued amortization of original issue discount from the preceding August 15. During 2000 and 1999, no notes were repurchased. At December 31, 2000, the notes outstanding after prior purchases had a face value of $189 million, an unamortized discount of $62 million and a net book value of $127 million. The amortization of the original issue discount was recorded as interest expense.

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

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

(C) Notes and Debentures Issued by SunAmerica Inc.: As of December 31, 2000, Notes and Debentures issued by SunAmerica Inc. in aggregate principal amount of $433 million (net of amortized discount of $42 million) were outstanding with maturity dates from 2007 to 2097 at interest rates ranging from 5.60 percent to 9.95 percent.

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

As of December 31, 2000, notes in aggregate principal amount of $3.46 billion were outstanding with maturity dates from 2001 to 2004 and interest rates ranging from 5.63 percent to 8.88 percent. Term notes in the aggregate principal amount of $350 million are at floating interest rates and the remainder are at fixed rates. These notes provide for a single principal payment at maturity.

At December 31, 2000, the maturity schedule for ILFC's Term Notes was as follows:

(in millions)

	Principal Amount
2001	$1,075
2002	1,283
2003	450
2004	649

Total	$3,457

At December 31, 2000, ILFC had $75 million in aggregate principal amount of debt securities registered for issuance from time to time, which debt had been sold as of March 16, 2001. An additional $2.0 billion principal amount of debt securities was registered as of January 5, 2001, under which $800 million in notes were sold as of March 16, 2001. A $750 million Medium Term Note program was implemented on January 19, 2001 under which $200 million has been sold as of March 16, 2001. In addition, ILFC established a Euro Medium Term Note program for $2.0 billion, under which $771 million in notes were sold through December 31, 2000.

ILFC has an Export Credit Facility up to a maximum of $4.3 billion, for approximately 75 aircraft to be delivered through 2001. ILFC has the right, but is not required, to use the facility to fund 85 percent of each aircraft's purchase price. This facility is guaranteed by various European Export Credit Agencies. The interest rate varies from 5.75 percent to 5.90 percent on the first 75 aircraft depending on the delivery date of the aircraft. Through December 31, 2000, ILFC borrowed $2.07 billion under this facility. Borrowings with respect to this facility are included in Notes and Bonds Payable in the

9. Debt Outstanding (continued)

accompanying table of borrowings. At December 31, 2000, the future minimum payments for ILFC's borrowings under the Export Credit Facility were as follows:

(in millions)

	Principal Amount
2001	$ 229
2002	229
2003	229
2004	229
2005	229
Remaining years after 2005	927
Total	$2,072

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

(iii) Notes and Bonds Payable Issued by AIGFP: At December 31, 2000, AIGFP's notes and bonds outstanding, the proceeds of which are invested in a segregated portfolio of securities available for sale, were as follows:

(dollars in millions)

Range of Maturities	Currency	Range of Interest Rates	U.S. Dollar Carrying Value
2001-2029	US dollar	4.88-7.72%	$4,140
2001-2005	Euro	4.60-7.19	1,781
2001-2005	United Kingdom pound	5.74-7.65	790
2001-2002	New Zealand dollar	8.51-9.43	596
2002	Japanese yen	4.50	190
Total			$7,497

AIGFP is also obligated under various notes maturing from 2001 through 2026. The majority of these notes are denominated in U.S. dollars and Euros and bear interest at various interest rates. At December 31, 2000, these notes had a U.S. dollar carrying value of $1.3 billion.

AIG guarantees all of AIGFP's debt.

(e) Loans and Mortgages Payable: Loans and mortgages payable at December 31, 2000, consisted of the following:

(in millions)

	ILFC	AIGF--Hong Kong	AIG Consumer Finance	AIG	Total
Uncollateralized loans payable	$ --	$346	$662	$350	$1,358
Collateralized loans and mortgages payable	463	--	--	90	553
Total	$463	$346	$662	$440	$1,911

At December 31, 2000, ILFC's capital lease obligations were $463 million. Fixed interest rates with respect to these obligations range from 6.18 percent to 6.89 percent; variable rates are referenced to LIBOR. These obligations mature through 2005. The flight equipment associated with the capital lease obligations had a net book value of $1.01 billion.

At December 31, 2000, the maturity schedule for ILFC's capital lease obligations, were as follows:

(in millions)

	Principal Amount
2001	$127

2002	127
2003	127
2004	113
2005	46
Total minimum lease obligations	540
Less amount representing interest	77
Present value of net minimum capital lease obligations	$463

(f) As of December 31, 2000, the combined principal payments due of all significant debt, excluding commercial paper, in each of the next five years and periods thereafter were as follows:

(in millions)

	Principal Amount
2001	$14,989
2002	5,565
2003	2,967
2004	1,836
2005	829
Remaining years after 2005	8,081
Total	$34,267

(g) Revolving Credit Facilities: AIG and Funding have entered into syndicated revolving credit facilities (collectively, the Facility) aggregating $1.5 billion. The Facility consists of $1.0 billion in short-term revolving credit facilities and a $500 million five year revolving credit facility. The Facility can be used for general corporate purposes and also to provide backup for AIG's commercial paper programs administered by Funding. There are currently no borrowings outstanding under the Facility, nor were any borrowings outstanding as of December 31, 2000.

(h) Interest Expense for All Indebtedness: Total interest expense for all indebtedness, net of capitalized interest, aggregated $2.72 billion in 2000, $2.19 billion in 1999 and $1.99 billion in 1998. Cash distributions on the preferred shareholders' equity in subsidiary companies of ILFC and certain SunAmerica and HSB subsidiaries are accounted for as interest expense and included as minority interest in the consolidated statement of income. The cash distributions for ILFC were approximately $19 million for the year ended December 31, 2000 and $17 million in each of the years ended December 31, 1999 and 1998. The cash distributions for the SunAmerica subsidiaries were approximately $62 million for the year ended December 31, 2000 and $40 million in each of the years ended December 31, 1999 and 1998.

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10. Preferred Shareholders' Equity in Subsidiary Companies

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

(a) ILFC: The preferred stock consists of 4,000 shares of market auction preferred stock ("MAPS") in eight series of 500 shares each. Each of these shares has a liquidation value of $100,000 per share and is not convertible. The dividend rate, other than the initial rate, for each dividend period for each series is reset approximately every seven weeks (49 days) on the basis of orders placed in an auction. At December 31, 2000, the dividend rate ranged from 4.98 percent to 5.25 percent.

(b) SunAmerica: The preferred stock consists of $185 million liquidation amount of 8.35% Trust Originated Preferred Securities issued by SunAmerica Capital Trust II in October 1995, $310 million liquidation amount of 8.30% Trust Originated Preferred Securities issued by SunAmerica Capital Trust III in November 1996, and $350 million liquidation amount of 7.5% Non-Voting Preferred Interests issued by Total Return LLC, a wholly owned subsidiary of SunAmerica, in March 2000.

In connection with the issuance of the 8.35% Trust Originated Preferred Securities and the related purchase by SunAmerica Inc. of the grantor trust's common securities, SunAmerica Inc. issued to the grantor trust $191 million principal amount of 8.35% junior subordinated debentures, due 2044.

In March 2001, SunAmerica Capital Trust II redeemed the 8.35% Trust Originated Preferred Securities for a cash payment equal to the liquidation amount of $185 million plus accrued and unpaid dividends at redemption date. Concurrently, SunAmerica redeemed all of the related 8.35% junior subordinated debentures, due 2044, for a liquidation amount of $191 million plus accrued interest.

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

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

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

In connection with the issuance of 7.5% Non-Voting Preferred Interests by Total return LLC in March 2000, SunAmerica issued a $350 million promissory note to Total Return LLC, due 2003. The preferred interests receive cash distributions and the note bears interest at a rate of 7.5%. The common interests in Total Return LLC are wholly owned by SunAmerica, and the common interests and the note are eliminated in the consolidated balance sheet.

(c) HSB: The preferred stock consists of $110 million liquidation amount of Exchange Capital Securities issued by HSB Capital I, a statutory business trust wholly owned by HSB, which has invested $113.4 million in debt securities of HSB. The capital securities accrue and pay quarterly cash distributions at a variable rate equal to 90 day LIBOR plus 0.91% of the stated liquidation amount of $1,000 per capital security, which rate was 6.6% at December 31, 2000. The capital securities are not redeemable prior to July 15, 2007 and are mandatorily redeemable upon the maturity of the debt securities on July 15, 2027 or the earlier redemption of the debt securities. AIG has issued a guarantee of the obligations of HSB, which together with the terms of the debt securities, the guarantee of HSB with respect to the capital securities, the indenture and the trust agreement with respect to the trust provide a full and unconditional guarantee of payments due on the capital securities. The trust is accounted for as a wholly owned subsidiary of AIG. The debt securities issued to the trust and the common securities issued by the trust to HSB are eliminated in the consolidated balance sheet.

11. Capital Funds

(a) AIG parent depends on its subsidiaries for cash flow in the form of loans, advances and dividends. AIG's insurance subsidiaries are subject to regulatory restrictions on the amount of dividends which can be remitted to AIG parent. These restrictions vary by state. For example, unless permitted by the New York Superintendent of Insurance, general insurance companies domiciled in New York may not pay dividends to shareholders which in any twelve month period exceed the lesser of 10 percent of the company's statutory policyholders' surplus or 100 percent of its "adjusted net investment income", as defined. Generally, less severe restrictions applicable to both general and life insurance companies exist in most of the other states in which AIG's insurance subsidiaries are domiciled. Certain foreign jurisdictions have restrictions which generally cause only a temporary delay in the remittance of dividends. There are

11. Capital Funds (continued)

also various local restrictions limiting cash loans and advances to AIG by its subsidiaries. Largely as a result of the restrictions, approximately 61 percent of consolidated capital funds were restricted from immediate transfer to AIG parent at December 31, 2000.

(b) At December 31, 2000, there were 6,000,000 shares of AIG's $5 par value serial preferred stock authorized, issuable in series.

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

	1999	1998
Shares outstanding at beginning of year	4,000,000	4,000,000
Redemption of Series E Depositary Shares	(4,000,000)	--
Shares outstanding at end of year	--	4,000,000

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

(d) The common stock activity for the three years ended December 31, 2000 was as follows:

	2000	1999	1998(a)
Shares outstanding at beginning of year	1,549,128,046	1,217,136,817	866,541,676
Acquired during the year	(11,567,886)	(2,797,287)	(974,815)
Conversion of Series E Preferred Stock	--	9,619,356	--
Conversion of PERCS Units	--	8,642,535	--
Issued pursuant to Restricted Stock Unit Obligations	--	538,649	--
Issued under stock option and purchase plans	5,875,271	6,427,942	1,556,136
Issued in connection with acquisitions	17,774,094	--	--
Issued under contractual obligations	63,277	7,094	37,123
Stock split effected as stock dividend	814,956,829	327,061,951	379,536,828
Other (b)	(43,516,510)	(17,509,011)	(29,560,131)
Shares outstanding at end of year	2,332,713,121	1,549,128,046	1,217,136,817

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

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

Common stock increased and retained earnings decreased $2.04 billion in 2000, $818 million in 1999 and $949 million in 1998 as a result of common stock splits in the form of 50 percent, 25 percent and 50 percent common stock dividends paid July 28, 2000, July 30, 1999 and July 31, 1998, respectively.

(e) On November 6, 1996, SunAmerica Inc. issued 11,500,000 8 1/2% Premium Equity Redemption Cumulative Security Units (the "Units") with a stated amount of $37.50 per Unit. Each Unit consisted of a stock purchase contract (the "Contract") and a United States Treasury Note (the "Treasury Note") having a principal amount equal to the stated amount. These Units were scheduled to mature on October 31, 1999. The holders of the Units received interest on the Treasury Notes payable by the United States Government at a rate of 7 1/2% per annum and Contract fees payable at a rate of 1% per annum (both, the "Unit Payments") based upon the stated amount. The Units provided that SunAmerica Inc. would deliver on October 31, 1999 to the holder of each Unit one and one-half shares of common stock of SunAmerica Inc., subject to adjustment under certain defined circumstances, and obligated the holder of the Unit to pay to SunAmerica

Inc. $37.50 per Unit. The Treasury Notes were held by a collateral agent to secure payment to SunAmerica Inc. as required under the Contract, but could be redeemed by the holders of the Units under certain defined circumstances. SunAmerica Inc. redeemed all of its Units on December 6, 1998. In connection with this redemption, SunAmerica Inc. issued 10,108,229 shares of SunAmerica Inc. common stock and made a cash payment for all accrued and unpaid Contract fees.

(f) Statement of Accounting Standards No. 130 "Comprehensive Income" (FASB 130) was adopted by AIG effective January 1, 1998. FASB 130 establishes standards for reporting comprehensive income and its components as part of capital funds. The reclassification adjustments with respect to available for sale securities were $(138) million, $122 million and $124 million for December 31, 2000, 1999 and 1998, respectively.

12. Commitments and Contingent Liabilities

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

(a) Commitments to extend credit are agreements to lend subject to certain conditions. These commitments generally have fixed expiration dates or termination clauses and typically require payment of a fee. These commitments approximated $500 million and $150 million for December 31, 2000 and 1999, respectively. AIG uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. AIG evaluates each counterparty's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by AIG upon extension of credit, is based on management's credit evaluation of the counterparty.

Notes to Financial Statements (CONTINUED)

12. Commitments and Contingent Liabilities (continued)

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

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

AIGFP, in the ordinary course of its operations and as principal, structures derivative transactions to meet the needs of investors who may be seeking to hedge certain aspects of such investors' operations. AIGFP may also enter into derivative transactions for its own account. Such derivative transactions include interest rate, currency and equity swaps, swaptions and forward commitments. Interest rate swap transactions generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. AIGFP typically becomes a principal in the exchange of interest payments between the parties and, therefore, may be exposed to loss, if counterparties default. Currency and equity swaps are similar to interest rate swaps, but may involve the exchange of principal amounts at the beginning and end of the transaction. Swaptions are options where the holder has the right but not the obligation to enter into a swap transaction or cancel an existing swap transaction. At December 31, 2000, the notional principal amount of the sum of the swap pays and receives approximated $521.0 billion, primarily related to interest rate swaps of approximately $344.2 billion.

The following tables provide the contractual and notional amounts of derivatives transactions of AIGFP and AIGTG at December 31, 2000.

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

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

The following table presents AIGFP's derivatives portfolio by maturity and type of derivative at December 31, 2000 and December 31, 1999:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 2000	Total 1999
Interest rate, currency and equity/commodity swaps and swaptions:						
Notional amount:						
Interest rate swaps	$ 70,847	$173,892	$ 90,745	$ 8,719	$344,203	$281,682
Currency swaps	34,507	44,271	33,185	5,829	117,792	83,673
Swaptions and equity swaps	12,216	30,835	10,692	5,283	59,026	48,002
Total	$117,570	$248,998	$134,622	$ 19,831	$521,021	$413,357

Futures and forward contracts are contracts for delivery of foreign currencies or financial indices in which the seller/purchaser agrees to make/take delivery at a specified future date of a specified instrument, at a specified price or yield. Risks arise as a result of movements in current market prices from contracted prices and the potential inability of counterparties to meet their obligations under the contracts. At December 31, 2000, the contractual amount of AIGFP's futures and forward contracts approximated $33.9 billion.

The following table presents AIGFP's futures and forward contracts portfolio by maturity and type of derivative at December 31, 2000 and December 31, 1999:

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 2000	Total 1999
Futures and forward contracts:						
Exchange traded futures contracts contractual amount	$11,082	--	--	--	$11,082	$ 6,587
Over the counter forward contracts contractual amount	$22,263	$502	$44	--	$22,809	$21,873

12. Commitments and Contingent Liabilities (continued)

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

AIGFP utilizes various credit enhancements, including collateral, credit triggers and credit derivatives to reduce the credit exposure relating to these off-balance sheet financial instruments. AIGFP requires credit enhancements in connection with specific transactions based on, among other things, the creditworthiness of the counterparties and the transaction's size and maturity. In addition, AIGFP's derivative transactions are generally documented under ISDA Master Agreements. Management believes that such agreements provide for legally enforceable set-off and close out netting of exposures to specific counterparties. Under such agreements, in connection with an early termination of a transaction, AIGFP is permitted to set off its receivables from a counterparty against its payables to the same counterparty arising out of all included transactions. As a result, the net replacement value represents the net sum of estimated positive fair values after the application of such strategies, agreements and collateral held. Prior to the application of the aforementioned credit enhancements, the gross exposure to credit risk with respect to these derivative instruments was $33.4 billion at December 31, 2000 and $16.90 billion at December 31, 1999. Subsequent to the application of such credit enhancements, the net exposure to credit risk or the net replacement value of all interest rate, currency, and equity swaps, swaptions and forward commitments approximated $9.51 billion at December 31, 2000 and $7.53 billion at December 31, 1999. The net replacement value for futures and forward contracts approximated $204 million at December 31, 2000 and $5 million at December 31, 1999. The net replacement value most closely represents the net credit risk to AIGFP or the maximum amount exposed to potential loss.

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

AIGFP determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 2000 and December 31, 1999, the counterparty credit quality by derivative product with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 2000	Total 1999
Counterparty credit quality:				
AAA	$3,778	$ --	$3,778	$2,067
AA	2,621	204	2,825	2,839
A	1,801	--	1,801	1,576
BBB	1,059	--	1,059	997
Below investment grade	252	--	252	55
Total	$9,511	$204	$9,715	$7,534

At December 31, 2000 and December 31, 1999, the counterparty breakdown by industry with respect to the net replacement value of AIGFP's derivatives portfolio was as follows:

(in millions)

	Net Replacement Value			
	Swaps and Swaptions	Futures and Forward Contracts	Total 2000	Total 1999
Non-U.S. banks	$2,419	$ 98	$2,517	$2,515
Insured municipalities	595	--	595	352
U.S. industrials	1,945	--	1,945	780
Governmental	463	--	463	180
Non-U.S. financial service companies	309	--	309	158
Non-U.S. industrials	1,372	--	1,372	1,117
Special purpose	1,204	--	1,204	716
U.S. banks	114	106	220	510
U.S. financial service companies	894	--	894	1,112
Supranationals	196	--	196	94
Total	$9,511	$204	$9,715	$7,534

Notes to Financial Statements (CONTINUED)

12. Commitments and Contingent Liabilities (continued)

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

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

Commissions, transaction and other fees for the twelve months ended December 31, 2000, 1999 and 1998 from AIGFP's operations were $1.06 billion, $737 million and $550 million, respectively.

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

Futures and forward contracts are contracts for delivery of foreign currencies, commodities or financial indices in which the seller/purchaser agrees to make/take delivery at a specified future date of a specified instrument, at a specified price or yield. Risks arise as a result of movements in current market prices from contracted prices and the potential inability of counterparties to meet their obligations under the contracts. Options are contracts that allow the holder of the option to purchase or sell the underlying commodity, currency or index at a specified price and within, or at, a specified period of time. Risks arise as a result of movements in current market prices from contracted prices, and the potential inability of the counterparties to meet their obligations under the contracts. As a writer of options, AIGTG generally receives an option premium and then manages the risk of any unfavorable change in the value of the underlying commodity, currency or index. At December 31, 2000, the contractual amount of AIGTG's futures, forward and option contracts approximated $461.0 billion.

The gross replacement values presented represent the sum of the estimated positive fair values of all of AIGTG's derivatives contracts at December 31, 2000 and December 31, 1999. These values do not represent the credit risk to AIGTG.

Net replacement values presented represent the net sum of estimated positive fair values after the application of legally enforceable master closeout netting agreements and collateral held. The net replacement values most closely represent the net credit risk to AIGTG or the maximum amount exposed to potential loss within a product category. At December 31, 2000, the net replacement value of AIGTG's futures, forward and option contracts and interest rate and currency swaps approximated $4.1 billion.

The following table provides the contractual and notional amounts and credit exposure, if applicable, by maturity and type of derivative of AIGTG's derivatives portfolio at December 31, 2000 and December 31, 1999. In addition, the estimated positive fair values associated with the derivatives portfolio are also provided and include a maturity profile for the December 31, 2000 balances based upon the expected timing of the future cash flows.

(in millions)

	Remaining Life					
	One Year	Two Through Five Years	Six Through Ten Years	After Ten Years	Total 2000	Total 1999
Contractual amount of futures, forwards and options:						
Exchange traded futures and options	$ 13,715	$ 4,318	$ 31	$ --	$ 18,064	$ 18,908
Forwards	$ 216,062	$ 16,160	$ 2,094	$ --	$ 234,316	$ 220,428
Over the counter purchased options	$ 59,922	$ 19,581	$ 25,222	$ 194	$ 104,919	$ 83,871
Over the counter sold options (a)	$ 58,754	$ 19,369	$ 25,422	$ 197	$ 103,742	$ 86,726
Notional amount:						
Interest rate swaps and forward rate agreements	$ 18,960	$ 36,598	$ 7,592	$ 114	$ 63,264	$ 80,436
Currency swaps	1,071	6,668	834	--	8,573	8,359
Swaptions	2,398	10,978	1,970	73	15,419	9,996
Total	$ 22,429	$ 54,244	$ 10,396	$ 187	$ 87,256	$ 98,791
Credit exposure:						
Futures, forwards swaptions and purchased options contracts and interest rate and currency swaps:						
Gross replacement value	$ 7,219	$ 2,263	$ 831	$ 6	$ 10,319	$ 7,889
Master netting arrangements	(4,061)	(1,467)	(602)	(6)	(6,136)	(4,580)
Collateral	(65)	(34)	(8)	--	(107)	(209)
Net replacement value (b)	$ 3,093	$ 762	$ 221	$ --	$ 4,076	$ 3,100

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

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

12. Commitments and Contingent Liabilities (continued)

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

AIGTG determines counterparty credit quality by reference to ratings from independent rating agencies or internal analysis. At December 31, 2000 and December 31, 1999, the counterparty credit quality and counterparty breakdown by industry with respect to the net replacement value of AIGTG's derivatives portfolio were as follows:

(in millions)

	Net Replacement Value	
	2000	1999
Counterparty credit quality:		
AAA	$ 442	$ 276
AA	1,807	1,241
A	1,139	1,010
BBB	460	256
Below investment grade	48	49
Not externally rated, including exchange traded futures and options*	180	268
Total	$4,076	$3,100
Counterparty breakdown by industry:		
Non-U.S. banks	$2,076	$ 926
U.S. industrials	67	70
Governmental	70	178
Non-U.S. financial service companies	282	698
Non-U.S. industrials	243	176
U.S. banks	468	401
U.S. financial service companies	690	383
Exchanges*	180	268
Total	$4,076	$3,100

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

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

AIGTG limits its risks by holding offsetting positions. In addition, AIGTG monitors and controls its risk exposures through various monitoring systems which evaluate AIGTG's market and credit risks, and through credit approvals and limits. At December 31, 2000, AIGTG did not have a significant concentration of credit risk from either an individual counterparty or group of counterparties.

Commissions, transaction and other fees for the twelve months ended December 31, 2000, 1999 and 1998 from AIGTG's operations were $254 million, $227 million and $374 million, respectively.

At December 31, 2000, AIGTG had issued and outstanding a $28 million principal amount letter of credit. This letter of credit was issued to a central bank.

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

(e) As a component of its asset and liability management strategy, SunAmerica utilizes swap agreements to match more closely the cash flows of its assets to the cash flows of its liabilities. SunAmerica uses these swap agreements to hedge against the risk of interest rate changes. At December 31, 2000, SunAmerica's swap agreements had an aggregate notional principal amount of $12.25 billion. These agreements mature in various years through 2030.

For investment purposes, SunAmerica has entered into various total return agreements with an aggregate notional amount of $28 million (the "notional amount") at December 31, 2000. The total return agreements effectively exchange a fixed rate of interest (the "payment amount") on the notional amount for the coupon income plus or minus the increase or decrease in the fair value of specified non-investment grade bonds (the "bonds"). SunAmerica is exposed to potential loss with respect to credit risk on the underlying non-investment grade bonds and fair value risk resulting from the payment amount and any depreciation in the aggregate fair value of the bonds below the notional amount. SunAmerica is also exposed to potential credit loss in the event of nonperformance by the investment grade rated counterparty with respect to any increase in the aggregate market value of the bonds above the notional amount. However, nonperformance is not anticipated and, therefore, no collateral is held or pledged. The agreements are marked to market and the change in market value is recognized currently in life investment income. Net amounts received (paid) are included in operating income and totaled ($39 million) and ($12 million) for the years ended December 31, 2000 and 1999, respectively, and ($34 million) for the year ended September 30, 1998. AIG guarantees the payment obligations of SunAmerica under such agreements.

(f) At December 31, 2000, ILFC had committed to purchase 488 aircraft deliverable from 2001 through 2009 at an estimated aggregate purchase price of $27.3 billion and had options to purchase 51 aircraft deliverable from 2001 through 2008 at an estimated aggregate purchase price of $3.0 billion. ILFC will be required to find customers for any aircraft presently on order and any aircraft to be ordered, and it must arrange financing for portions of the purchase price of such equipment.

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

Notes to Financial Statements (CONTINUED)

12. Commitments and Contingent Liabilities (continued)

AIG continues to receive claims asserting injuries from toxic waste, hazardous substances, and other environmental pollutants and alleged damages to cover the cleanup costs of hazardous waste dump sites (hereinafter collectively referred to as environmental claims) and indemnity claims asserting injuries from asbestos. Estimation of asbestos and environmental claims loss reserves is a difficult process, as these claims, which emanate from policies written in 1984 and prior years, cannot be estimated by conventional reserving techniques. Asbestos and environmental claims development is affected by factors such as inconsistent court resolutions, the broadening of the intent of policies and scope of coverage and increasing number of new claims. AIG and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue in the future to expand the intent of the policies and the scope of the coverage, as they have in the past, additional liabilities would emerge for amounts in excess of reserves held. This emergence cannot now be reasonably estimated, but could have a material impact on AIG's future operating results. The reserves carried for these claims as at December 31, 2000 ($2.45 billion gross; $855 million net) are believed to be adequate as these reserves are based on known facts and current law.

A summary of reserve activity, including estimates for applicable incurred but not reported losses and loss expenses, relating to asbestos and environmental claims separately and combined at December 31, 2000, 1999 and 1998 follows.

(in millions)

	2000		1999		1998	
	Gross	Net	Gross	Net	Gross	Net
Asbestos:						
Reserve for losses and loss expenses at beginning of year	$ 1,093	$ 306	$ 964	$ 259	$ 842	$ 195
Losses and loss expenses incurred	405	80	404	101	375	111
Losses and loss expenses paid	(398)	(48)	(275)	(54)	(253)	(47)
Reserve for losses and loss expenses at end of year	$ 1,100	$ 338	$ 1,093	$ 306	$ 964	$ 259
Environmental:						
Reserve for losses and loss expenses at beginning of year	$ 1,519	$ 585	$ 1,535	$ 605	$ 1,467	$ 592
Losses and loss expenses incurred	(44)	(45)	127	47	284	107
Losses and loss expenses paid	(130)	(23)	(143)	(67)	(216)	(94)
Reserve for losses and loss expenses at end of year	$ 1,345	$ 517	$ 1,519	$ 585	$ 1,535	$ 605
Combined:						
Reserve for losses and loss expenses at beginning of year	$ 2,612	$ 891	$ 2,499	$ 864	$ 2,309	$ 787
Losses and loss expenses incurred	361	35	531	148	659	218
Losses and loss expenses paid	(528)	(71)	(418)	(121)	(469)	(141)
Reserve for losses and loss expenses at end of year	$ 2,445	$ 855	$ 2,612	$ 891	$ 2,499	$ 864

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

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

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

The statutory surplus of each of AIG's domestic general and life insurance subsidiaries exceeded their RBC standards by considerable margins as of December 31, 2000.

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

(i) SunAmerica has established a deferred compensation plan for its registered representatives, pursuant to which participants have the opportunity to invest deferred commissions and fees on a notional basis. The value of the deferred compensation fluctuates with the value of the deferred investment alternatives chosen. AIG has provided a full and unconditional guarantee of the obligations of SunAmerica to pay the deferred compensation under the plan.

13. Fair Value of Financial Instruments

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

13. Fair Value of Financial Instruments (continued)

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

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

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

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

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

Trading assets and trading liabilities: Fair values for trading assets and trading liabilities approximate the carrying values presented in the consolidated balance sheet.

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

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

Spot commodities: Fair values for spot commodities were based on current market prices.

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (CONTINUED)

13. Fair Value of Financial Instruments (continued)

The carrying values and fair values of AIG's financial instruments at December 31, 2000 and December 31, 1999 and the average fair values with respect to derivative positions during 2000 and 1999 were as follows: (in millions)

	2000			1999		
	Carrying Value	Fair Value	Average Fair Value	Carrying Value	Fair Value	Average Fair Value
Assets:						
Fixed maturities	$102,010	$102,530	$ --	$ 90,144	$ 90,268	$ --
Equity securities	7,181	7,181	--	6,714	6,714	--
Mortgage loans on real estate, policy and collateral loans	12,243	12,416	--	12,134	12,086	--
Securities available for sale	14,669	14,669	13,489	12,954	12,954	11,992
Trading securities	7,347	7,347	5,063	4,391	4,391	5,438
Spot commodities	363	363	557	683	683	536
Unrealized gain on interest rate and currency swaps, options and forward transactions	10,235	10,235	8,985	7,931	7,931	8,045
Trading assets	7,045	7,045	7,792	5,793	5,793	5,297
Securities purchased under agreements to resell	14,991	14,991	--	10,897	10,897	--
Other invested assets	13,394	13,394	--	9,900	9,900	--
Short-term investments	5,831	5,831	--	7,007	7,007	--
Cash	256	256	--	132	132	--
Liabilities:						
Policyholders' contract deposits	47,209	47,019	--	42,549	41,266	--
Borrowings under obligations of guaranteed investment agreements	13,595	14,260	--	9,430	9,308	--
Securities sold under agreements to repurchase	11,308	11,308	--	6,116	6,116	--
Trading liabilities	4,352	4,352	3,953	3,821	3,821	4,177
Securities and spot commodities sold but not yet purchased	7,701	7,701	7,831	6,413	6,413	6,314
Unrealized loss on interest rate and currency swaps, options and forward transactions	8,581	8,581	8,278	8,624	8,624	8,630
Trust deposits and deposits due to banks and other depositors	1,895	1,915	--	2,175	2,163	--
Commercial paper	5,964	5,964	--	4,404	4,404	--
Notes, bonds, loans and mortgages payable	20,672	20,128	--	19,150	18,702	--

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

14. Stock Compensation Plans

At December 31, 2000, AIG had two types of stock-based compensation plans. One was a stock option plan; the other, an employee stock purchase plan. AIG applies APB Opinion 25 "Accounting for Stock Issued to Employees" and related Interpretations (APB 25) in accounting for its plans. Accordingly, no compensation costs have been recognized for either plan.

Had compensation costs for these plans been determined consistent with the method of Statement of Financial Accounting Standards No. 123 "Accounting for Awards of Stock Based Compensation to Employees" (FASB 123), AIG's net income and earnings per share for the years ended December 31, 2000, 1999 and 1998 would have been reduced to the pro forma amounts as follows:

(in millions, except per share amounts)

	2000	1999	1998
Net income:			
As reported	$ 5,636	$ 5,055	$ 4,282(a)
Pro forma	5,589	5,028	4,235
Earnings per share -- diluted (b):			
As reported	$ 2.41	$ 2.15	$ 1.83
Pro forma	2.38	2.14	1.82

(a) Post merger amounts.

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

14. Stock Compensation Plans (continued)

(i) Stock Option Plan: On September 15, 1999, the AIG Board of Directors adopted a 1999 stock option plan (the 1999 Plan), which provides that options to purchase a maximum of 15,000,000 shares of common stock can be granted to certain key employees and members of the Board of Directors at prices not less than fair market value at the date of grant. The 1999 Plan limits the maximum number of shares as to which stock options may be granted to any employee in any one year to 375,000 shares. Options granted under this Plan expire not more than 10 years from the date of the grant. Options with respect to 13,500 shares and 12,000 shares were granted to non-employee members of the Board of Directors on September 15, 1999 and May 17, 2000, respectively. These options become exercisable on the first anniversary of the date of grant, expire 10 years from the date of grant and do not qualify for Incentive Stock Option Treatment under the Economic Recovery Tax Act of 1981 (ISO Treatment). The Plan, and the options previously granted thereunder, were approved by the shareholders at the 2000 Annual Meeting of Shareholders. At December 31, 2000, 12,842,155 shares were reserved for future grants under the 1999 Plan. The 1999 Plan superceded the 1991 employee stock option plan (the 1991 Plan) and the previously superceded 1987 employee stock option plan (the 1987 Plan), although outstanding options granted under both the 1991 Plan and the 1987 Plan continue in force until exercise or expiration. At December 31, 2000, there were 15,991,621 shares reserved for issuance under the 1999, 1991, and 1987 Plans.

During 2000 and 1999, AIG granted options with respect to 413,500 shares and 574,500 shares, respectively, which become exercisable on the fifth anniversary of the date of grant and expire 10 years from the date of grant. These options do not qualify for ISO Treatment. The agreements with respect to all other options granted to employees under these plans provide that 25 percent of the options granted become exercisable on the anniversary of the date of grant in each of the four years following that grant and expire 10 years from the date of the grant. As of December 31, 2000, outstanding options granted with respect to 8,875,310 shares qualified for ISO Treatment.

At January 1, 1999, the merger date, SunAmerica Inc. had five stock-based compensation plans pursuant to which options, restricted stock and deferred share and share unit obligations had been issued and remained outstanding. Options granted under these plans had an exercise price equal to the market price on the date of grant, had a maximum term of ten years and generally became exercisable ratably over a five-year period. Substantially all of the SunAmerica Inc. options outstanding at the merger date became fully vested on that date and were converted into options to purchase AIG common stock at the exchange ratio of 0.855 shares of AIG common stock for each share of SunAmerica Inc. common stock. No further options can be granted under the SunAmerica Inc. plans, but outstanding options so converted continue in force until exercise or expiration. At December 31, 2000, there were 20,574,062 shares of AIG common stock reserved for issuance on exercise of options under these plans. None of these options qualified for ISO Treatment as of December 31, 2000.

During 1999, AIG issued 1,009,968 shares of AIG common stock which vested on the effectiveness of the merger with SunAmerica Inc., and an additional 993,031 shares were issued pursuant to deferred share and share unit obligations. During 2000, deferred share and share unit obligations with respect to an additional 1,224,214 shares of AIG common stock vested, 142,105 shares were issued pursuant to deferred share and share unit obligations and an additional 1,082,109 shares were delivered into a trust in connection with a deferred compensation plan. No additional deferred share or share unit obligations may be granted under the SunAmerica plans. As of December 31, 2000, deferred share and share unit obligations representing 173,615 shares were outstanding but not yet vested.

In 1999, the AIG Board of Directors amended the AIG stock option plans to allow deferral of delivery of AIG shares otherwise deliverable upon the exercise of an option to a date or dates specified by the optionee upon the request of an optionee. During 2000, options with respect to 760,070 shares were exercised with delivery deferred. At December 31, 2000, optionees had made valid elections to defer delivery of 858,703 shares of AIG common stock upon exercise of options expiring during 2001.

As a result of the acquisition of HSB Group, Inc. (HSB) in November 2000, HSB options outstanding at the acquisition date were fully vested and were converted into options to purchase AIG common stock at the exchange ratio of 0.4178 shares of AIG common stock for each share of HSB common stock. No further options can be granted under the HSB option plans, but outstanding options so converted continue in force until exercise or expiration. At December 31, 2000, there were 1,605,468 shares of AIG common stock reserved for issuance under the HSB option plans, none of which qualified for ISO Treatment.

14. Stock Compensation Plans (continued)

Additional information with respect to AIG's plans at December 31, 2000, and changes for the three years then ended, were as follows:

	2000		1999(a)		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares Under Option:						
Outstanding at beginning of year	41,415,126	$23.29	44,583,495	$19.87	17,456,277	$17.41
Granted	2,179,220	95.48	2,748,556	62.43	1,716,222	46.63
Assumed upon acquisition from HSB	1,605,468	81.43	--	--	--	--
Exercised	(5,796,592)	13.80	(5,673,366)	14.97	(2,236,634)	9.77
Exercised, delivery deferred	(760,070)	3.06	--	--	--	--
Forfeited	(472,001)	36.70	(243,559)	31.97	(281,071)	24.99
Outstanding at end of year	38,171,151	$31.53	41,415,126	$23.29	16,654,794	$21.33
Options exercisable at year-end	32,778,411	$24.87	35,973,468	$19.10	11,779,257	$15.13
Weighted average fair value per share of options granted		$38.76		$26.00		$16.36

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

In addition, at December 31, 2000, options to purchase 403,595 shares at a weighted average exercise price of $19.81 had been previously granted to AIG non-employee directors and remained outstanding.

Information about stock options outstanding at December 31, 2000, is summarized as follows:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Range of Exercise Prices:					
$ 1.46 - 7.67	6,216,737	3.1 years	$ 4.87	6,216,737	$ 4.87
8.64 - 14.44	5,487,959	3.2 years	11.33	5,487,959	11.33
15.25 - 22.28	5,502,345	5.2 years	17.49	5,502,345	17.49
23.41 - 29.45	5,390,113	6.5 years	25.12	5,389,228	25.12
31.02 - 37.87	6,000,473	7.6 years	36.94	5,589,123	36.88
41.51 - 63.40	5,240,479	8.3 years	53.39	2,985,681	51.59
66.80 - 100.57	4,333,045	8.6 years	87.26	1,607,338	81.43
	38,171,151		$31.53	32,778,411	$24.87

The fair values of stock options granted during the years ended December 31, 2000, 1999 and 1998 were $85 million, $71 million and $28 million, respectively. The fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model.

The following weighted average assumptions were used for grants in 2000, 1999 and 1998, respectively: dividend yields of 0.17 percent, 0.20 percent and 0.24 percent; expected volatilities of 27.0 percent, 25.0 percent and 22.0 percent; risk-free interest rates of 5.42 percent, 5.33 percent and 4.73 percent and expected terms of 7 years.

Using the Black-Scholes option-pricing model applicable to SunAmerica Inc. for 1998, the fair value of stock options granted by SunAmerica Inc. was $49 million.

(ii) Employee Stock Purchase Plan: AIG's 1996 Employee Stock Purchase Plan was adopted at its 1996 shareholders' meeting and became effective as of July 1, 1996. Eligible employees may receive privileges to purchase up to an aggregate of 4,218,750 shares of AIG common stock, at a price equal to 85 percent of the fair market value on the date of the grant of the purchase privilege. Purchase privileges are granted annually and were originally limited to the number of whole shares that could be purchased by an amount equal to 5 percent of an employee's annual salary or $5,500, whichever was less. Beginning with the January 1, 1998 subscription, the maximum allowable purchase limitation increased to 10 percent of an employee's annual salary or $10,000 per year, whichever is less, and the eligibility requirement was reduced from two years to one year.

14. Stock Compensation Plans (continued)

There were 742,773 shares, 892,929 shares and 638,284 shares issued under the 1996 plan at weighted average prices of $52.66, $38.24 and $28.74 for the years ended December 31, 2000, 1999 and 1998, respectively. The excess or deficit of the proceeds over the par value or cost of the common stock issued under these plans was credited or charged to additional paid-in capital.

As of December 31, 2000, there were 542,479 shares of common stock subscribed to at a weighted average price of $69.11 per share pursuant to grants of privileges under the 1996 plan. There were 988,605 shares available for the grant of future purchase privileges under the 1996 plan at December 31, 2000.

The fair values of purchase privileges granted during the years ended December 31, 2000, 1999 and 1998 were $13 million, $13 million and $10 million, respectively. The weighted average fair values per share of those purchase rights granted in 2000, 1999 and 1998 were $19.36, $14.04 and $10.31, respectively. The fair value of each purchase right is estimated on the date of the subscription using the Black-Scholes model.

The following weighted average assumptions were used for grants in 2000, 1999 and 1998, respectively: dividend yields of 0.17 percent, 0.20 percent and 0.24 percent; expected volatilities of 34.0 percent, 34.0 percent and 33.0 percent; risk-free interest rates of 5.95 percent, 5.33 percent and 5.26 percent; and expected terms of 1 year.

During 1999, there were 42,577 shares of AIG common stock issued under the SunAmerica Inc. employee stock purchase plan at a weighted average price of $32.60. There are no further shares available for grant under this plan.

15. Employee Benefits

(a) Employees of AIG, its subsidiaries and certain affiliated companies, including employees in foreign countries, are generally covered under various funded and insured pension plans. Eligibility for participation in the various plans is based on either completion of a specified period of continuous service or date of hire, subject to age limitation.

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

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

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

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

AIG's U.S. postretirement medical and life insurance benefits are based upon the employee electing immediate retirement and having a minimum of ten years of service. Retirees and their dependents who were age 65 by May 1, 1989 participate in the medical plan at no cost. Employees who retired after May 1, 1989 and on or prior to January 1, 1993 pay the active employee premium if under age 65 and 50 percent of the active employee premium if over age 65. Retiree contributions are subject to adjustment annually. Other cost sharing features of the medical plan include deductibles, coinsurance and Medicare coordination and a lifetime maximum benefit of $1.5 million. The lifetime maximum benefit of the medical plan was increased to $2.0 million effective January 1, 2000. The maximum life insurance benefit prior to age 70 is $32,500, with a maximum of $25,000 thereafter.

Effective January 1, 1993, both plans' provisions were amended. Employees who retire after January 1, 1993 are required to pay the actual cost of the medical benefits premium reduced by a credit which is based on years of service at retirement. The life insurance benefit varies by age at retirement from $5,000 for retirement at ages 55 through 59; $10,000 for retirement at ages 60 through 64 and $15,000 for retirement at ages 65 and over.

Notes to Financial Statements (CONTINUED)

15. Employee Benefits (continued)

(b) AIG sponsors a voluntary savings plan for domestic employees (a 401(k) plan), which, during the three years ended December 31, 2000, provided for salary reduction contributions by employees and matching contributions by AIG of up to 6 percent of annual salary depending on the employees' years of service.

(c) SunAmerica sponsors a voluntary savings plan for its employees (the SunAmerica 401(k) plan), which, during the three years ended December 31, 2000, provided for salary reduction contributions by qualifying employees and matching contributions by SunAmerica of up to 4 percent of qualifying employees' annual salaries. Under an Executive Savings Plan, designated SunAmerica executives also could defer up to 90 percent of cash compensation during the three years ended December 31, 2000, and SunAmerica matched 4 percent of the participants' base salaries deferred.

(d) HSB sponsors a voluntary savings plan for its employees (the HSB 401(k) plan), which provides for salary reduction contributions by employees and matching contributions by HSB of up to 6 percent of annual salary.

(e) AIG has certain benefits provided to former or inactive employees who are not retirees. Certain of these benefits are insured and expensed currently; other expenses are provided for currently. Such uninsured expenses include long and short-term disability medical and life insurance continuation, short-term disability income continuation and COBRA medical subsidies. The provision for these benefits at December 31, 2000 was $6 million. The incremental expense was insignificant.

The following table sets forth the change in benefit obligation, change in plan assets and weighted average assumptions associated with various pension plan and postretirement benefits. The amounts are recognized in the accompanying consolidated balance sheet as of December 31, 2000 and 1999:

(in millions)

	Pension Benefits			Other Benefits		
2000	Non-U.S. Plans	U.S. Plans	Total	Non-U.S. Plans	U.S. Plans	Total
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 476	$ 472	$ 948	$ 8	$ 66	$ 74
Service cost	32	34	66	1	2	3
Interest cost	15	38	53	--	6	6
Participant contributions	5	--	5	--	--	--
Actuarial loss	8	56	64	1	8	9
Plan amendment	--	2	2	--	--	--
Benefits paid	(24)	(12)	(36)	--	(4)	(4)
Effect of foreign currency fluctuation	(50)	--	(50)	--	--	--
Benefit obligation at end of year	$ 462	$ 590	$ 1,052	$ 10	$ 78	$ 88
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 300	$ 436	$ 736	$ --	$ --	$ --
Actual return on plan assets net of expenses	(17)	17	--	--	--	--
Employer contributions	23	4	27	--	5	5
Participant contributions	5	--	5	--	--	--
Benefits paid	(25)	(12)	(37)	--	(5)	(5)
Asset adjustment	--	(1)	(1)	--	--	--
Effect of foreign currency fluctuation	(31)	--	(31)	--	--	--
Fair value of plan assets at end of year*	$ 255	$ 444	$ 699	$ --	$ --	$ --
Reconciliation of funded status:						
Funded status	$(207)	$(146)	$ (353)	$(10)	$(78)	$(88)
Unrecognized actuarial (gain)/loss	44	(19)	25	--	9	9
Unrecognized transition obligation	9	4	13	--	--	--
Unrecognized prior service cost	5	19	24	--	(18)	(18)
Net amount recognized at year end	$(149)	$(142)	$ (291)	$(10)	$(87)	$(97)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	$ 1	$ --	$ 1	$ --	$ --	$ --
Accrued benefit liability	(182)	(145)	(327)	(10)	(87)	(97)
Intangible asset	32	3	35	--	--	--
Net amount recognized at year end	$(149)	$(142)	$ (291)	$(10)	$(87)	$(97)
Weighted-average assumptions as of December 31,						
Discount rate	3.0-10.0%	7.5%		7.0-7.5%	7.5%	
Expected return on plan assets	3.5-13.0	9.0		N/A	N/A	
Rate of compensation increase	2.0- 8.0	5.0		N/A	N/A	

For measurement purposes, an 8.5 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2000.

The rate was assumed to decrease gradually to 5.0 percent for 2007 and remain at that level thereafter.

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

15. Employee Benefits (continued)

(in millions)

1999	Pension Benefits Non-U.S. Plans	Pension Benefits U.S. Plans	Pension Benefits Total	Other Benefits Non-U.S. Plans	Other Benefits U.S. Plans	Other Benefits Total
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 427	$ 499	$ 926	$ 7	$ 78	$ 85
Service cost	37	40	77	1	3	4
Interest cost	17	35	52	--	5	5
Participant contributions	5	--	5	--	--	--
Prior service costs	(3)	--	(3)	--	--	--
Actuarial gain	(22)	(92)	(114)	--	(16)	(16)
Benefits paid	(22)	(10)	(32)	--	(4)	(4)
Effect of foreign currency fluctuation	37	--	37	--	--	--
Benefit obligation at end of year	$ 476	$ 472	$ 948	$ 8	$ 66	$ 74
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 208	$ 399	$ 607	$--	$--	$--
Asset adjustment	--	(1)	(1)	--	--	--
Actual return on plan assets net of expenses	66	38	104	--	--	--
Employer contributions	28	10	38	--	4	4
Participant contributions	5	--	5	--	--	--
Benefits paid	(22)	(10)	(32)	--	(4)	(4)
Effect of foreign currency fluctuation	15	--	15	--	--	--
Fair value of plan assets at end of year*	$ 300	$ 436	$ 736	$--	$--	$--
Reconciliation of funded status:						
Funded status	$(176)	$ (36)	$(212)	$(8)	$(66)	$(74)
Unrecognized actuarial (gain)/loss	7	(100)	(93)	--	1	1
Unrecognized transition obligation	12	6	18	--	--	--
Unrecognized prior service cost	9	19	28	--	(20)	(20)
Net amount recognized at year end	$(148)	$(111)	$(259)	$(8)	$(85)	$(93)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	$ 3	$ --	$ 3	$--	$ --	$ --
Accrued benefit liability	(184)	(114)	(298)	(8)	(85)	(93)
Intangible asset	33	3	36	--	--	--
Net amount recognized at year end	$(148)	$(111)	$(259)	$(8)	$(85)	$(93)
Weighted-average assumptions as of December 31,						
Discount rate	3.0-10.0%	8.0%		7.0-7.75%	8.0%	
Expected return on plan assets	3.5-13.0	9.0		N/A	N/A	
Rate of compensation increase	2.0- 8.0	5.0		N/A	N/A	

For measurement purposes, a 9.0 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 1999.

The rate was assumed to decrease to 5.0 percent for 2007 and remain at that level thereafter.

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

Notes to Financial Statements (CONTINUED)

15. Employee Benefits (continued)

The net benefit cost for the years ended December 31, 2000, 1999, and 1998 included the following components:

(in millions)

	Pension Benefits			Other Benefits		
	Non-U.S. Plans	U.S. Plans	Total	Non-U.S. Plans	U.S. Plans	Total
2000						
Components of net period benefit cost:						
Service cost	$ 32	$ 34	$ 66	$ 1	$ 2	$ 3
Interest cost	15	39	54	--	6	6
Expected return on assets	(12)	(38)	(50)	--	--	--
Amortization of prior service cost	2	2	4	--	(1)	(1)
Amortization of transitional liability	2	2	4	--	--	--
Recognized actuarial loss	2	(4)	(2)	--	--	--
Net periodic benefit cost	$ 41	$ 35	$ 76	$ 1	$ 7	$ 8
1999						
Components of net period benefit cost:						
Service cost	$ 36	$ 40	$ 76	$ 1	$ 3	$ 4
Interest cost	17	35	52	--	5	5
Expected return on assets	(10)	(35)	(45)	--	--	--
Amortization of prior service cost	3	2	5	--	(1)	(1)
Amortization of transitional liability	2	2	4	--	--	--
Recognized actuarial loss	3	1	4	--	--	--
Net periodic benefit cost	$ 51	$ 45	$ 96	$ 1	$ 7	$ 8
1998						
Components of net period benefit cost:						
Service cost	$ 32	$ 33	$ 65	$ 1	$ 2	$ 3
Interest cost	16	29	45	1	5	6
Expected return on assets	(9)	(29)	(38)	--	--	--
Amortization of prior service cost	2	2	4	--	(1)	(1)
Amortization of transitional (asset)/liability	2	1	3	(1)	--	(1)
Recognized actuarial loss	3	1	4	--	--	--
Net periodic benefit cost	$ 46	$ 37	$ 83	$ 1	$ 6	$ 7

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $300 million, $256 million and $51 million, respectively, as of December 31, 2000 and $291 million, $251 million and $54 million as of December 31, 1999.

On December 31, 1998, AIG amended its retirement and postretirement healthcare plan to provide increased benefits to certain employees who retire prior to age 65. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan.

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

(in millions)

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$1	$--
Effect on postretirement benefit obligation	4	(4)

16. Leases

(a) AIG and its subsidiaries occupy leased space in many locations under various long-term leases and have entered into various leases covering the long-term use of data processing equipment.

At December 31, 2000, the future minimum lease payments under operating leases were as follows:

(in millions)

2001	$ 355
2002	277

2003	212
2004	190
2005	148
Remaining years after 2005	540
Total	$1,722

Rent expense approximated $342 million, $318 million and $287 million for the years ended December 31, 2000, 1999 and 1998 respectively.

16. Leases (continued)

(b) Minimum future rental income on noncancelable operating leases of flight equipment which have been delivered at December 31, 2000 was as follows:

(in millions)	
2001	$ 1,875
2002	1,667
2003	1,425
2004	1,224
2005	923
Remaining years after 2005	3,019
Total	$10,133

Flight equipment is leased, under operating leases, with remaining terms ranging from one to 14 years.

17. Ownership and Transactions with Related Parties

(a) Ownership: The directors and officers of AIG, together with C.V. Starr & Co., Inc. (Starr), a private holding company, The Starr Foundation and Starr International Company, Inc. (SICO), a private holding company, own or otherwise control approximately 24 percent of the voting stock of AIG. Six directors of AIG also serve as directors of Starr and SICO.

(b) Transactions with Related Parties: During the ordinary course of business, AIG and its subsidiaries pay commissions to Starr and its subsidiaries for the production and management of insurance business. There are no significant receivables from/payables to related parties at December 31, 2000. Net commission payments to Starr aggregated approximately $60 million in 2000, $45 million in 1999 and $46 million in 1998, from which Starr is required to pay commissions due originating brokers and its operating expenses. AIG also received approximately $13 million in 2000, $11 million in 1999 and $13 million in 1998 from Starr and paid approximately $41,000 in 2000, $42,000 in 1999 and $37,000 in 1998 to Starr in rental fees. AIG also received approximately $1 million in 2000, 1999 and 1998 from SICO and paid approximately $1 million in each of the years 2000, 1999 and 1998 to SICO as reimbursement for services rendered at cost. AIG also paid to SICO $4 million in 2000, 1999 and 1998 in rental fees.

18. Segment Information

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

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

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

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

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

AIG's three principal overseas life operations are ALICO, AIA and Nan Shan. ALICO is incorporated in Delaware and all of its business is written outside of the United States. ALICO has operations either directly or through subsidiaries in approximately 50 countries located in Europe, Africa, Latin America, the Caribbean, the Middle East, and the Far East, with Japan being the largest territory. AIA operates primarily in Hong Kong, Singapore, Malaysia and Thailand. Nan Shan operates in Taiwan. AIG's domestic life operations are comprised of two separate operations, AIG's domestic life companies and the life insurance subsidiaries of SunAmerica.

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

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

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

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

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

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

Notes to Financial Statements (CONTINUED)

18. Segment Information (continued)

AIG's three principal asset management operations are SAAMCo, Global Investment and Cap Partners. SAAMCo develops and sells variable annuities and other investment products, sells and manages mutual funds and provides financial services. Global Investment manages third-party institutional, retail and private equity funds invested assets on a global basis, and provides custodial services. Cap Partners organizes, and manages the invested assets of institutional investment funds and may also invest in such funds. Each of these subsidiary operations receives fees for investment products and services provided.

(b) The following table summarizes the operations by major operating segment for the years ended December 31, 2000, 1999 and 1998:

	Operating Segments-2000					
(in millions)	General Insurance	Life Insurance	Financial Services	Asset Management	Other(a)	Consolidated
Revenues (b)	$ 20,146	$ 20,571	$ 4,052	$ 1,217	$ (14)	$ 45,972
Interest revenue	--	--	1,938	94	--	2,032
Interest expense	5	144	2,582	15	40	2,786
Realized capital gains (losses)	38	(162)	--	--	(14)	(138)
Operating income (loss) before minority interest	3,524	3,387	1,293	430	(285)	8,349
Income taxes (benefits)	931	1,080	450	151	(154)	2,458
Depreciation expense	149	105	812	4	106	1,176
Capital expenditures	278	414	3,725	18	173	4,608
Identifiable assets	85,270	142,045	81,016	1,590	(3,344)	306,577

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

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

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

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

18. Segment Information (continued)

(c) The following table summarizes AIG's general insurance operations by major internal reporting group for the years ended December 31, 2000, 1999 and 1998:

(in millions)	General Insurance-2000 Domestic Brokerage Group	Foreign General	Other(a)	Total General Insurance
Net premiums written	$ 8,805	$ 5,758	$ 2,963	$17,526
Net premiums earned	8,886	5,668	2,853	17,407
Losses & loss expenses incurred	7,419	3,595	2,090	13,104
Underwriting expenses	1,250	1,738	530	3,518
Adjusted underwriting profit (b)	217	335	233	785
Net investment income	1,793	625	283	2,701
Operating income before realized capital gains (c)	2,010	960	516	3,486
Depreciation expense	53	72	24	149
Capital expenditures	103	96	79	278
Identifiable assets	59,644	20,889	4,737	85,270

(in millions)	General Insurance-1999 Domestic Brokerage Group	Foreign General	Other(a)	Total General Insurance
Net premiums written	$ 8,297	$ 5,368	$ 2,559	$16,224
Net premiums earned	7,788	5,281	2,475	15,544
Losses & loss expenses incurred	6,615	3,394	1,729	11,738
Underwriting expenses	1,106	1,586	445	3,137
Adjusted underwriting profit (b)	67	301	301	669
Net investment income	1,738	522	257	2,517
Operating income before realized capital gains (c)	1,805	823	558	3,186
Depreciation expense	39	73	22	134
Capital expenditures	79	80	56	215
Identifiable assets	54,007	18,588	4,130	76,725

(in millions)	General Insurance-1998 Domestic Brokerage Group	Foreign General	Other(a)	Total General Insurance
Net premiums written	$ 8,191	$ 4,610	$ 1,785	$14,586
Net premiums earned	8,002	4,439	1,657	14,098
Losses & loss expenses incurred	6,995	2,545	1,117	10,657
Underwriting expenses	1,218	1,378	314	2,910
Adjusted underwriting profit (loss) (b)	(211)	516	226	531
Net investment income	1,570	438	184	2,192
Operating income before realized capital gains (c)	1,359	954	410	2,723
Equity in income of minority-owned insurance operations	57	--	--	57
Depreciation expense	34	63	12	109
Capital expenditures	66	110	44	220
Identifiable assets	53,844	16,060	3,322	73,226

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

(b) Adjusted underwriting profit (loss) represents statutory underwriting profit or loss adjusted primarily for changes in deferred acquisition costs.

(c) Realized capital gains are not deemed to be an integral part of AIG's general insurance operations' internal reporting groups.

Notes to Financial Statements (CONTINUED)

18. Segment Information (continued)

(d) The following table summarizes AIG's life insurance operations by major internal reporting group for the years ended December 31, 2000, 1999 and 1998:

(in millions)	Life Insurance-2000 ALICO	AIA and Nan Shan	Domestic Life	Other(a)	Total Life Insurance
Premium income	$ 4,135	$ 7,859	$ 1,255	$ 361	$ 13,610
Net investment income	1,362	1,688	3,926	147	7,123
Operating income before realized capital gains (b)	754	1,409	1,311	75	3,549
Depreciation expense	46	33	18	8	105
Capital expenditures	313	58	11	32	414
Identifiable assets	28,532	32,697	79,174	1,642	142,045

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

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

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

(b) Realized capital gains are not deemed to be an integral part of AIG's life insurance operations' internal reporting groups.

American International Group, Inc. and Subsidiaries

18. Segment Information (continued)

(e) The following table summarizes AIG's financial services operations by major internal reporting group for the years ended December 31, 2000, 1999 and 1998:

	Financial Services-2000				
(in millions)	ILFC	AIGFP(a)	AIGTG	Other(b)	Total Financial Services
Commissions, transaction and other fees (c)	$ 2,441	$ 1,056	$ 254	$ 301	$ 4,052
Interest revenue	38	1,540	46	314	1,938
Interest expense	824	1,552	25	181	2,582
Operating income (loss)	654	648	62	(71)	1,293
Depreciation expense	729	8	14	61	812
Capital expenditures	3,435	216	8	66	3,725
Identifiable assets	19,984	41,837	14,322	4,873	81,016

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

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

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

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

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

Notes to Financial Statements (CONTINUED)

18. Segment Information (continued)

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

	Geographic Segments-2000			
(in millions)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues (b)	$ 23,126	$ 15,311	$ 7,535	$ 45,972
Real estate and other fixed assets, net of accumulated depreciation	1,556	1,264	758	3,578
Flight equipment primarily under operating leases, net of accumulated depreciation	19,325	--	--	19,325

	Geographic Segments-1999			
(in millions)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues (b)	$ 20,525	$ 13,242	$ 6,889	$ 40,656
Real estate and other fixed assets, net of accumulated depreciation	1,172	1,006	755	2,933
Flight equipment primarily under operating leases, net of accumulated depreciation	17,334	--	--	17,334

	Geographic Segments-1998			
(in millions)	Domestic(a)	Far East	Other Foreign	Consolidated
Revenues (b)	$ 18,426	$ 10,571	$ 6,719	$ 35,716
Real estate and other fixed assets, net of accumulated depreciation	1,062	895	781	2,738
Flight equipment primarily under operating leases, net of accumulated depreciation	16,330	--	--	16,330

(a) Including general insurance operations in Canada.

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

19. Summary of Quarterly Financial Information - Unaudited

The following quarterly financial information for each of the three months ended March 31, June 30, September 30 and December 31, 2000 and 1999 is unaudited. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to present fairly the results of operations for such periods, have been made for a fair presentation of the results shown.

	Three Months Ended							
	March 31,		June 30,		September 30,		December 31,	
(in millions, except per share amounts)	2000	1999	2000	1999	2000	1999	2000	1999
Revenues	$10,890	$ 9,825	$11,426	$10,195	$11,141	$ 9,638	$12,515	$10,998
Net income	1,346	1,199	1,407	1,277	1,386	1,267	1,497	1,312
Net income per common share:								
Basic	$ 0.58	$ 0.51	$ 0.61	$ 0.55	$ 0.60	$ 0.55	$ 0.64	$ 0.57
Diluted	0.57	0.51	0.60	0.54	0.60	0.54	0.64	0.56
Average shares outstanding:								
Basic	2,320	2,322	2,313	2,323	2,314	2,322	2,320	2,323
Diluted	2,346	2,352	2,339	2,353	2,340	2,351	2,346	2,351

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements with accountants on accounting and financial disclosure within the twenty-four months ending December 31, 2000.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

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

ITEM 11. Executive Compensation

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

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

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

ITEM 13. Certain Relationships and Related Transactions

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

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Financial Statements and Exhibits.

1. Financial Statements and Schedules. See accompanying Index to Financial Statements.
2. Exhibits.
   - 1--Distribution Agreement.
   - 2--Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.
   - 3--Articles of Incorporation and By-Laws.
   - 4--Instruments Defining the Rights of Security Holders.
   - 8--Opinion re Tax Matters.
   - 10--Material Contracts.
   - 11--Computation of Earnings Per Share for the Years Ended December 31, 2000, 1999, 1998, 1997 and 1996.
   - 12--Computation of Ratios of Earnings to Fixed Charges for the Years Ended December 31, 2000, 1999, 1998, 1997 and 1996.
   - 21--Subsidiaries of Registrant.
   - 23--Consent of Experts and Counsel.
   - 24--Power of Attorney.

(b) Reports on Form 8-K.

There have been no reports on Form 8-K filed during the quarter ended December 31, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York, on the 30th of March, 2001.

AMERICAN INTERNATIONAL GROUP, INC.

By /s/ M.R. GREENBERG

(M.R. Greenberg, Chairman)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons in the capacities indicated on the 30th of March, 2001 and each of the undersigned persons, in any capacity, hereby severally constitutes M.R. Greenberg, Edward E. Matthews and Howard I. Smith and each of them, singularly, his true and lawful attorney with full power to them and each of them to sign for him, and in his name and in the capacities indicated below, this Annual Report on Form 10-K and any and all amendments thereto.

Signature	Title
/s/ M.R. Greenberg (M.R. Greenberg)	Chairman and Director (Principal Executive Officer)
/s/ Howard I. Smith (Howard I. Smith)	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)
/s/ Michael J. Castelli (Michael J. Castelli)	Vice President and Comptroller (Principal Accounting Officer)
/s/ M. Bernard Aidinoff (M. Bernard Aidinoff)	Director
/s/ Eli Broad (Eli Broad)	Director
/s/ Pei-yuan Chia (Pei-yuan Chia)	Director
/s/ Marshall A. Cohen (Marshall A. Cohen)	Director
/s/ Barber B. Conable, Jr. (Barber B. Conable, Jr.)	Director
/s/ Martin S. Feldstein (Martin S. Feldstein)	Director

SIGNATURES--(Continued)

Signature	Title
/s/ Ellen V. Futter (Ellen V. Futter)	Director
/s/ Carla A. Hills (Carla A. Hills)	Director
/s/ Frank J. Hoenemeyer (Frank J. Hoenemeyer)	Director
/s/ Richard C. Holbrooke (Richard C. Holbrooke)	Director
/s/ Edward E. Matthews (Edward E. Matthews)	Director
/s/ Thomas R. Tizzio (Thomas R. Tizzio)	Director
/s/ Edmund S.W. Tse (Edmund S.W. Tse)	Director
/s/ Jay S. Wintrob (Jay S. Wintrob)	Director
/s/ Frank G. Wisner (Frank G. Wisner)	Director
/s/ Frank G. Zarb (Frank G. Zarb)	Director

EXHIBIT INDEX

Exhibit Number	Description	Location
1	Distribution Agreement	Filed herewith.
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	Agreement and Plan of Merger, dated as of August 19, 1998, between SunAmerica Inc. and AIG, incorporated herein by reference to Exhibit 2 to AIG's Registration Statement on Form S-4 (File No. 333-65441).
3(i)(a)	Restated Certificate of Incorporation of AIG	Incorporated by reference to Exhibit 3(i) to AIG's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-8787).
3(i)(b)	Certificate of Amendment of Certificate of Incorporation of AIG, filed June 3, 1998	Incorporated by reference to Exhibit 3(i) to AIG's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 1-8787).
3(i)(c)	Certificate of Merger of SunAmerica Inc. with and into AIG, filed December 30, 1998 and effective January 1, 1999	Incorporated by reference to Exhibit 3(i) to AIG's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-8787).
3(i)(d)	Certificate of Amendment of Certificate of Incorporation of AIG, filed June 5, 2000	Incorporated by reference to Exhibit 3(i)(c) to AIG's Registration Statement on Form S-4 (File No. 333-45828).
3(ii)	By-laws of AIG	Filed herewith.
4	Instruments defining the rights of security holders, including indentures	
	(a) Fiscal Agency Agreement dated as of October 1, 1984 between AIG and Citibank, N.A.	Not required to be filed.*
	(b) Indenture dated as of July 15, 1989 between AIG and The Bank of New York	Not required to be filed.*
	(c) Subordinated Indenture, dated as of October 28, 1996, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee	Not required to be filed.*
	(d) Senior Indenture, dated as of April 15, 1993, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee	Not required to be filed.*
	(e) Supplemental Indenture, dated as of June 28, 1993, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Senior Indenture, dated as of April 15, 1993	Not required to be filed.*
	(f) Supplemental Indenture, dated as of October 28, 1996, between SunAmerica Inc. and The First National Bank of Chicago, as Trustee, supplementing the Senior Indenture, dated as of April 15, 1993	Not required to be filed.*
	(g) Third Supplemental Indenture, dated as of January 1, 1999, among SunAmerica Inc., AIG and The First National Bank of Chicago, as Trustee, supplementing the Senior Indenture, dated as of April 15, 1993	Not required to be filed.*

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

Exhibit Number		Description	Location
	(q)	Amended and Restated Declaration of Trust of SunAmerica Capital Trust I, dated as of June 6, 1995, among SunAmerica Inc. and the Trustees of the Trust	Not required to be filed.*
	(r)	Amended and Restated Declaration of Trust of SunAmerica Capital Trust II, dated as of October 11, 1995, among SunAmerica Inc. and the Trustees of the Trust	Not required to be filed.*
	(s)	Amended and Restated Declaration of Trust of SunAmerica Capital Trust III, dated as of November 13, 1996, among SunAmerica Inc. and the Trustees of the Trust	Not required to be filed.*
	(t)	Guarantee Agreement, dated as of October 11, 1995, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee, relating to the Preferred Securities of SunAmerica Capital Trust II	Not required to be filed.*
	(u)	Amendment to Guarantee, dated as of January 1, 1999, among SunAmerica Inc., AIG and The Bank of New York, as Guaranty Trustee, amending Guarantee Agreement, dated as of October 11, 1995, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee	Not required to be filed.*
	(v)	Guarantee Agreement, dated as of November 13, 1996, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee, relating to the Preferred Securities of SunAmerica Capital Trust III	Not required to be filed.*
	(w)	Amendment to Guarantee, dated as of January 1, 1999, among SunAmerica Inc., AIG and The Bank of New York, as Guaranty Trustee, amending Guarantee Agreement, dated November 13, 1996, between SunAmerica Inc. and The Bank of New York, as Guaranty Trustee	Not required to be filed.*
	(x)	Form of Fixed Rate Medium Term Note, Series F	Filed herewith.
	(y)	Form of Floating Rate Medium Term Note, Series F	Filed herewith.
8		Opinion of Sullivan & Cromwell re Tax Matters....	Filed herewith.
9		Voting Trust Agreement	None.
10		Material contracts**	
	(a)	AIG 1969 Employee Stock Option Plan and Agreement Form	Filed as exhibit to AIG's Registration Statement (File No. 2-44043) and incorporated herein by reference.
	(b)	AIG 1972 Employee Stock Option Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-44702) and incorporated herein by reference.
	(c)	AIG 1972 Employee Stock Purchase Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-44043) and incorporated herein by reference.

Exhibit Number		Description	Location
	(d)	AIG 1984 Employee Stock Purchase Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-91945) and incorporated herein by reference.
	(e)	AIG 1996 Employee Stock Purchase Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated April 2, 1996 (File No. 1-8787) and incorporated herein by reference.
	(f)	AIG 1977 Stock Option and Stock Appreciation Rights Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-59317) and incorporated herein by reference.
	(g)	AIG 1982 Employee Stock Option Plan	Filed as exhibit to AIG's Registration Statement (File No. 2-78291) and incorporated herein by reference.
	(h)	AIG 1987 Employee Stock Option Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated April 6, 1987 (File No. 0-4652) and incorporated herein by reference.
	(i)	AIG 1991 Employee Stock Option Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated April 4, 1997 (File No. 1-8787) and incorporated herein by reference.
	(j)	AIG 1999 Stock Option Plan	Filed as exhibit to AIG's Definitive Proxy Statement dated April 6, 2000 (File No. 1-8787) and incorporated herein by reference.
	(k)	AIRCO 1972 Employee Stock Option Plan	Incorporated by reference to AIG's Joint Proxy Statement and Prospectus (File No. 2-61994).
	(l)	AIRCO 1977 Stock Option and Stock Appreciation Rights Plan	Incorporated by reference to AIG's Joint Proxy Statement and Prospectus (File No. 2-61994).
	(m)	Purchase Agreement between AIA and Mr. E.S.W. Tse.	Incorporated by reference to Exhibit 10(l) to AIG's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-8787).
	(n)	Retention and Employment Agreement between AIG and Jay S. Wintrob	Incorporated by reference to Exhibit 10(m) to AIG's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-8787).
	(o)	SunAmerica Inc. 1988 Employee Stock Plan	Incorporated by reference to Exhibit 4(a) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(p)	SunAmerica 1997 Employee Incentive Stock Plan	Incorporated by reference to Exhibit 4(b) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(q)	SunAmerica Non-employee Directors' Stock Option Plan	Incorporated by reference to Exhibit 4(c) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(r)	SunAmerica 1995 Performance Stock Plan	Incorporated by reference to Exhibit 4(d) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(s)	SunAmerica Inc. 1998 Long-Term Performance-Based Incentive Plan For the Chief Executive Officer	Incorporated by reference to Exhibit 4(e) to AIG's Registration Statement on Form S-8 (File No. 333-70069).
	(t)	SunAmerica Inc. Long-Term Performance-Based Incentive Plan Amended and Restated 1997	Incorporated by reference to Exhibit 4(f) to AIG's Registration Statement on Form S-8 (File No. 333-70069).

Exhibit Number		Description	Location
	(u)	SunAmerica Five Year Deferred Cash Plan	Incorporated by reference to Exhibit 4(a) to AIG's Registration Statement on Form S-8 (File No. 333-31346).
	(v)	SunAmerica Executive Savings Plan	Incorporated by reference to Exhibit 4(b) to AIG's Registration Statement on Form S-8 (File No. 333-31346).
	(w)	HSB Group, Inc. 1995 Stock Option Plan	Incorporated by reference to Exhibit 10(iii)(f) to HSB's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-13135).
	(x)	HSB Group, Inc. 1985 Stock Option Plan	Incorporated by reference to Exhibit 10(iii)(a) HSB's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File No. 1-13135).
	(y)	HSB Group, Inc. Employee's Thrift Incentive Plan	Incorporated by reference to Exhibit 4(i)(c) to The Hartford Steam Boiler Inspection and Insurance Company's Registration Statement on Form S-8 (File No. 33-36519).
11		Statement re computation of per share earnings	Filed herewith.
12		Statements re computation of ratios	Filed herewith.
13		Annual report to security holders	Not required to be filed.
18		Letter re change in accounting principles	None.
21		Subsidiaries of the Registrant	Filed herewith.
22		Published report regarding matters submitted to vote of security holders	None.
23.1		Consent of PricewaterhouseCoopers LLP	Filed herewith.
23.2		Consent of Sullivan & Cromwell	Included in Exhibit 8.
24		Power of attorney	Included on the signature page hereof.
99		Additional exhibits	None.

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* The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission.

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

Exhibit 1

AMERICAN INTERNATIONAL GROUP, INC.

U.S. $780,546,000

Medium-Term Notes, Series F

Due Nine Months or More
from Date of Issue

Distribution Agreement

January 26, 2001

Chase Securities Inc.,
Goldman, Sachs & Co.,
Merrill Lynch, Pierce, Fenner & Smith Incorporated,
Morgan Stanley & Co. Incorporated,
Salomon Smith Barney Inc.
c/o Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Ladies and Gentlemen:

American International Group, Inc., a Delaware corporation (the "Company"), proposes to issue and sell up to U.S. $780,546,000 aggregate principal amount (or the equivalent thereof in one or more foreign currencies or currency units) of its Medium-Term Notes, Series F, due nine months or more from date of issue (the "Securities") and agrees with each of you (individually, an "Agent", and collectively, the "Agents") as set forth in this Agreement.

Subject to the terms and conditions stated herein, the Company hereby (i) appoints each Agent as an agent of the Company for the purpose of soliciting and receiving offers to purchase the Securities from the Company and (ii) agrees that whenever it determines to sell Securities directly to any Agent as principal for resale to others, it will, if requested by such Agent, enter into a separate agreement, substantially in the form of Annex I hereto, relating to such sale or another agreement (which may be oral and confirmed in writing) relating to the purchase by such Agent as principal (each a "Terms Agreement"), in each case in accordance with Section 2(b) hereof. The Company reserves the right to sell Securities directly on its own behalf and to enter into agreements substantially identical hereto with other broker-dealers as Agents. This Agreement shall not be construed to create either an obligation on the part of the Company to sell any Securities or an obligation of the Agents to purchase Securities as principal.

The terms and rights of the Securities shall be as specified in or established pursuant to the Indenture, dated as of July 15, 1989, between the Company and The Bank of New York as Trustee (the "Trustee"), and is referred to herein as the "Indenture". The Securities shall have the maturity ranges, annual interest rates (if any), redemption provisions and other terms set forth in the Prospectus referred to below as it may be supplemented from time to time. The Securities will be issued, and the terms thereof established, from time to time by the Company in accordance with the Indenture and the Administrative Procedure attached hereto as Annex II (the "Procedure") and, if applicable, will be specified in a related Terms Agreement.

1. The Company represents and warrants to, and agrees with each Agent that:

(a) Two registration statements on Form S-3 (Registration No. 33-60827 and Registration No. 333-31024) in respect of the Securities have been filed with the Securities and Exchange Commission (the "Commission"); such registration statements and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to such Agent, excluding exhibits to such registration statements, but including all documents incorporated by reference in the prospectus included in the latest registration statement, have been declared effective by the Commission in such form; no other document with respect to the latest registration statement or document incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission (other than the prospectuses filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the "Act")); and no stop order suspending the effectiveness of any such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the latest registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of such registration statements, including all exhibits thereto and the documents incorporated by reference in the prospectus contained in the registration statements at the time such part of the registration statements became effective but excluding Form T-1, each as amended at the time such part of the registration statements became effective, are hereinafter collectively called the "Registration Statement"; the prospectus (including, if applicable, any prospectus supplement) relating to the Securities, in the form in which it has most recently been filed, or transmitted for filing, with the Commission on or prior to the date of this Agreement, is hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to the applicable form under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus, including any supplement to the Prospectus that sets forth only the terms of a particular issue of the Securities (a "Pricing Supplement"), shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated therein by reference; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to the Prospectus as amended or supplemented shall be deemed to refer to and include the Prospectus as amended or supplemented (including by the applicable Pricing Supplement filed in accordance with Section 4(a) hereof) in relation to Securities to be sold pursuant to this Agreement, in the form filed or transmitted for filing with the Commission pursuant to Rule 424(b) under the Act and in accordance with Section 4(a) hereof, including any documents incorporated by reference therein as of the date of such filing);

(b) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Prospectus, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or, in the case of an Annual Report on Form 10-K, omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or, in the case of any other document filed under the Exchange Act, omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by any Agent expressly for use in the Prospectus as amended or supplemented to relate to a particular issuance of Securities, or to any statements in any such document which does not constitute part of the Registration Statement or Prospectus pursuant to Rule 412 under the Act;

(c) The Registration Statement and the Prospectus conform, and any amendments or supplements thereto will conform, in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any supplement thereto, contain an untrue statement of a material fact or, in the case of the Registration Statement, omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or, in the case of the Prospectus, omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to (i) that part of the Registration Statement which constitutes the Statement of Eligibility (Form T-1) under the Trust Indenture Act of the Trustee, (ii) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by any Agent expressly for use in the Prospectus as amended or supplemented to relate to a particular issuance of Securities and (iii) any statement which does not constitute part of the Registration Statement or Prospectus pursuant to Rule 412 under the Act;

(d) The Company has been duly incorporated and is an existing corporation in good standing under the laws of Delaware, and has full power and authority to own its properties and to conduct its business as described in the Prospectus;

(e) Since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, as amended or supplemented, there has not been any material change in the capital stock (other than as occasioned by Common Stock having been issued pursuant to the Company's employee stock purchase plans, employee stock option plans and upon conversion of convertible securities) or any material increase in the consolidated long-term debt of the Company or any material adverse change in or affecting the consolidated financial position, shareholders' equity or results of operations of the Company and its consolidated subsidiaries otherwise than as set forth or contemplated in such Prospectus, as amended or supplemented (a "Material Adverse Change");

(f) The series constituting the Securities has been duly authorized and established in conformity with the Indenture and, when the terms of a particular Security and of the issue and sale thereof have been duly authorized and established by all necessary corporate action in conformity with the Indenture and such Security has been duly completed, executed, authenticated and issued in accordance with the Indenture, and delivered against payment therefor as contemplated by this Agreement and any applicable Terms Agreement, such Security will have been duly executed, authenticated, issued and delivered and will constitute a valid and legally binding obligation of the Company entitled to the benefits provided by the Indenture; the Indenture has been duly authorized and qualified under the Trust Indenture Act and constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Indenture conforms and the Securities will conform in all material respects to the descriptions thereof in the Prospectus;

(g) The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Indenture, this Agreement and any Terms Agreement, and the consummation of the transactions herein and therein contemplated, will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, or result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its properties, except, in each case, for such conflicts, breaches, defaults and violations that would not have a material adverse effect on the business, financial position, shareholders' equity or results of operations of the Company and its Subsidiaries taken as a whole (a "Material Adverse Effect") or affect the validity of the Securities, nor will such action result in any violation of the provisions of the Restated Certificate of Incorporation, as amended, or the By-Laws of the Company; and no consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required by the Company for the solicitation of offers to purchase Securities and the issue and sale of the Securities or the consummation by the Company of the other transactions contemplated by this Agreement, any Terms Agreement or the Indenture, except such consents, approvals, authorizations, orders, registrations, or qualifications the failure to obtain or make would not have a Material Adverse Effect or affect the validity of the Securities, and such consents, approvals, authorizations, orders, registrations or qualifications as have been, or will have been prior to the date of this Agreement, obtained under the Act or the Trust Indenture Act and such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws (including insurance laws of any state relating to offers and sales of securities in such state) in connection with the solicitation by such Agent of offers to purchase the Securities from the Company and with purchases of the Securities by such Agent as principal, as the case may be, both in the manner contemplated hereby;

(h) There is no action, suit or proceeding pending, or to the knowledge of the executive officers of the Company, threatened against the Company or any of its subsidiaries, which has, or may reasonably be expected in the future to have, a Material Adverse Effect, except as set forth or contemplated in the Prospectus, as amended or supplemented; and, at each Time of Delivery (as defined in Section 2(b) hereof), there will not be any action, suit or proceeding pending, or to the knowledge of the executive officers of the Company, threatened against the Company or any of its subsidiaries, which will have had, or may reasonably be expected in the future to have, a Material Adverse Effect except as set forth or contemplated in the Prospectus, as amended or supplemented;

2. (a) On the basis of the representations and warranties, and subject to the terms and conditions, herein set forth, each of the Agents hereby severally and not jointly agrees, as agent of the Company, to use its best efforts to solicit and receive offers to purchase the Securities from the Company upon the terms and conditions set forth in the Prospectus as amended or supplemented from time to time.

The Company reserves the right, in its sole discretion, to instruct the Agents to suspend at any time, for any period of time or permanently, the solicitation of offers to purchase the Securities. Upon receipt of instructions from the Company, the Agents will forthwith suspend solicitation of offers to purchase Securities from the Company until such time as the Company has advised the Agents that such solicitation may be resumed. During such time as the solicitation of offers to purchase the Securities shall be suspended, the Company shall not be required to comply with the provisions of Sections 4(g), 4(h) and 4(i).

The Company agrees to pay each Agent a commission, at the time of settlement of each sale of Securities by the Company as a result of a solicitation made by such Agent, in an amount to be agreed to by the Company and such Agent at the time of solicitation, it being understood and agreed that the commissions may not be the same for each Agent.

As Agents, you are authorized to solicit offers to purchase the Securities only in authorized denominations as set forth in the Prospectus at a purchase price equal to 100% of their principal amount unless otherwise indicated on the applicable pricing supplement to the Prospectus. Each Agent shall communicate to the Company, orally or in writing, each offer to purchase Securities other than those rejected by such Agent. The Company shall have the sole right to accept offers to purchase Securities and may reject any proposed purchase of Securities as a whole or in part. The Agents shall have the right, in their discretion reasonably exercised, to reject any offer to purchase Securities, as a whole or in part, and any such rejection by the Agents shall not be deemed a breach of their agreements contained herein.

(b) Unless the Company and the Agents otherwise agree, each sale of Securities to any Agent as principal shall be made in accordance with the terms of this Agreement and a Terms Agreement which will provide for the sale of such Securities to, and the purchase thereof by, such Agent. A Terms Agreement may also specify certain provisions relating to the reoffering of such Securities by such Agent. The commitment of any Agent to purchase Securities pursuant to any Terms Agreement shall be deemed to have been made on the basis of the representations and warranties of the Company herein contained and shall be subject to the terms and conditions herein set forth. Each Terms Agreement shall include a specification of the principal amount of Securities to be purchased by any Agent pursuant thereto, the price to be paid to the Company for such Securities, any provisions relating to rights of, and default by, underwriters acting together with such Agent in the reoffering of the Securities, and the time (each a "Time of Delivery") and place of delivery of and payment for such Securities. Such Terms Agreement shall also specify any requirements for officers' certificates, opinions of counsel and accountants' letters pursuant to Section 4 hereof.

(c) Procedural details relating to the issue and delivery of Securities, the solicitation of offers to purchase, and purchases by any Agent as principal of, Securities, and the payment in each case therefor, are set forth in the Procedure. Each Agent and the Company agree to perform the respective duties and obligations specifically provided to be performed by each of them in the Procedure as it may be amended from time to time by written agreement between the Agents and the Company.

(d) Each Agent agrees, with respect to any Security denominated in a currency other than U.S. dollars, as agent, directly or indirectly, not to solicit offers to purchase, and as a principal under any Terms Agreement or otherwise, directly or indirectly, not to offer, sell or deliver, such Security in, or to residents of, the country issuing such currency (or if such Security is denominated in euros, not to residents of the 11 member states of the European Monetary Union; or if such Security is denominated in a composite currency, not to residents in any country issuing a currency comprising a portion of such composite currency), except, in each case, as permitted by applicable law.

3. Any documents required to be delivered pursuant to Section 6 hereof shall be made available to the Agents at the office of the Company's counsel, Sullivan & Cromwell, 125 Broad Street, New York, New York 10004.

4. The Company covenants and agrees with each Agent:

(a) To make no amendment or supplement (other than an amendment or supplement as a result of the Company's filing of its periodic reports under the Exchange Act) to the Registration Statement or the Prospectus after the date of any Terms Agreement and prior to the related Time of Delivery which shall be disapproved by any Agent promptly after reasonable notice thereof; to make no such amendment or supplement at any other time prior to having afforded each Agent a reasonable opportunity to review it; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act for so long as the delivery of a prospectus is required in connection with the offering or sale of the Securities, and during such same period to advise each Agent, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed with, or transmitted for filing to, the Commission (other than an amendment or supplement as a result of the Company's filing of its periodic reports under the Exchange Act), of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Securities, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amendment or supplement of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any such prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as such Agent may reasonably request to qualify the Securities for offering and sale under the securities laws of such jurisdictions as such Agent may request and to comply with such laws so as to permit the continuance of sales and dealings therein for as long as may be necessary to complete the distribution or sale of the Securities; provided, however, that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish such Agent with copies of the Registration Statement and each amendment thereto, and with copies of the Prospectus as each time amended or supplemented, other than any Pricing Supplement (except as provided in the Procedure), in the form in which it is filed with, or transmitted for filing to, the Commission pursuant to Rule 424 under the Act, both in such quantities as such Agent may reasonably request from time to time; and, if the delivery of a prospectus is required at any time within nine (9) months after sale of the Securities (including Securities purchased from the Company by such Agent as principal) and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify such Agent as promptly as practicable and request such Agent to suspend solicitation of offers to purchase Securities from the Company, in its capacity as agent of the Company and, if so notified, such Agent shall forthwith cease such solicitations; and if the Company shall decide to amend or supplement the Registration Statement or the Prospectus as then amended or supplemented, to so advise such Agent promptly by telephone (with confirmation in writing) and to prepare and cause to be filed promptly with the Commission an amendment or supplement to the Registration Statement or the Prospectus as then amended or supplemented that will correct such statement or omission or effect such compliance; provided, however, that if during such same period such Agent continues to own Securities purchased from the Company by such Agent as principal, the Company shall promptly prepare and file with the Commission such an amendment or supplement, the expense of such preparation and filing to be borne by the Company if such amendment or supplement occurs within six months of the date of the relevant Pricing Supplement and if after such six month period, by such Agent;

(d) To make generally available to its security holders as soon as practicable, but in any event not later than 90 days after the close of the period covered thereby, an earnings statement or statements of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158) and covering each twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the date of any sale of Securities hereunder;

(e) That, from the date of any Terms Agreement with such Agent and continuing to and including the earlier of (i) the termination of the trading restrictions for the Securities purchased thereunder, as notified to the Company by such Agent and (ii) the related Time of Delivery, the Company will not, without the prior written consent of such Agent, offer, sell, contract to sell or otherwise dispose of any debt securities of the Company which mature more than nine months after such Time of Delivery and which are substantially similar to the Securities; provided, however, the foregoing restriction shall not apply to an issue of debt securities denominated in a currency other than U.S. dollars or to an issue of debt securities at least 90% of which is offered and sold outside the United States;

(f) That each acceptance by the Company of an offer to purchase Securities hereunder, and each sale of Securities to such Agent pursuant to a Terms Agreement, shall be deemed to be an affirmation to such Agent that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct, in all material respects, as of the date of such acceptance or of such Terms Agreement as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented at such time);

(g) That each time the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement relating solely to the terms of the Securities offered and other than the filing by the Company of a report under the Exchange Act), and each time, if so indicated in the applicable Terms Agreement, the Company sells Securities to such Agent as principal, the Company shall furnish or cause to be furnished forthwith to such Agent, upon its request, a certificate of officers of the Company satisfactory to such Agent, dated the date of such supplement, amendment, incorporation or Time of Delivery related to such sale, in form satisfactory to such Agent in its reasonable judgment to the effect that the statements contained in the certificate referred to in Section 6(g) hereof which were last furnished to such Agent are true and correct, in all material respects, at such date, as though made at and as of such date (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, certificates of the same tenor as the certificates referred to in said Section 6(g) but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to such date;

(h) That each time the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement relating solely to the terms of the Securities offered and other than the filing by the

Company of a report under the Exchange Act), and each time, if so indicated in the applicable Terms Agreement, the Company sells Securities to such Agent as principal, the Company shall furnish or cause to be furnished forthwith to such Agent, upon its request, a written opinion of Sullivan & Cromwell, counsel for the Company, and a written opinion of Kathleen E. Shannon, Vice President, Secretary and Associate General Counsel of the Company, or, in either case, other counsel satisfactory to such Agent in its reasonable judgment, dated the date of such amendment, supplement, incorporation or Time of Delivery relating to such sale, each in form satisfactory to such Agent in its reasonable judgment to the effect that such Agent may rely on the opinion referred to in Section 6(c) or (d) hereof, as the case may be, which was last furnished to such Agent to the same extent as though it were dated the date of such letter authorizing reliance (except that statements in such last opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such date) or, in lieu of either such opinion, an opinion of the same tenor as the opinion referred to in Section 6(c) or (d) hereof, as the case may be, but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to such date;

(i) That each time the Registration Statement or the Prospectus shall be amended or supplemented (other than by the filing of a report under the Exchange Act) to set forth financial information included in or derived from the Company's consolidated financial statements, or, if so indicated in the applicable Terms Agreement, each time the Company sells Securities to such Agent as principal, the Company shall cause its independent public accountants forthwith to furnish such Agent, upon its request, a letter, dated the date of such amendment, supplement, incorporation or Time of Delivery relating to such sale, in form satisfactory to such Agent in its reasonable judgment, of the same tenor as the letter referred to in Section 6(e) hereof but modified to relate to the Registration Statement and the Prospectus as amended or supplemented to the date of such letter, with such changes as may be necessary to reflect changes in the financial statements and other information derived from the accounting records of the Company, to the extent such financial statements and other information are available as of a date not more than five business days prior to the date of such letter; provided, however, that where such amendment or supplement only sets forth unaudited quarterly financial information, the scope of such letter may be limited to relate to such unaudited financial information unless any other accounting or financial information included therein is of a character that, in the reasonable judgment of the Agents, such other information should be addressed by such letter; and

(j) In addition to the situations described in Sections (g), (h) and (i) of this Section 4, any Agent may request in writing the certificates, opinions and letters contemplated by these Sections, on an annual basis, after the filing of the Company of its Annual Report on Form 10-K. If such request is made, the Company may either comply with such request or exercise its right to instruct the requesting Agent to suspend solicitations as contemplated by Section 2.

5. The Company covenants and agrees with each Agent that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the

mailing and delivering of copies thereof to such Agent; (ii) the reasonable fees and expenses of counsel for the Agents in connection with the transactions contemplated hereunder; (iii) the cost of printing, word-processing or reproducing this Agreement, any Terms Agreement, any Indenture, any Blue Sky and Legal Investment Memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iv) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 4(b) hereof, including fees and disbursements of the Company's counsel in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (v) any fees charged by security rating services for rating the Securities; (vi) the cost of preparing the Securities; (vii) the fees and expenses of any Trustee and any agent of any Trustee and the fees and disbursements of counsel for any Trustee in connection with any Indenture and the Securities; (viii) any advertising expenses connected with the solicitation of offers to purchase and the sale of Securities so long as such advertising expenses have been approved by the Company; and (ix) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. Each Agent shall pay all other fees and expenses it incurs.

6. The obligation of any Agent, as agent of the Company, to solicit offers to purchase the Securities and the obligation of any Agent to purchase Securities as principal, pursuant to any Terms Agreement, shall be subject, in such Agent's reasonable discretion, to the condition that all representations and warranties and other statements of the Company herein are true and correct, in all material respects, at and as of the date of this Agreement, the date of each such solicitation, any settlement date related to the acceptance of such an offer, and each Time of Delivery, the condition that the Company shall have performed, in all material respects, all of its obligations hereunder theretofore in each case to be performed and the following additional conditions, where applicable:

(a) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission or to the knowledge of the executive officers of the Company, shall be contemplated by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of such Agent;

(b) Such Agent shall have received, upon its request, from Davis Polk & Wardwell, counsel to the Agents, such opinion, dated the date of this agreement and the Time of Delivery as specified in the applicable Terms Agreement, with respect to the incorporation of the Company, the validity of the Securities, the Registration Statement, the Prospectus as amended or supplemented, and other related matters as such Agent may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters;

(c) Such Agent shall have received an opinion or opinions of Sullivan & Cromwell, counsel for the Company, dated any applicable date referred to in Section 4(h) to the effect that:

(i) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware;

(ii) The Registration Statement, as of the date it became effective, and the Prospectus as amended or supplemented, as of the date of such opinion, appeared on their face to be appropriately responsive in all material respects to the requirements of the Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder (except that no opinion need be expressed as to financial statements and other financial data derived from the Company's accounting records);

(iii) Nothing has come to the attention of such counsel in their review (as described in such opinion) that has caused them to believe that the Registration Statement, as of the date the Registration Statement became effective, contained any untrue statement of material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus as amended or supplemented, as of the date of such opinion, contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (except that (A) no opinion need be expressed as to financial statements and other financial data derived from the Company's accounting records or as to the statement of the eligibility of the Trustee and (B) such counsel may state that they assume no responsibility for the accuracy or fairness of the statements contained in the Registration Statement and the Prospectus as amended or supplemented except for those made under the captions "Description of Debt Securities AIG May Offer" in the Prospectus and "Description of Notes AIG May Offer" and "Supplemental Plan of Distribution" in the Prospectus as amended or supplemented, insofar as they relate to provisions of documents therein described);

(iv) The series constituting the Securities has been duly authorized and established in conformity with the Indenture, and, when the terms of a particular Security and of the issue and sale thereof have been duly authorized and established by all necessary corporate action in conformity with the Indenture and such Security has been duly completed, executed, authenticated and issued in accordance with the Indenture, and delivered against payment therefor as contemplated by this Agreement and any applicable Terms Agreement, such Security will constitute a valid and legally binding obligation of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(v) The Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Indenture has been duly qualified under the Trust Indenture Act; and

(vi) This Agreement (and any applicable Terms Agreement) has been duly authorized, executed and delivered by the Company;

In providing such opinion, such counsel may assume, in connection with their opinion set forth in paragraph (iv) above, that at or prior to the time of the delivery of each Security the authorization of the series constituting the Securities will not have been modified or rescinded and, with respect to each Security, that such Security will conform to the form of the Securities examined by such counsel. Such counsel may also assume that none of the terms of any Security nor the issuance and delivery of such Security, nor the compliance by the Company with the terms of such Security will result in a violation of any agreement or instrument then binding upon the Company, or violate any applicable law or any restriction imposed by any court or governmental body having jurisdiction over the Company. Such counsel may also state in rendering their opinion set forth in paragraph (iv) above, that, as of the date of such opinion, a judgment for money in an action based on Securities denominated in foreign currencies or currency units in a Federal or State court in the United States ordinarily would be enforced in the United States only in U.S. dollars and that the date used to determine the rate of conversion of the foreign currency or currency unit in which a particular Security is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment;

(d) Such Agent shall have received an opinion of Kathleen E. Shannon, Vice President, Secretary and Associate General Counsel of the Company, dated any applicable date referred to in Section 4(i) to the effect that:

(i) The Company has an authorized capitalization as set forth in the Prospectus as amended or supplemented;

(ii) To the best knowledge and information of such counsel, there are no contracts or other documents required to be summarized or disclosed or filed as exhibits to the Registration Statement other than those filed as exhibits thereto, and there are no legal or governmental proceedings pending or threatened of a character required to be disclosed in the Registration Statement and the Prospectus as amended or supplemented which are not disclosed and properly described therein;

(iii) The issue and sale of the Securities (provided that the terms of such securities shall have been established by all necessary corporate action in conformity with the Indenture), and the compliance by the Company with all of the provisions of the Securities, the Indenture, this Agreement and any Terms Agreement, will not result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement, or other material agreement or instrument in effect on the date of such opinion and known to such counsel, to which the Company is a party or by which the Company may be bound or to which any of the property or assets of the Company is subject or violate any judgment, order or decree of any court or governmental body applicable to the Company, except for such breaches and defaults that would not have a Material Adverse Effect or affect the validity of the Securities, nor will such action result in any violation of the provisions of the Restated Certificate of Incorporation, as amended, or the By-Laws of the Company in effect on the date of such opinion; and no consent, approval, authorization, order, registration or qualification of or with any court or any regulatory authority or other governmental body is required for the issue and sale of the Securities or the consummation by the Company of the other transactions contemplated by this Agreement (and any applicable Terms Agreement) or the Indenture, except such as have been obtained under the Act and the Trust Indenture Act and such consents, approvals, authorizations, orders, registrations or qualifications the failure to obtain or make would not have a Material Adverse Effect or affect the validity of the Securities and as may be required under state securities or Blue Sky laws (including insurance laws of any state relating to offers and sales of securities in such state) in connection with solicitation by the Agents of the Company of offers to purchase Securities and with purchases of Securities by the Agents and any other firms as principals, as the case may be, both as contemplated by this Agreement (and any applicable Terms Agreement); and

(iv) Nothing which came to the attention of such counsel has caused her to believe that the Registration Statement, as of the date the Registration Statement became effective, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Prospectus as amended or supplemented, as of the date of such opinion, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or that any document incorporated by reference in the Prospectus, as amended or supplemented on the date of such document's filing with the Commission, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that (A) no opinion need be expressed as to financial statements and financial data derived from the Company's accounting records or as to the statement of the eligibility of the Trustee and (B) such counsel may state that she assumes no responsibility for the accuracy and fairness of the statements contained in the Registration Statement or the Prospectus as amended or supplemented or any document incorporated by reference in the Prospectus except for those made under the captions relating to the "Description of Debt Securities AIG May Offer" in the Prospectus and "Description of Notes AIG May Offer" and "Supplemental Plan of Distribution" in the Prospectus as amended or supplemented, insofar as they relate to provisions of documents therein described); and the documents incorporated by reference in the Prospectus as amended or supplemented (except that no opinion need be expressed as to financial statements and financial data derived from the Company's accounting records), as of the date they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the Act and the Exchange Act and the rules and regulations thereunder;

(e) At 11:00 A.M., New York City time, on any applicable date referred to in Section 4(i), the independent accountants who have certified the financial statements of the Company and its subsidiaries included or incorporated by reference in the Registration Statement shall have furnished to such Agent a letter, dated such applicable date, in form and substance satisfactory to such Agent, to the effect set forth in Annex III hereto;

(f) Since the respective dates as of which information is given in the Prospectus, as amended or supplemented, there shall not have occurred any material change in or affecting the business or properties of the Company or its material subsidiaries which, in the judgment of the Agents, materially impairs the investment quality of the Securities;

(g) The Company shall have furnished or caused to be furnished to such Agent a certificate of the Chairman of the Board, the President, any Vice Chairman, or any Executive or Senior Vice President and a principal financial or accounting officer of the Company, dated any applicable date referred to in Section 4(g) in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct, in all material respects, as of such applicable date, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied, in all material respects, at or prior to such applicable date, that no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are threatened by the Commission, and that, since the respective dates as of which information is given in the Prospectus, as amended or supplemented, there has not been any Material Adverse Change, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented; and

(h) During the period between the date of any Terms Agreement and the related Time of Delivery, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange if the effect of any such event, in the reasonable judgment of such Agent, is to make it impracticable or inadvisable to proceed with the solicitation by such Agent of offers to purchase Securities or the purchase by such Agent of Securities from the Company, as principal; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; (iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war if the effect of any such event in the reasonable judgment of such Agent is to make it impracticable or inadvisable to proceed with the solicitation by such Agent of offers to purchase Securities or the purchase of Securities by such Agent from the Company as principal on the terms and in the manner contemplated by the Prospectus, as amended or supplemented; (iv) the suspension in trading in the common stock of the Company on the New York Stock Exchange if the effect of such event in the reasonable judgment of such Agent is to make it impracticable or inadvisable to proceed with the solicitation by such Agent of offers to purchase Securities or the purchase of Securities by such Agent from the Company as principal; or (v) any downgrading in the rating accorded the Company's senior debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act.

7. (a) The Company will indemnify and hold harmless each Agent against any losses, claims, damages or liabilities, joint or several, to which such Agent may become subject, under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus as amended or supplemented, and any other prospectus relating to the Securities or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such

Agent for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such action or claim as incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, the Prospectus as amended or supplemented and any other prospectus relating to the Securities or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Agent expressly for use in the Prospectus as amended or supplemented; and provided, further, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any Preliminary Prospectus, the indemnity agreement contained in this Section 7(a) shall not apply to any such losses, claims, damages or liabilities asserted against such Agent by any purchaser of Securities to the extent that such losses, claims, damages or liabilities result from the fact that a copy of the Prospectus furnished by the Company (excluding any documents incorporated by reference therein) was not sent or given to such purchaser at or prior to the written confirmation of the sale of such Securities to such purchaser.

(b) Each Agent will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement, the Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Agent expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation.

(d) If the indemnification provided for in this Section 7 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and each Agent on the other from the offering of the Securities to which such loss, claim, damage or liability (or action in respect thereof) relates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and each Agent on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and each Agent on the other shall be deemed to be in the same proportion as the total net proceeds from the sale of Securities (before deducting expenses) received by the Company bear to the total commissions or discounts received by such Agent in respect thereof. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading relates to information supplied by the Company on the one hand or by any Agent on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and each Agent agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), an Agent shall not be required to contribute any amount in excess of the amount by which the total price at which the Securities purchased by or through it were sold exceeds the amount of any damages which such Agent has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The obligations of the Company under this Section 7 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Agent within the meaning of the Act; and the obligations of each Agent under this Section 7 shall be in addition to any liability which such Agent may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the

Company and to each person, if any, who controls the Company within the meaning of the Act.

8. In soliciting offers by others to purchase Securities from the Company, each Agent is acting solely as agent for the Company, and not as principal (other than in respect of any purchase by an Agent pursuant to a Terms Agreement). Each Agent will make reasonable efforts to assist the Company in obtaining performance by each purchaser whose offer to purchase Securities from the Company has been accepted by the Company, but such Agent shall not have any liability to the Company in the event such purchase for any reason is not consummated. If the Company shall default on its obligation to deliver Securities to a purchaser whose offer it has accepted, the Company shall hold each Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company.

9. The respective indemnities, agreements, representations, warranties and other statements by any Agent and the Company or its officers set forth in or pursuant to this Agreement, shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Agent or the Company or any of its officers or directors or any controlling person, and shall survive each delivery of and payment for any of the Securities.

10. The provisions of this Agreement relating to the solicitation of offers to purchase the Securities may be suspended or terminated at any time by the Company as to any Agent or by any Agent as to such Agent upon the giving of written notice of such suspension or termination to such Agent or the Company, as the case may be. In the event of any such suspension or termination, with respect to any Agent, this Agreement shall remain in full force and effect with respect to any Agent as to which such suspension or termination has not occurred and no party shall have any liability to the other party hereto, except as provided in the third paragraph of Section 2(a), Section 5, Section 7, Section 8 and Section 9 and except that, if at the time of such suspension or termination, an offer for the purchase of Securities shall have been accepted by the Company but the delivery of the Securities relating thereto to the purchaser or his agent shall not yet have occurred, the Company shall have the obligations provided in subsections (f), (g), (h) and (i) of Section 4.

11. Except as otherwise specifically provided herein or in the Procedure, all statements, requests, notices and advices hereunder shall be in writing, or by telephone if promptly confirmed in writing, and if to Chase Securities Inc. shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to 270 Park Avenue, 8th Floor, New York, New York 10017, Facsimile Transmission No. (212) 834-6170, Attention: Louis DeCaro, and if to Goldman, Sachs & Co. shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to 85 Broad Street, New York, New York 10004, Facsimile Transmission No. (212) 363-7609, Attention: Credit Department, and if to Merrill Lynch, Pierce, Fenner & Smith Incorporated shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to World Financial Center at North Tower, 10th Floor, 250 Vesey Street, New York, New York 10281, Facsimile Transmission No. (212) 449-2234, Attention: MTN Product Management, and if to Morgan Stanley & Co. Incorporated shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to 1585 Broadway, 2nd Floor, New York, New York 10036, Facsimile Transmission No. (212) 761-0785, Attention: Manager - Continuously Offered Products, with a copy to: Morgan Stanley &

Co. Incorporated, 1585 Broadway, 34th Floor, New York, New York 10036, Attention: Peter Cooper - Investment Banking Information Center, Facsimile Transmission No. (212) 761-0260 and if to Salomon Smith Barney Inc. shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to Seven World Trade Center, 32nd Floor, New York, New York, 10048, Facsimile Transmission No. (212) 783-2274, Attention: Medium-Term Note Department, and if to the Company shall be sufficient in all respects when delivered or sent by registered mail to 70 Pine Street, New York, New York 10270, Facsimile Transmission No.(212) 785-1584, Attention: Corporate Secretary.

12. This Agreement and any Terms Agreement shall be binding upon, and inure solely to the benefit of, each Agent and the Company, and to the extent provided in Section 7 and Section 9 hereof, the officers and directors of the Company and any person who controls any Agent or the Company, and their respective personal representatives, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement or any Terms Agreement. No purchaser of any of the Securities through or from any Agent hereunder shall be deemed a successor or assign by reason of such purchase.

13. This Agreement and any Terms Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

14. Time shall be of the essence in this Agreement and any Terms Agreement.

15. This Agreement and any Terms Agreement may be executed by any one or more of the parties hereto and thereto in any number of counterparts, each of which shall be an original, but all of such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us four counterparts hereof, whereupon this letter and the acceptance by each of you thereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.

Very truly yours,

AMERICAN INTERNATIONAL GROUP, INC.

By /s/ Carol A. McFate

Name: Carol A. McFate
Title: Vice President and Treasurer

Accepted in New York, New York, as of the date hereof:

Chase Securities Inc.

By /s/ Louis DeCaro

Name: Louis DeCaro
Title: Managing Director

/s/ Goldman, Sachs & Co.
- --
(Goldman, Sachs & Co.)

Merrill Lynch, Pierce, Fenner & Smith Incorporated

By /s/ Scott G. Primrose

Name: Scott G. Primrose
Title: Authorized Signatory

Morgan Stanley & Co. Incorporated

By /s/ Geoffrey Fitzgerald

Name: Geoffrey Fitzgerald
Title: Principal

Salomon Smith Barney Inc.

By /s/ Martha D. Bailey

Name: Martha D. Bailey
Title: First Vice President & Counsel

ANNEX I

American International Group, Inc.

$780,546,000

Medium-Term Notes, Series F

Terms Agreement

[Date]

[Name(s) and Address(es) of other Agent(s)]

Ladies and Gentlemen:

American International Group, Inc. (the "Company") proposes, subject to the terms and conditions stated herein and in the Distribution Agreement, dated January 26, 2001 (the "Distribution Agreement"), between the Company on the one hand and [Name(s) of Agent(s)] (individually, an "Agent" and collectively, the "Agents") on the other, to issue and sell to [Name(s) of Agent(s)] the securities specified in the Schedule hereto (the "Purchased Securities"). Each of the provisions of the Distribution Agreement not specifically related to the solicitation by the Agents, as agents of the Company, of offers to purchase Securities is incorporated herein by reference in its entirety, and shall be deemed to be part of this Terms Agreement to the same extent as if such provisions had been set forth in full herein. Nothing contained herein or in the Distribution Agreement shall make any party hereto an agent of the Company or make such party subject to the provisions therein relating to the solicitation of offers to purchase Securities from the Company, solely by virtue of its execution of this Terms Agreement. Each of the representations and warranties set forth therein shall be deemed to have been made at and as of the date of this Terms Agreement, except that each representation and warranty in Section 1 of the Distribution Agreement which makes reference to the Prospectus shall be deemed to be a representation and warranty as of the date of the Distribution Agreement in relation to the Prospectus (as therein defined), and also a representation and warranty as of the date of this Terms Agreement in relation to the Prospectus as amended and supplemented to relate to the Purchased Securities.

An amendment to the Registration Statement, or a supplement to the Prospectus, as the case may be, relating to the Purchased Securities, in the form heretofore delivered to you is now proposed to be filed with the Commission. [It shall be a condition to closing that after the date of this Agreement and prior to the Time of Delivery specified in the Schedule hereto, there shall not have occurred any material change in or affecting the business or properties of the Company or its material subsidiaries which, in your judgment, materially impairs the investment quality of the Securities.]

Subject to the terms and conditions set forth herein and in the Distribution Agreement incorporated herein by reference, the Company agrees to issue and sell to [Name(s) of Agent(s)] and [Name(s) of Agent(s)] agree[s] to purchase from the Company the Purchased Securities, at the time and place, in the principal amount and at the purchase price set forth in the Schedule hereto.

If the foregoing is in accordance with your understanding, please sign and return to us [___] counterparts hereof, and upon acceptance hereof by you this letter and such acceptance hereof, including those provisions of the Distribution Agreement incorporated herein by reference, shall constitute a binding agreement between you and the Company.

American International Group, Inc.

By:________________________________
Name:
Title:

Accepted:

[Name(s) of Agent(s)]

By:_________________________
Name:
Title:

Schedule to Annex I

Title of Purchased Securities:	Medium-Term Notes, Series F
Aggregate Principal Amount:	[$-] or units of other Specified Currency
[Price to Public:]	
Purchase Price by [Name(s) of Agent(s)]:	-% of the principal amount of the Purchased Securities[, plus accrued interest from ______ to ______] [and accrued amortization, if any, from ______ to ______]
Method of and Specified Funds for Payment of Purchase Price:	[By certified or official bank check or checks, payable to the order of the Company, in [New York] Clearing House] (by wire transfer of immediately available funds] [By wire transfer to a bank account specified by the Company in [next day] [immediately available] funds]
Indenture:	Indenture, dated as of July 15, 1989, between the Company and The Bank of New York, as Trustee
Time of Delivery:	
Closing Location for Delivery of Securities:	
Maturity:	
Interest Rate:	[%]
Interest Payment Dates:	[months and dates]
Regular Record Date:	[month and date]
Documents to be Delivered:	The following documents referred to in the Distribution Agreement shall be delivered as a condition to the Closing: 1. The officers' certificate referred to in Section 4(g). 2. The opinions of counsel to the Company referred to in Section 4(h). 3. The accountants' letter referred to in Section 4(i).

AMERICAN INTERNATIONAL GROUP, INC.
ADMINISTRATIVE PROCEDURE

This Administrative Procedure relates to the Securities defined in the Distribution Agreement, dated January 26, 2001 (the "Distribution Agreement"), between American International Group, Inc. (the "Company") and Chase Securities Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. (individually, an "Agent" and collectively, the "Agents"), to which this Administrative Procedure is attached as Annex II. Defined terms used herein and not defined herein shall have the meanings given such terms in the Distribution Agreement, the Prospectus as amended or supplemented or the Indenture.

The procedures to be followed with respect to the settlement of sales of Securities directly by the Company to purchasers solicited by an Agent, as agent, are set forth below. The terms and settlement details related to a purchase of Securities by an Agent, as principal, from the Company will be set forth in a Terms Agreement pursuant to the Distribution Agreement, unless the Company and such Agent otherwise agree as provided in Section 2(b) of the Distribution Agreement, in which case the procedures to be followed in respect of the settlement of such sale will be as set forth below. An Agent, in relation to a purchase of a Security by a purchaser solicited by such Agent, is referred to herein as the "Selling Agent" and, in relation to a purchase of a Security by such Agent, as principal, other than pursuant to a Terms Agreement, as the "Purchasing Agent".

The Company will advise each Agent in writing of those persons with whom such Agent is to communicate regarding offers to purchase Securities and the related settlement details.

Each Security will be issued only in fully registered form and will be represented by either a global security (a "Global Security") delivered to the Trustee, as agent for The Depository Trust Company (the "Depositary") and recorded in the book-entry system maintained by the Depositary (a "Book-Entry Security") or a certificate issued in definitive form (a "Certificated Security") delivered to a person designated by an Agent, as set forth in the applicable Pricing Supplement. An owner of a Book-Entry Security will not be entitled to receive a certificate representing such a Security, except as provided in the Indenture.

Book-Entry Securities will be issued in accordance with the Administrative Procedure set forth in Part I hereof, and Certificated Securities will be issued in accordance with the Administrative Procedure set forth in Part II hereof.

PART I: ADMINISTRATIVE PROCEDURE FOR BOOK-ENTRY SECURITIES

In connection with the qualification of the Book-Entry Securities for eligibility in the book-entry system maintained by the Depositary, the Trustee will perform the custodial, document control and administrative functions described below, in accordance with its respective obligations under a Letter of Representation from the

Company and the Trustee to the Depositary, dated the date hereof, and a Medium-Term Note Certificate Agreement between the Trustee and the Depositary, dated as of April 14, 1989 (the "Certificate Agreement"), and its obligations as a participant in the Depositary, including the Depositary's Same-Day Funds Settlement System ("SDFS").

Posting Rates by the Company:

The Company and the Agents will discuss from time to time the rates of interest per annum to be borne by and the maturity of Book-Entry Securities that may be sold as a result of the solicitation of offers by an Agent. The Company may establish a fixed set of interest rates and maturities for an offering period ("posting"). If the Company decides to change already posted rates, it will promptly advise the Agents to suspend solicitation of offers until the new posted rates have been established with the Agents. Acceptance of Offers by the Company:

Each Agent will promptly advise the Company by telephone or other appropriate means of all reasonable offers to purchase Book-Entry Securities, other than those rejected by such Agent. Each Agent may, in its discretion reasonably exercised, reject any offer received by it in whole or in part. Each Agent also may make offers to the Company to purchase Book-Entry Securities as a Purchasing Agent. The Company will have the sole right to accept offers to purchase Book-Entry Securities and may reject any such offer in whole or in part.

The Company will promptly notify the Selling Agent or Purchasing Agent, as the case may be, of its acceptance or rejection of an offer to purchase Book-Entry Securities. If the Company accepts an offer to purchase Book-Entry Securities, it will confirm such acceptance in writing to the Selling Agent or Purchasing Agent, as the case may be, and the Trustee.

Communication of Sale Information to the Company by Agent and Settlement Procedures:

A. After the acceptance of an offer by the Company, the Selling Agent or Purchasing Agent, as the case may be, will communicate promptly, but in no event later than the time set forth under "Settlement Procedure Timetable" below, the following details of the terms of such offer (the "Sale Information") to the Company by telephone (confirmed in writing) or by facsimile transmission or other acceptable written means:

(1) Principal Amount of Book-Entry Securities to be purchased;

(2) If a Fixed Rate Book-Entry Security, the interest rate and initial interest payment date;

(3) Trade Date;

(4) Settlement Date;

(5) Maturity Date;

(6) Specified Currency and, if the Specified Currency is other than U.S. dollars, the applicable Exchange Rate for such Specified Currency;

(7) Issue Price;

(8) Selling Agent's commission or Purchasing Agent's discount, as the case may be;

(9) Net Proceeds to the Company;

(10) If a redeemable Book-Entry Security, such of the following as are applicable:

(i) Redemption Commencement Date,
(ii) Initial Redemption Price (% of par), and
(iii) Amount (% of par) that the Redemption Price shall decline (but not below par) on each anniversary of the Redemption Commencement Date;

(11) If a Floating Rate Book-Entry Security, such of the following as are applicable:

(i) Interest Rate Basis,
(ii) Index Maturity,
(iii) Spread or Spread Multiplier,
(iv) Maximum Rate,
(v) Minimum Rate,
(vi) Initial Interest Rate,
(vii) Interest Reset Dates,
(viii) Interest Calculation Dates,
(ix) Interest Determination Dates,
(x) Interest Payment Dates,
(xi) Regular Record Dates, and
(xii) Calculation Agent;

(12) Name, address and taxpayer identification number of the registered owner(s);

(13) Denomination of certificates to be delivered at settlement;

(14) Book-Entry Security or Certificated Security; and

(15) Selling Agent or Purchasing Agent.

B. After receiving the Sale Information from the Selling Agent or Purchasing Agent, as the case may be, the Company will communicate such Sale Information to the Trustee by facsimile transmission or other acceptable written means. The Trustee will assign a CUSIP number to the Global Security from a list of CUSIP numbers previously delivered to the Trustee by the Company representing such Book-Entry Security and then advise the Company and the Selling Agent or Purchasing Agent, as the case may be, of such CUSIP number.

C. The Trustee will enter a pending deposit message through the Depositary's Participant Terminal System, providing the following settlement information to the Depositary, and the Depositary shall forward such information to such Agent and Standard & Poor's Ratings Group:

(1) The applicable Sale Information;

(2) CUSIP number of the Global Security representing such Book-Entry Security;

(3) Whether such Global Security will represent any other Book-Entry Security (to the extent known at such time);

(4) Number of the participant account maintained by the Depositary on behalf of the Selling Agent or Purchasing Agent, as the case may be, which number will be supplied by such Selling Agent or Purchasing Agent;

(5) The interest payment period; and

(6) Initial Interest Payment Date for such Book-Entry Security, number of days by which such date succeeds the record date for the Depositary's purposes (or, in the case of Floating Rate Securities which reset daily or weekly, the date five calendar days immediately preceding the applicable Interest Payment Date and, in the case of all other Book-Entry Securities, the Regular Record Date, as defined in the Security) and, if calculable at that time, the amount of interest payable on such Interest Payment Date.

D. The Trustee will complete and authenticate the Global Security previously delivered by the Company representing such Book-Entry Security.

E. The Depositary will credit such Book-Entry Security to the Trustee's participant account at the Depositary.

F. The Trustee will enter an SDFS deliver order through the Depositary's Participant Terminal System instructing the Depositary to (i) debit such Book-Entry Security to the Trustee's participant account and credit such Book-Entry Security to such Agent's participant account and (ii) debit such Agent's settlement account and credit the Trustee's settlement account for an amount equal to the price of such Book-Entry Security less such Agent's commission or discount, as the case may be. The entry of such a deliver order shall constitute a representation and warranty by the Trustee to the Depositary that (a) the Global Security representing such Book-Entry Security has been issued and authenticated and (b) the Trustee is holding such Global Security pursuant to the Certificate Agreement.

G. Such Agent will enter an SDFS deliver order through the Depositary's Participant Terminal System instructing the Depositary (i) to debit such Book-Entry Security to such Agent's participant account and credit such Book-Entry Security to the participant accounts of the Participants with respect to such Book-Entry Security and (ii) to debit the settlement accounts of such Participants and credit the settlement account of such Agent for an amount equal to the price of such Book-Entry Security.

H. Transfers of funds in accordance with SDFS deliver orders described in Settlement Procedures "F" and "G" will be settled in accordance with SDFS operating procedures in effect on the settlement date.

I. Upon confirmation of receipt of funds, the Trustee will transfer to the account of the Company maintained at The Bank of New York, New York, New York, DDA Account No. 8230122580, or such other account as the Company may have previously specified to the Trustee, in funds available for immediate use in the amount transferred to the Trustee in accordance with Settlement Procedure "F".

J. Upon request, the Trustee will send to the Company a statement setting forth the principal amount of Book-Entry Securities outstanding as of that date under the Indenture.

K. Such Agent will confirm the purchase of such Book-Entry Security to the purchaser either by transmitting to the participants with respect to such Book-Entry Security a confirmation order or orders through the Depositary's institutional delivery system or by mailing a written confirmation to such purchaser.

Preparation of Pricing Supplement:

If the Company accepts an offer to purchase a Book-Entry Security, it will prepare a Pricing Supplement reflecting the terms of such Book-Entry Security and arrange to have delivered to the Selling Agent or Purchasing Agent, with a copy to the Trustee, as the case may be, at least ten copies of such Pricing Supplement, not later than 5:00 p.m., New York City time, on the Business Day following the Trade Date (as defined below), or if the Company and the purchaser agree to settlement on the Business Day following the date of acceptance of such offer, not later than noon, New York City time, on such date. The Company will arrange to have the Pricing Supplement filed with, or transmitted by a means reasonably calculated to result in filing with, the Commission via the Commission's EDGAR System pursuant to Rule 424 under the Act.

Delivery of Confirmation and Prospectus to Purchaser by Selling Agent:

The Selling Agent will deliver to the purchaser of a Book-Entry Security a written confirmation of the sale and delivery and payment instructions. In addition, the Selling Agent will deliver to such purchaser or its agent the Prospectus as amended or supplemented (including the Pricing Supplement) in relation to such Book-Entry Security prior to or together with the earlier of the delivery to such purchaser or its agent of (a) the confirmation of sale or (b) the Book-Entry Security.

Date of Settlement:

The receipt by the Company of immediately available funds in payment for a Book-Entry Security and the authentication and issuance of the Global Security representing such Book-Entry Security shall constitute "settlement" with respect to such Book-Entry Security. All orders of Book-Entry Securities solicited by a Selling Agent or made by a Purchasing Agent and accepted by the Company on a particular date (the "Trade Date") will be settled on a date (the "Settlement Date") which is the third Business Day after the Trade Date pursuant to the "Settlement Procedure Timetable" set forth below, unless the Company and the purchaser agree to settlement on another Business Day which shall be no earlier than the next Business Day after the Trade Date.

Trustee Not to Risk Own Funds:

Nothing herein shall be deemed to require the Trustee to risk or expend its own funds in connection with any payments to the Company, the Agents or the Depositary or any purchaser, it being understood by all parties that payments made by the Trustee to the Company or the Agents, or the Depositary, or any purchaser shall be made only to the extent that funds are provided to the Trustee for such purpose. Settlement Procedure Timetable:

For orders of Book-Entry Securities solicited by a Selling Agent and accepted by the Company for settlement on the third Business Day after the Trade Date, Settlement Procedures "A" through "I" set forth above shall be completed as soon as possible but not later than the respective times (New York City time) set forth below:

SETTLEMENT PROCEDURE	TIME	
A	5:00 p.m.	on the Business Day following the Trade Date or 10:00 a.m. on the Business Day prior to the Settlement Date, whichever is earlier
B	12:00 noon	on the second Business Day immediately preceding the Settlement Date
C	2:00 p.m.	on the second Business Day immediately preceding the Settlement Date
D	9:00 a.m.	on the Settlement Date
E	10:00 a.m.	on the Settlement Date
F-G	2:15 p.m.	on the Settlement Date
H	4:45 p.m.	on the Settlement Date
I	5:00 p.m.	on the Settlement Date

If the initial interest rate for a Floating Rate Book-Entry Security has not been determined at the time that Settlement Procedure "A" is completed, Settlement Procedures "B" and "C" shall be completed as soon as such rate has been determined but no later than 2:00 p.m. on the second Business Day immediately preceding the Settlement Date. Settlement Procedure "H" is subject to extension in accordance with any extension of Fedwire closing deadlines and in the other events specified in the SDFS operating procedures in effect on the Settlement Date.

If settlement of a Book-Entry Security is rescheduled or canceled, the Trustee, upon obtaining knowledge thereof, will deliver to the Depositary, through the Depositary's Participant Terminal System, a cancellation message to such effect by no later than 2:00 p.m. on the Business Day immediately preceding the scheduled Settlement Date.

Failure to Settle:

If the Trustee fails to enter an SDFS deliver order with respect to a Book-Entry Security pursuant to Settlement Procedure "F", the Trustee may deliver to the Depositary, through the Depositary's Participant Terminal System, as soon as practicable a withdrawal message instructing the Depositary to debit such Book-Entry Security to the Trustee's participant account, provided that the Trustee's participant account contains a principal amount of the Global Security representing such Book-Entry Security that is at least equal to the principal amount to be debited. If a withdrawal message is processed with respect to all the Book-Entry Securities represented by a Global Security, the Trustee will mark such Global Security "canceled", make appropriate entries in the Trustee's records and send such canceled Global Security to the Company. The CUSIP number assigned to such Global Security shall, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned. If a withdrawal message is processed with respect to one or more, but not all, of the Book-Entry Securities represented by a Global Security, the Trustee will exchange such Global Security for two Global Securities, one of which shall represent such Book-Entry Security or Securities and shall be canceled immediately after issuance and the other of which shall represent the remaining Book-Entry Securities previously represented by the surrendered Global Security and shall bear the CUSIP number of the surrendered Global Security.

If the purchase price for any Book-Entry Security is not timely paid to the participants with respect to such Book-Entry Security by the beneficial purchaser thereof (or a person, including an indirect participant in the Depositary, acting on behalf of such purchaser), such participants and, in turn, the Agent for such Book-Entry Security may enter deliver orders through the Depositary's Participant Terminal System debiting such Book-Entry Security to such participant's account and crediting such Book-Entry Security to such Agent's account and then debiting such Book-Entry Security to such Agent's participant account and crediting such Book-Entry Security to the Trustee's participant account and shall notify the Company and the Trustee thereof. Thereafter, the Trustee will (i) promptly notify the Company of such order and the Company shall transfer to such Agent funds available for immediate use in an amount equal to the price of such Book-Entry Security which was credited to the account of the Company maintained at the Trustee in accordance with Settlement Procedure I, and (ii) deliver the withdrawal message and take the related actions described in the preceding paragraph. If such failure shall have occurred for any reason other than default by the applicable Agent to perform its obligations hereunder or under the Distribution Agreement, the Company will reimburse such Agent on an equitable basis for the loss of its use of funds during the period when the funds were credited to the account of the Company.

Notwithstanding the foregoing, upon any failure to settle with respect to a Book-Entry Security, the Depositary may take any actions in accordance with its SDFS operating procedures then in effect. In the event of a failure to settle with respect to one or more, but not all, of the Book-Entry Securities to have been represented by a Global Security, the Trustee will provide, in accordance with Settlement Procedure "D", for the authentication and issuance of a Global Security representing the other Book-Entry Securities to have been represented by such Global Security and will make appropriate entries in its records. The Company will, from time to time, furnish the Trustee with a sufficient quantity of Securities.

PART II: ADMINISTRATIVE PROCEDURE FOR CERTIFICATED SECURITIES

Posting Rates by Company:

The Company and the Agents will discuss from time to time the rates of interest per annum to be borne by and the maturity of Certificated Securities that may be sold as a result of the solicitation of offers by an Agent. The Company may establish a fixed set of interest rates and maturities for an offering period ("posting"). If the Company decides to change already posted rates, it will promptly advise the Agents to suspend solicitation of offers until the new posted rates have been established with the Agents.

Acceptance of Offers by Company:

Each Agent will promptly advise the Company by telephone or other appropriate means of all reasonable offers to purchase Certificated Securities, other than those rejected by such Agent. Each Agent may, in its discretion reasonably exercised, reject any offer received by it in whole or in part. Each Agent also may make offers to the Company to purchase Certificated Securities as a Purchasing Agent. The Company will have the sole right to accept offers to purchase Certificated Securities and may reject any such offer in whole or in part.

The Company will promptly notify the Selling Agent or Purchasing Agent, as the case may be, of its acceptance or rejection of an offer to purchase Certificated Securities. If the Company accepts an offer to purchase Certificated Securities, it will confirm such acceptance in writing to the Selling Agent or Purchasing Agent, as the case may be, and the Trustee.

Communication of Sale Information to Company by Agent:

After the acceptance of an offer by the Company, the Selling Agent or Purchasing Agent, as the case may be, will communicate the following details of the terms of such offer (the "Sale Information") to the Company by telephone (confirmed in writing) or by facsimile transmission or other acceptable written means:

(1) Principal Amount of Certificated Securities to be purchased;

(2) If a Fixed Rate Certificated Security, the interest rate and initial interest payment date;

(3) Trade Date;

(4) Settlement Date;

(5) Maturity Date;

(6) Specified Currency and, if the Specified Currency is other than U.S. dollars, the applicable Exchange Rate for such Specified Currency;

(7) Issue Price;

(8) Selling Agent's commission or Purchasing Agent's discount, as the case may be;

(9) Net Proceeds to the Company;

(10) If a redeemable Certificated Security, such of the following as are applicable:

- (i) Redemption Commencement Date,
- (ii) Initial Redemption Price (% of par), and
- (iii) Amount (% of par) that the Redemption Price shall decline (but not below par) on each anniversary of the Redemption Commencement Date;

(11) If a Floating Rate Certificated Security, such of the following as are applicable:

- (i) Interest Rate Basis,
- (ii) Index Maturity,
- (iii) Spread or Spread Multiplier,
- (iv) Maximum Rate,
- (v) Minimum Rate,
- (vi) Initial Interest Rate,
- (vii) Interest Reset Dates,
- (viii) Interest Calculation Dates,
- (ix) Interest Determination Dates,
- (x) Interest Payment Dates,
- (xi) Regular Record Dates, and
- (xii) Calculation Agent;

(12) Name, address and taxpayer identification number of the registered owner(s);

(13) Denomination of certificates to be delivered at settlement;

(14) Book-Entry Security or Certificated Security; and

(15) Selling Agent or Purchasing Agent.

Preparation of Pricing Supplement by Company:

If the Company accepts an offer to purchase a Certificated Security, it will prepare a Pricing Supplement reflecting the terms of such Certificated Security and arrange to have delivered to the Selling Agent or Purchasing Agent, with a copy to the Trustee, as the case may be, at least ten copies of such Pricing Supplement, not later than 5:00 p.m., New York City time, on the Business Day following the Trade Date, or if the Company and the purchaser agree to settlement on the date of acceptance of such offer, not later than noon, New York City time, on such date. The Company will arrange to have the Pricing Supplement filed with, or transmitted by a means reasonably calculated to result in filing with, the Commission via the Commission's EDGAR System pursuant to Rule 424 under the Act.

Delivery of Confirmation and Prospectus to Purchaser by Selling Agent:

The Selling Agent will deliver to the purchaser of a Certificated Security a written confirmation of the sale and delivery and payment instructions. In addition, the Selling Agent will deliver to such purchaser or its agent the Prospectus as amended or supplemented (including the Pricing Supplement) in relation to such Certificated Security prior to or together with the earlier of the delivery to such purchaser or its agent of (a) the confirmation of sale or (b) the Certificated Security.

Date of Settlement:

All offers of Certificated Securities solicited by a Selling Agent or made by a Purchasing Agent and accepted by the Company will be settled on a date (the "Settlement Date") which is the third Business Day after the date of acceptance of such offer, unless the Company and the purchaser agree to settlement (a) on another Business Day after the acceptance of such offer or (b) with respect to an offer accepted by the Company prior to 10:00 a.m., New York City time, on the date of such acceptance.

Trustee Not to Risk Own Funds:

Nothing herein shall be deemed to require the Trustee to risk or expend its own funds in connection with any payments to the Company, the Agents or any purchaser, it being understood by all parties that payments made by the Trustee to the Company or the Agents, or any purchaser shall be made only to the extent that funds are provided to the Trustee for such purpose.

Instruction from Company to Trustee for Preparation of Certificated Securities:

After receiving the Sale Information from the Selling Agent or Purchasing Agent, as the case may be, the Company will communicate such Sale Information to the Trustee by telephone (confirmed in writing) or by facsimile transmission or other acceptable written means.

The Company will instruct the Trustee by facsimile transmission or other acceptable written means to authenticate and deliver the Certificated Securities no later than 2:15 p.m., New York City time, on the Settlement Date. Such instruction will be given by the Company prior to 3:00 p.m., New York City time, on the Business Day immediately preceding the Settlement Date unless the Settlement Date is the date of acceptance by the Company of the offer to purchase Certificated Securities in which case such instruction will be given by the Company by 11:00 a.m., New York City time.

Preparation and Delivery of Certificated Securities by Trustee and Receipt of Payment Therefor:

The Trustee will prepare each Certificated Security and appropriate receipts that will serve as the documentary control of the transaction.

In the case of a sale of Certificated Securities to a purchaser solicited by a Selling Agent, the Trustee will, by 2:15 p.m., New York City time, on the Settlement Date, make available for delivery the Certificated Securities to the Selling Agent for the benefit of the purchaser of such Certificated Securities against delivery by the Selling Agent of a receipt therefor. On the Settlement Date the Selling Agent will deliver payment for such Certificated Securities in immediately available funds to the Company in an amount equal to the issue price of the Certificated Securities less the Selling Agent's commission; provided that the Selling Agent reserves the right to withhold payment for which it has not received funds from the purchaser. The Company shall not use any proceeds advanced by a Selling Agent to acquire securities.

In the case of a sale of Certificated Securities to a Purchasing Agent, the Trustee will, by 2:15 p.m., New York City time, on the Settlement Date, make available for delivery the Certificated Securities to the Purchasing Agent against delivery of payment for such Certificated Securities in immediately available funds to the Company in an amount equal to the issue price of the Certificated Securities less the Purchasing Agent's discount.

Failure of Purchaser to Pay Selling Agent:

If a purchaser (other than a Purchasing Agent) fails to make payment to the Selling Agent for a Certificated Security, the Selling Agent will promptly notify the Trustee and the Company thereof by telephone (confirmed in writing) or by facsimile transmission or other acceptable written means. The Selling Agent will immediately return the Certificated Security to the Trustee. Immediately upon receipt of such Certificated Security by the Trustee, the Company will return to the Selling Agent an amount equal to the amount previously paid to the Company in respect of such Certificated Security. The Company will reimburse the Selling Agent on an equitable basis for its loss of the use of funds during the period when they were credited to the account of the Company.

The Trustee will cancel the Certificated Security in respect of which the failure occurred and make appropriate entries in its records.

ACCOUNTANTS' LETTER

Pursuant to Sections 4(i) and 6(e), as the case may be, of the Distribution Agreement, the Company's independent certified public accountants shall furnish letters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules audited (and, if applicable, financial forecasts and/or pro forma financial information) examined by them and included or incorporated by reference in the Registration Statement or the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act or the Exchange Act, as applicable, and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the consolidated interim financial statements, selected financial data, pro forma financial information, financial forecasts and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been separately furnished to the Agents;

(iii) They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus and/or included in the Company's quarterly report on Form 10-Q incorporated by reference into the Prospectus as indicated in their reports thereon copies of which have been separately furnished to the Agents; and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi)(A)(i) below comply as to form in all material respects with the applicable accounting requirements of the Act and the Exchange Act and the related published rules and regulations, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Act and the Exchange Act and the related published rules and regulations;

(iv) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus and included or incorporated by reference in Item 6 of the Company's Annual Report on Form 10-K for the most recent fiscal year agrees with the corresponding amounts (after restatement where applicable) in the audited consolidated financial statements for five such fiscal years which were included or incorporated by reference in the Company's Annual Reports on Form 10-K for such fiscal years;

(v) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform in all material respects with the disclosure requirements of Items 301, 302 and 503(d), respectively, of Regulation S-K;

(vi) On the basis of limited procedures, not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus and/or included or incorporated by reference in the Company's Quarterly Reports on Form 10-Q incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act and the related published rules and regulations, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus or included in the Company's Quarterly Reports on Form 10-Q incorporated by reference in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included or incorporated by reference in the Company's Annual Report on Form 10-K for the most recent fiscal year;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived the unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in Clause (B) were not determined on a basis substantially consistent with the basis for the audited financial statements included or incorporated by reference in the Company's Annual Report on Form 10-K for the most recent fiscal year;

(D) any unaudited pro forma consolidated condensed financial statements included or incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest balance sheet included or incorporated by reference in the Prospectus) or any increase in the consolidated long-term debt of the Company and its subsidiaries, or as of the end of the latest period for which financial statements are available any decreases in consolidated net assets, in each case as compared with amounts shown in the latest balance sheet included or incorporated by reference in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included or incorporated by reference in the Prospectus there were any decreases in consolidated net revenues or the total or per share amounts of income before extraordinary items or net income, in each case as compared with the comparable period of the preceding year, except in each case for increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vii) In addition to the audit referred to in their report(s) included or incorporated by reference in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (vi) above, they have carried out certain specified procedures, not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Agents which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus (excluding documents incorporated by reference), or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Agents or in documents incorporated by reference in the Prospectus specified by the Agents, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

All references in this Annex III to the Prospectus shall be deemed to refer to the Prospectus (including the documents incorporated by reference therein) as defined in the Distribution Agreement as of the date referred to in Section 6(e) thereof and to the Prospectus as amended or supplemented (including the documents incorporated by reference therein) as of the date of the amendment, supplement, incorporation or the Time of Delivery relating to the Terms Agreement requiring the delivery of such letter under Section 4(i) thereof.

Exhibit 3(ii)

AMERICAN INTERNATIONAL GROUP, INC.

BY-LAWS

ARTICLE I

STOCKHOLDERS

Section 1.1. ANNUAL MEETINGS. An annual meeting of stockholders shall be held for the election of directors at such date, time and place either within or without the State of Delaware as may be designated by the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. SPECIAL MEETINGS. Special meetings of stockholders for any purpose or purposes may be called at any time by the Chairman, a Vice Chairman, if any, the President, if any, the Secretary or the Board of Directors, to be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting. A special meeting of stockholders shall be called by the Secretary upon the written request, stating the purpose of the meeting, of stockholders who together own of record twenty-five percent of the outstanding shares of each class of stock entitled to vote at such meeting.

Section 1.3. NOTICE OF MEETINGS. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of such meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. No business other than that stated in the notice shall be transacted at any special meeting without the unanimous consent of all the stockholders entitled to vote thereat.

Section 1.4. ADJOURNMENTS. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken; provided, that if the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

Section 1.5. QUORUM. At each meeting of stockholders, except where otherwise provided by law or the certificate of incorporation or these by-laws, the holders of a majority of the outstanding shares of each class of stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided by Section 1.4 of these by-laws until a quorum shall attend. Shares of its own capital stock belonging on the record date for the meeting to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6. ORGANIZATION. Meetings of stockholders shall be presided over by the Chairman, or in the absence of the Chairman by a Vice Chairman, if any, or in the absence of a Vice Chairman by the President, if any, or in the absence of the President by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, or in the absence of the Secretary an Assistant Secretary shall so act, or in their absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7. CLASSES OR SERIES OF STOCK; VOTING PROXIES. For purposes of this Article I, two or more classes or series of stock shall be considered a single class if and to the extent that the holders thereof are entitled to vote together as a single class at the meeting. Unless otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors unless the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting shall so determine. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. With respect to other matters, unless otherwise provided by law or by the certificate of incorporation or these by-laws, the affirmative vote of the holders of a majority of the shares of all classes of stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, provided that (except as otherwise required by law or by the certificate of incorporation) the Board of Directors may require a larger vote upon any such matter. Where a separate vote by class is required, the affirmative vote of the holders of a majority of the shares of each class present in person or represented by proxy at the meeting shall be the act of such class, except as otherwise provided by law or by the certificate of incorporation or these by-laws.

Section 1.8. FIXING DATE FOR DETERMINATION OF STOCKHOLDERS OF RECORD. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of any meeting, nor more than sixty days prior to any other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board is necessary, shall be the day on which the first written consent is expressed; and (3) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9. LIST OF STOCKHOLDERS ENTITLED TO VOTE. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 1.10. CONSENT OF STOCKHOLDERS IN LIEU OF MEETING. Unless otherwise provided in the certificate of incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 1.11. ADVANCE NOTICE OF STOCKHOLDER NOMINEES FOR DIRECTOR AND OTHER STOCKHOLDER PROPOSALS. (a) The matters to be considered and brought before any annual or special meeting of stockholders of the Corporation shall be limited to only such matters, including the nomination and election of directors, as shall be brought properly before such meeting in compliance with the procedures set forth in this Section 1.11.

(b) For any matter to be properly brought before any annual meeting of stockholders, the matter must be (i) specified in the notice of annual meeting given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors or (iii) brought before the annual meeting in the manner specified in this Section 1.11(b)(x) by a stockholder that holds of record stock of the Corporation entitled to vote at the annual meeting on such matter (including any election of a director) or (y) by a person (a "Nominee Holder") that holds such stock through a nominee or "street name" holder of record of such stock and can demonstrate to the Corporation such indirect ownership of, and such Nominee Holder's entitlement to vote, such stock on such matter. In addition to any other requirements under applicable law, the certificate of incorporation and these by-laws, persons nominated by stockholders for election as directors of the Corporation and any other proposals by stockholders shall be properly brought before an annual meeting of stockholders only if notice of any such matter to be presented by a stockholder at such meeting (a "Stockholder Notice") shall be delivered to the Secretary at the principal executive office of the Corporation not less than ninety nor more than one hundred and twenty days prior to the first anniversary date of the annual meeting for the preceding year; provided, however, that if and only if the annual meeting is not scheduled to be held within a period that commences thirty days before and ends thirty days after such anniversary date (an annual meeting date outside such period being referred to herein as an "Other Meeting Date"), such Stockholder Notice shall be given in the manner provided herein by the later of (i) the close of business on the date ninety days prior to such Other Meeting Date or (ii) the close of business on the tenth day following the date on which such Other Meeting Date is first publicly announced or disclosed. Any stockholder desiring to nominate any person or persons (as the case may be) for election as a director or directors of the Corporation at an annual meeting of stockholders shall deliver, as part of such Stockholder Notice, a statement in writing setting forth the name of the person or persons to be nominated, the number and class of all shares of each class of stock of the Corporation owned of record and beneficially by each such person, as reported to such stockholder by such person, the information regarding each such person required by paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted by the Securities and Exchange Commission, each such person's signed consent to serve as a director of the Corporation if elected, such stockholder's name and address, the number and class of all shares of each class of stock of the Corporation owned of record and beneficially by such stockholder and, in the case of a Nominee Holder, evidence establishing such Nominee Holder's indirect ownership of stock and entitlement to vote such stock for the election of directors at the annual meeting. Any stockholder who gives a Stockholder Notice of any matter (other than a nomination for director) proposed to be brought before an annual meeting of stockholders shall deliver, as part of such Stockholder Notice, the text of the proposal to be presented and a brief written statement of the reasons why such stockholder favors the proposal and setting forth such stockholder's name and address, the number and class of all shares of each class of stock of the Corporation owned of record and beneficially by such stockholder, any material interest of such stockholder in the matter proposed (other than as a stockholder), if applicable, and, in the case of a Nominee Holder, evidence establishing such Nominee Holder's indirect ownership of stock and entitlement to vote such stock on the matter proposed at the annual meeting. As used in these by-laws, shares "beneficially owned" shall mean all shares which such person is deemed to beneficially own pursuant to Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"). If a stockholder is entitled to vote only for a specific class or category of directors at a meeting (annual or special), such stockholder's right to nominate one or more individuals for election as a director at the meeting shall be limited to such class or category of directors.

Notwithstanding any provision of this Section 1.11 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at the next annual meeting of stockholders is increased by virtue of an increase in the size of the Board of Directors and either all of the nominees for director at the next annual meeting of stockholders or the size of the increased Board of Directors is not publicly announced or disclosed by the Corporation at least one hundred days prior to the first anniversary of the preceding year's annual meeting, a Stockholder Notice shall also be considered timely hereunder, but only with respect to nominees to stand for election at the next annual meeting as the result of any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth day following the first day on which all such nominees or the size of the increased Board of Directors shall have been publicly announced or disclosed.

(c) Except as provided in the immediately following sentence, no matter shall be properly brought before a special meeting of stockholders unless such matter shall have been brought before the meeting pursuant to the Corporation's notice of such meeting. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any stockholder entitled to vote for the election of such director(s) at such meeting may nominate a person or persons (as the case may be) for election to such position(s) as are specified in the Corporation's notice of such meeting, but only if the Stockholder Notice required by Section 1.11(b) hereof shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth day following the first day on which the date of the special meeting and either the names of all nominees proposed by the Board of Directors to be elected at such meeting or the number of directors to be elected shall have been publicly announced or disclosed.

(d) For purposes of this Section 1.11, a matter shall be deemed to have been "publicly announced or disclosed" if such matter is disclosed in a press release reported by the Dow Jones News Service, the Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission.

(e) In no event shall the adjournment of an annual meeting or a special meeting, or any announcement thereof, commence a new period for the giving of notice as provided in this Section 1.11. This Section 1.11 shall not apply to (i) any stockholder proposal made pursuant to Rule 14a-8 under the Exchange Act or (ii) any nomination of a director in an election in which only the holders of one or more series of Preferred Stock of the Corporation issued pursuant to Article FOUR of the certificate of incorporation are entitled to vote (unless otherwise provided in the terms of such stock).

(f) The chairman of any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to determine whether notice of nominees and other matters proposed to be brought before a meeting has been duly given in the manner provided in this Section 1.11 and, if not so given, shall direct and declare at the meeting that such nominees and other matters shall not be considered.

Section 1.12. APPROVAL OF STOCKHOLDER PROPOSALS. Except as otherwise required by law, any matter (other than a nomination for director) that has been properly brought before an annual or special meeting of stockholders of the Corporation by a stockholder (including a Nominee Holder) in compliance with the procedures set forth in Section 1.11 shall require for approval thereof the affirmative vote of the holders of not less than a majority of all outstanding shares of Common Stock of the Corporation and all other outstanding shares of stock of the Corporation entitled to vote on such matter, with such outstanding shares of Common Stock and other stock considered for this purpose as a single class. Any vote of stockholders required by this Section 1.12 shall be in addition to any other vote of stockholders of the Corporation that may be required by law, the certificate of incorporation or these by-laws, by any agreement with a national securities exchange or otherwise.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1. POWERS; NUMBER; QUALIFICATIONS. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the certificate of incorporation. The Board shall consist of not less than seven nor more than 21 members, the number thereof to be determined from time to time by the Board; provided, however, that in determining the number of directors no account shall be taken of any non-voting director, including any advisory or honorary director, that may be elected from time to time by a majority of the Board of Directors. The number of directors may be increased by amendment of these by-laws by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by the affirmative vote of the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon, and by like vote the additional directors may be elected to hold office until the next succeeding annual meeting of stockholders and until their respective successors are elected and qualified or until their respective earlier resignations or removals. Directors need not be stockholders.

Section 2.2. ELECTION; TERM OF OFFICE; RESIGNATION; REMOVAL; VACANCIES. Each director shall hold office until the annual meeting of stockholders next succeeding his or her election and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any director may resign at any time upon written notice to the Board of Directors or to the Chairman or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and no acceptance of such resignation shall be necessary to make it effective. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; and any vacancy so created may be filled by the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of any class or series of stock are entitled to elect one or more directors by the provisions of the certificate of incorporation, the provisions of the preceding sentence shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. Unless otherwise provided in the certificate of incorporation or these by-laws, vacancies (other than any vacancy created by removal of a director by shareholder vote) and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director. Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may, unless otherwise provided in the certificate of incorporation, be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by the sole remaining director so elected.

Section 2.3. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board may from time to time determine, and if so determined notice thereof need not be given.

Section 2.4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman or by the Secretary on the written request of any two directors. Reasonable notice thereof shall be given by the person calling the meeting.

Section 2.5. PARTICIPATION IN MEETINGS BY CONFERENCE TELEPHONE PERMITTED. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or of such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. QUORUM; VOTE REQUIRED FOR ACTION. At all meetings of the Board of Directors a majority of the entire Board shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the certificate of incorporation or these by-laws shall require a vote of a greater number. In case at any meeting of the Board a quorum shall not be present, a majority of the members of the Board present may adjourn the meeting from time to time until a quorum shall attend, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which adjournment is taken.

Section 2.7. ORGANIZATION. Meetings of the Board of Directors shall be presided over by the Chairman, or in the absence of the Chairman by a Vice Chairman, if any, or in the absence of a Vice Chairman by the President, if any, or in their absence by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. ACTION BY DIRECTORS WITHOUT A MEETING. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 2.9. COMPENSATION OF DIRECTORS. The Board of Directors shall have the authority to fix the compensation of directors.

ARTICLE III

COMMITTEES

Section 3.1. COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable law and provided in the resolution of the Board or in these by-laws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in these by-laws or as may be determined from time to time by resolution adopted by the Board of Directors. The committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required. If the committee is for the purpose of managing the business of a division of the Corporation, at the option of the Board of Directors and provided that two directors serve on such committee, one or more of the members of the committee may be an officer or officers or employee or employees of the Corporation or a subsidiary thereof who are not directors, provided further that neither the quorum nor any action of the committee shall be determined by the presence or vote of any such member who is not a director.

The Executive Committee, if one shall be designated, to the extent permitted by applicable law shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Except as otherwise provided from time to time in resolutions passed by a majority of the whole Board of Directors, the powers and authority of the Executive Committee shall include the power and authority to declare a dividend on stock, to authorize the issuance of stock and to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law. Except as otherwise provided from time to time in resolutions passed by a majority of the whole Board of Directors, the power and authority of the Executive Committee shall not include the power or authority to nominate persons to serve as directors or to fill vacancies or newly created directorships, which power and authority shall be vested in the Board of Directors.

The Audit Committee, if one shall be designated, shall be composed of at least three directors, all of whom shall be persons who are not officers or employees of the Corporation or any of its parents or affiliates. Such Committee shall have the duty to advise the Board of Directors and the officers generally in matters relating to audits of the records of account of the Corporation and its subsidiaries. Such Committee shall recommend to the Board of Directors the nomination of the independent public accountants for the ensuing fiscal year, shall meet from time to time with the independent public accountants to review the scope of any proposed audit and to review the financial statements of the Corporation and its subsidiaries and the public accountants' certificate relating thereto, and may also meet with such internal auditors as may be employed by the Corporation or its subsidiaries.

The Finance Committee, if one shall be designated, shall direct the financial and investment policy of the Corporation. Subject to the control of the Board of Directors, it shall have power to invest and reinvest the assets of the Corporation in such securities or other property as it may elect and to change such investments at such time or times as it may deem proper, all subject to the requirements of law, and to assist, counsel and advise the Finance and Investment Committees of the Corporation's subsidiaries. All action taken by the Finance Committee shall be reported to the Board at its meeting next succeeding such action.

Section 3.2. COMMITTEE RULES. Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these by-laws.

ARTICLE IV

OFFICERS

Section 4.1. OFFICERS; ELECTION. As soon as practicable after the annual meeting of stockholders in each year, the Board of Directors shall elect a Chairman and a Secretary, and it may, if it so determines, elect one or more Vice Chairman and a President. The

Board may also elect one or more Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as the Board may deem desirable or appropriate and may give any of them such further designations or alternate titles as it considers desirable. Any number of offices may be held by the same person.

Section 4.2. TERM OF OFFICE; RESIGNATION; REMOVAL; VACANCIES. Except as otherwise provided in the resolution of the Board of Directors electing any officer each officer shall hold office until the first meeting of the Board after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Board or to the Chairman or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and no acceptance of such resignation shall be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board at any regular or special meeting.

Section 4.3. CHAIRMAN. The Chairman shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. The Chairman shall be the chief executive officer and shall have general charge and supervision of the business of the Corporation and, in general, shall perform all duties incident to the office of chairman of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 4.4. VICE CHAIRMAN. In the absence of the Chairman, a Vice Chairman, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present and shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 4.5. PRESIDENT. In the absence of the Chairman and a Vice Chairman, the President, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present and shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 4.6. VICE PRESIDENTS. The Vice President or Vice Presidents, at the request or in the absence of the President or during the President's inability to act, shall perform the duties of the President, and when so acting shall have the powers of the President. Vice Presidents include all Executive Vice Presidents and Senior Vice Presidents. If there be more than one Vice President, the Board of Directors may determine which one or more of the Vice Presidents shall perform any of such duties; or if such determination is not made by the Board, the Chairman may make such determination; otherwise any of the Vice Presidents may perform any of such duties. The Vice President or Vice Presidents shall have such other powers and shall perform such other duties as may, from time to time, be assigned to him or her or them by the Board or the Chairman or as may be provided by law.

Section 4.7. SECRETARY. The Secretary shall have the duty to record the proceedings of the meetings of the stockholders, the Board of Directors and any committees in a book to be kept for that purpose, shall see that all notices are duly given in accordance with the provisions of these by-laws or as required by law, shall be custodian of the records of the Corporation, may affix the corporate seal to any document the execution of which, on behalf of the Corporation, is duly authorized, and when so affixed may attest the same, and, in general, shall perform all duties incident to the office of secretary of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or the Chairman or as may be provided by law.

Section 4.8. TREASURER. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation and shall deposit or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by or under authority of the Board of Directors. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his or her duties, with such surety or sureties as the Board may determine. The Treasurer shall keep or cause to be kept full and accurate records of all receipts and disbursements in books of the Corporation, shall render to the Chairman and to the Board, whenever requested, an account of the financial condition of the Corporation, and, in general, shall perform all the duties incident to the office of treasurer of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or the Chairman or as may be provided by law.

Section 4.9. OTHER OFFICERS. The other officers, if any, of the Corporation, including any Assistant Vice Presidents, shall have such powers and duties in the management of the Corporation as shall be stated in a resolution of the Board of Directors which is not inconsistent with these by-laws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board. The Board may require any officer, agent or employee to give security for the faithful performance of his or her duties.

ARTICLE V

STOCK

Section 5.1. CERTIFICATES. Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or a Vice Chairman, if any, or the President, if any, or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by such holder in the Corporation. If such certificate is manually signed by one officer or manually countersigned by a transfer agent or by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5.2. LOST, STOLEN OR DESTROYED STOCK CERTIFICATES; ISSUANCE OF NEW CERTIFICATES. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

MISCELLANEOUS

Section 6.1. FISCAL YEAR. The fiscal year of the Corporation shall be the calendar year.

Section 6.2. SEAL. The Corporation may have a corporate seal which shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 6.3. WAIVER OF NOTICE OF MEETINGS OF STOCKHOLDERS, DIRECTORS AND COMMITTEES. Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

Section 6.4. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES. The Corporation shall indemnify to the full extent authorized by law any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a director, officer or employee of the Corporation or serves or served at the request of the Corporation any other enterprise as a director, officer, employee or agent. For purposes of this by-law, the term "Corporation" shall include any predecessor of the Corporation and any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger: the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Corporation" shall include service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

Section 6.5. INTERESTED DIRECTORS; QUORUM. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if: (1) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

Section 6.6. FORM OF RECORDS. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 6.7. DIVIDENDS. Subject to the provisions of the certificate of incorporation, the Board of Directors may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient. Before declaring any dividend, the Board may cause to be set apart out of any funds of the Corporation available for dividends, such sum or sums as the directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purposes as the directors shall deem conducive to the interests of the Corporation.

Section 6.8. CHECKS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

Section 6.9. AMENDMENT OF BY-LAWS. These by-laws may be amended or repealed, and new by-laws adopted, by the affirmative vote of a majority of the Board of Directors, but the holders of a majority of the shares then entitled to vote may adopt additional by-laws and may amend or repeal any by-law whether or not adopted by them.

Exhibit 4(x)

REGISTERED REGISTERED

AMERICAN INTERNATIONAL GROUP, INC.
FIXED RATE MEDIUM-TERM NOTE, SERIES F

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

NO. $

ORIGINAL ISSUE DATE: INTEREST RATE:
PRINCIPAL AMOUNT: U.S.$

MATURITY DATE:
REDEMPTION DATE:
REDEMPTION PRICE:

AMERICAN INTERNATIONAL GROUP, INC., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal amount shown above on the Maturity Date shown above, and to pay interest thereon from the Original Issue Date shown above or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on December 1 and June 1 in each year, commencing on the first Interest Payment Date succeeding the Original Issue Date of this Note (unless the Original Issue Date shown above is after November 15 and on or before the immediately following December 1 or after May 15 and on or before the immediately following June 1, in which case interest payments will commence on the next succeeding Interest Payment Date), at the interest rate per annum shown above, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the November 15 or May 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereof has been executed by the Trustee referred to on the reverse hereof, by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

AMERICAN INTERNATIONAL GROUP, INC.

DATED: By

TRUSTEE'S CERTIFICATE OF AUTHENTICATION
This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK
as Trustee

Chairman

Attest

By

Authorized Signatory

Secretary

AMERICAN INTERNATIONAL GROUP, INC.
FIXED RATE MEDIUM-TERM NOTE, SERIES F

This Note is one of a duly authorized series of securities of the Company, issued and to be issued in one or more series under an Indenture dated as of July 15, 1989 (herein called the "Indenture"), between the Company and The Bank of New York, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof (herein called the "Notes"), which is limited in aggregate principal amount to $780,546,000.

Unless a Redemption Commencement Date is specified on the face hereof, this Note shall not be redeemable at the option of the Company before the Maturity Date. If a Redemption Commencement Date is so specified, and unless otherwise specified on the face hereof, this Note is subject to redemption upon not less than 30 days' nor more than 60 days' notice at any time and from time to time on or after the Redemption Commencement Date, in each case as a whole or in part, at the election of the Company and at the applicable Redemption Price specified on the face hereof (expressed as a percentage of the principal amount of this Note to be redeemed), together with accrued interest to the Redemption Date, but interest installments due on or prior to such Redemption Date will be payable to the Holder of this Note, or one or more Predecessor Notes, of record at the close of business on the relevant record date, all as provided in the Indenture.

If an Event of Default with respect to the Notes shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this Note or (ii) certain covenants with respect to this Note, in each case upon compliance with certain conditions set forth therein.

As set forth in, and subject to, the provisions of the Indenture, no Holder of this Note will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the Outstanding Notes shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Notes a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days; provided, however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and premium, if any) or any interest on this Note on or after the respective due date expressed herein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest (if any) on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest (if any) on this Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common
TEN ENT -- as tenants by the
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -- ___Custodian___
(Cust) (Minor)
Under Uniform Gifts to Minors Act ____________
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

____

____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing ____ attorney to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: __________________________ ____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.

Exhibit 4(y)

REGISTERED REGISTERED

AMERICAN INTERNATIONAL GROUP, INC.
FLOATING RATE MEDIUM-TERM NOTE, SERIES F

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. $

ORIGINAL ISSUE DATE: INITIAL INTEREST RATE: MATURITY DATE:

INTEREST RATE BASIS:	INDEX MATURITY:	SPREAD:
[ ] LIBOR	-- TELERATE PAGE 7051:	SPREAD MULTIPLIER: %
[ ] TREASURY RATE	-- TELERATE PAGE 7052	SPECIFIED CURRENCY: U.S. DOLLARS
[ ] CMT RATE	(WEEKLY/MONTHLY):	U.S. DOLLARS FOR ALL PAYMENTS UNLESS OTHERWISE SPECIFIED BELOW:
[ ] COMMERCIAL PAPER RATE		-- CMT INDEX MATURITY:
		- PAYMENTS OF PRINCIPAL AND OF ANY PREMIUM:
[ ] PRIME RATE	CALCULATION AGENT:	
[ ] CD RATE		- PAYMENTS OF INTEREST:
[ ] FEDERAL FUNDS RATE		- EXCHANGE RATE AGENT:
MAXIMUM INTEREST RATE: %		REDEMPTION COMMENCEMENT DATE:
MINIMUM INTEREST RATE: %		
INTEREST RESET DATES:		REDEMPTION PRICE:

INTEREST PAYMENT DATES:

INTEREST DETERMINATION DATE:

INTEREST PAYMENT PERIOD: (MONTHLY, QUARTERLY, SEMI-ANNUALLY OR ANNUALLY)

INTEREST RATE RESET PERIOD: (DAILY, WEEKLY, MONTHLY, QUARTERLY, SEMI-ANNUALLY, ANNUALLY OR OTHERWISE)

AMERICAN INTERNATIONAL GROUP, INC., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, the principal sum of

DOLLARS

on the Maturity Date shown above, and to pay interest thereon from the Original Issue Date shown above or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at a rate per annum equal to the Initial Interest Rate shown above until the first Interest Reset Date specified above and thereafter at a rate determined in accordance with the provisions on the reverse hereof under the heading "Determination of LIBOR", "Determination of EURIBOR", "Determination of Treasury Rate", "Determination of CMT Rate", "Determination of Commercial Paper Rate", "Determination of Prime Rate" "Determination of CD Rate", or "Determination of Federal Funds Rate", depending upon whether the Interest Rate Basis is LIBOR, EURIBOR, Treasury Rate, CMT Rate, Commercial Paper Rate, Prime Rate, CD Rate, or Federal Funds Rate, as indicated by the marked box above, until the principal hereof is paid or duly made available for payment. The Company will pay interest monthly, quarterly, semi-annually or annually as shown above under "Interest Payment Period", commencing with the Interest Payment Date next succeeding the Original Issue Date shown above, and ending on the Maturity Date; provided, however, that if the Original Issue Date is after a Regular Record Date (as herein defined) and prior to the related Interest Payment Date, interest payments will commence on the Interest Payment Date following the next succeeding Regular Record Date. Except as provided above and in the Indenture referred to on the reverse hereof, monthly interest payments will be made on the third Wednesday of each month, quarterly interest payments will be made on the third Wednesday of March, June, September and December, semi-annual interest payments will be made on the third Wednesday of the two months set forth above and annual interest payments will be made on the third Wednesday of the month set forth above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) immediately preceding such Interest Payment Date. Any such interest which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date, will cease to be payable to the registered Holder on such Regular Record Date, and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

If any Interest Payment Date would otherwise be a day that is not a Business Day with respect to this Note, the Interest Payment Date shall be the next succeeding day that is a Business Day, except that if the Interest Rate Basis specified on the face hereof is LIBOR or EURIBOR and the next succeeding Business Day falls in the next calendar month, such Interest Payment Date shall be the immediately preceding Business Day. In all cases, an Interest Payment Date that falls on the Maturity will not be changed.

Payment of the principal of (and premium, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place. Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

AMERICAN INTERNATIONAL GROUP, INC.

DATED: By

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK
as Trustee

Chairman

Attest

By
Authorized Signatory

Secretary

AMERICAN INTERNATIONAL GROUP, INC.
FLOATING RATE MEDIUM-TERM NOTE, SERIES F

This Note is one of a duly authorized issue of securities of the Company, issued and to be issued in one or more series under an Indenture, dated as of July 15, 1989 (herein called the "Indenture"), between the Company and The Bank of New York, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof (herein called the "Notes"), which is limited in aggregate principal amount to $780,546,000.

The rate of interest on this Note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or otherwise, as specified on the face hereof under Interest Rate Reset Period (each date upon which interest is so reset as provided below being hereinafter referred to as an "Interest Reset Date"). Unless otherwise specified on the face hereof, the Interest Reset Date with respect to this Note will be as follows: if the Interest Rate Reset Period specified on the face hereof is daily, each Business Day; if the Interest Rate Reset Period specified on the face hereof is weekly (for Notes using an Interest Rate Basis, as specified on the face hereof, other than the Treasury Rate), Wednesday of each week; if the Interest Rate Reset Period specified on the face hereof is weekly and the Interest Rate Basis specified on the face hereof is the Treasury Rate, except as otherwise provided in the definition of Treasury Interest Determination Date under "Determination of Treasury Rate" below, the Tuesday of each week; if the Interest Rate Reset Period specified on the face hereof is monthly, the third Wednesday of each month; if the Interest Rate Reset Period specified on the face hereof is quarterly, the third Wednesday of each March, June, September and December; if the Interest Rate Reset Period specified on the face hereof is semi-annually, the third Wednesday of each of the two months specified on the face hereof; and if the Interest Rate Reset Period specified on the face hereof is annually, the third Wednesday of the month specified on the face hereof; provided, however, that (i) the interest rate in effect from the date of issue to the first Interest Reset Date will be the Initial Interest Rate specified on the face hereof and (ii) except as otherwise specified on the face hereof, if the Interest Rate Reset Period on the face hereof is daily or weekly, the interest rate in effect for each day following the second Business Day prior to an Interest Payment Date to, but excluding, such Interest Payment Date, and for each day following the second Business Day prior to the maturity date, shall be the rate in effect on such second Business Day. If, pursuant to the preceding sentence, any Interest Reset Date would otherwise be a day that is not a Business Day with respect to this Note, the Interest Reset Date shall be the next succeeding day that is a Business Day with respect to this Note, except that, unless otherwise specified on the face hereof, if the Interest Rate Basis specified on the face hereof is LIBOR and the next succeeding Business Day falls in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

Subject to applicable provisions of law and except as specified herein, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

"Euro Business Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor system, is open for business.

"London Business Day" means any day on which dealings in the relevant specified currency are transacted in the London interbank market.

"Business Day" means, for any note, a day that meets all the following applicable requirements: (i) for all notes, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law regulation or executive order to close; (ii) if the note is a LIBOR note, is also a London Business Day; (iii) if the note has a specified currency other than U.S. dollars or euro, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the specified currency; and (iv) if the note is EURIBOR note or has a specified currency of euros, or is a LIBOR note for which the specified currency is euros, is also a Euro Business Day.

DETERMINATION OF LIBOR. If the Interest Rate Basis is LIBOR, the Interest Rate Basis that takes effect on any Interest Reset Date shall be LIBOR on the corresponding LIBOR Interest Determination Date (as defined below) and shall be determined in accordance with the following provisions:

(a) LIBOR will be the offered rate appearing on the Telerate LIBOR Page (as defined below), as of 11:00 A.M., London time, on such LIBOR Interest Determination Date, for deposits of the Specified Currency having the Index Maturity beginning on such Interest Reset Date.

(b) If the rate described in (a) does not appear on the Telerate LIBOR Page, then 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 of the Specified Currency having the Index Maturity beginning on such Interest Reset Date, and in a Representative Amount (as defined below) are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent. The Calculation Agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR for such LIBOR Interest Determination Date will be the arithmetic mean of such quotations.

(c) If fewer than two quotations are provided as described in (b)

LIBOR for such LIBOR Interest Determination Date will be the arithmetic mean of the rates for loans of the Specified Currency having the Index Maturity, beginning on such Interest Reset Date, and in a Representative Amount to leading European banks quoted, at approximately 11:00 A.M., in the principal financial center for the country of the Specified Currency, on such LIBOR Interest Determination Date, by three major banks in that financial center selected by the Calculation Agent.

(d) If fewer than three banks selected by the Calculation Agent are quoting as described in (c) LIBOR for the new Interest Rate Reset Period will be LIBOR in effect for the prior Interest Rate Reset Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"LIBOR Interest Determination Date" means, in relation to a particular Interest Reset Date, the second London Business Day preceding such Interest Reset Date, unless the Specified Currency is pounds sterling, in which case the LIBOR Interest Determination Date will be the Interest Reset Date.

"Telerate Page" means the display on Bridge Telerate Inc., or any successor service, on the page or pages specified herein, or any replacement page or pages on that service.

"Telerate LIBOR Page" means Telerate Page 3750 or any replacement page or pages on which London interbank rates of major banks for the Specified Currency are displayed.

"Representative Amount" means an amount that, in the Calculation Agent's judgment, is representative of a single transaction in the relevant market at the relevant time.

DETERMINATION OF EURIBOR. If the Interest Rate Basis is EURIBOR, the Interest Rate Basis that takes effect on any Interest Reset Date shall equal the interest rate for deposits in euros designated as "EURIBOR" and sponsored jointly by the European Banking Federation and ACI -- the Financial Market Association (or any company established by the joint sponsors for purposes of compiling and publishing that rate) on the corresponding EURIBOR Interest Determination Date (as defined below), and shall be determined in accordance with the following procedures:

(a) EURIBOR will be the offered rate for deposits in euros having the Index Maturity beginning on the Interest Reset Date after such EURIBOR Interest Determination Date, as that rate appears on Telerate Page 248 as of 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date.

(b) If the rate described in (a) does not appear on Telerate Page 248, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date, at which euro deposits having the Index

Maturity, beginning on the Interest Reset Date, and in a Representative Amount are offered to prime banks in the Euro-zone (as defined below) interbank market by the principal Euro-zone office of each of four major banks in that market selected by the Calculation Agent. The Calculation Agent will request the principal Euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the quotations.

(c) If fewer than two quotations are provided as described in (b) EURIBOR for such EURIBOR Interest Determination Date will be the arithmetic mean of the rates for euro loans having the Index Maturity, beginning on the Interest Reset Date, and in a Representative Amount to leading Euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on such EURIBOR Interest Determination Date, by three major banks in the Euro-zone selected by the Calculation Agent.

(d) If fewer than three banks selected by the Calculation Agent are quoting as described in (c), EURIBOR for the new Interest Rate Reset Period will be EURIBOR in effect for the prior Interest Rate Reset Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"EURIBOR Interest Determination Date" means, in relation to a particular Interest Reset Date, the second Euro Business Day preceding such Interest Reset Date.

"Euro-zone" means, at any time, the region comprised of the member states of the European Economic and Monetary Union that, as of that time, have adopted a single currency in accordance with the Treaty on European Union of February 1992.

DETERMINATION OF TREASURY RATE. If the Interest Rate Basis is the Treasury Rate, the Interest Rate Basis that takes effect on any Interest Reset Date shall equal the rate for the auction on the corresponding Treasury Interest Determination Date (as defined below) of direct obligations of the United States ("Treasury Bills") having the Index Maturity, as that rate appears on Telerate Page 56 or 57 under the heading "Investment Rate". If the Treasury Rate cannot be determined in this manner, the following procedures will apply in determining the Treasury Rate:

(a) If the rate described above does not appear on either page at 3:00 P.M., New York City time, on the Calculation Date corresponding to such Treasury Interest Determination Date (unless the calculation is made earlier and the rate is available from that source at that time), the Treasury Rate will be the Bond Equivalent Yield (as defined below) of the rate, for such Treasury Interest Determination Date, for the type of Treasury Bills described above, as published in H.15 Daily Update (as defined below), or another recognized electronic source used for displaying that rate, under the heading "U.S. Government Securities/Treasury Bills/Auction High".

(b) If the rate described in (a) does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Treasury Rate will be the Bond Equivalent Yield of the auction rate, for such Treasury Interest Determination date and for Treasury Bills of the kind described above, as announced by the U.S. Department of the Treasury.

(c) If the auction rate described in (b) is not so announced by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held for the relevant week, then the Treasury Rate will be the Bond Equivalent Yield of the rate, for such Treasury Interest Determination Date and for Treasury Bills having a remaining maturity closest to the Index Maturity, as published in H.15(519)(as defined below) under the heading "U.S. Government Securities/Treasury Bills/Secondary Market".

(d) If the rate described in (c) does not appear in H.15(519) by 3:00 P.M., New York City time, on such Calculation Date unless the calculation is made earlier and the rate is available from one of those sources at that time), then the Treasury Rate will be the rate, for such Treasury Interest Determination Date and for Treasury Bills having a remaining maturity closest to the Index Maturity, as published in H.15 Daily Update, or another recognized electronic source used for displaying that rate, under the heading "U.S. Government Securities/Treasury Bills/Secondary Market".

(e) If the rate described in (d) does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Treasury Rate will be the Bond Equivalent Yield 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, by three primary U.S. government securities dealers in New York City selected by the Calculation Agent for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity.

(f) If fewer than three dealers selected by the Calculation Agent are quoting as described in (e), the Treasury Rate in effect for the new Interest Rate Reset Period will be the Treasury Rate in effect for the prior Interest Rate Reset Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"Treasury Interest Determination Date" means the day of the week in which the Interest Reset Date falls on which Treasury Bills would normally be auctioned. If as the result of a legal holiday an auction is held on the preceding Friday, that Friday will be the Treasury Interest Determination Date relating to the Interest Reset Date occurring in the next succeeding week. If the auction is held on a day that would otherwise be an Interest Reset Date, then the Interest Reset Date will instead be the first Business Day following the auction date.

"Bond Equivalent Yield" means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{bond equivalent yield} = \frac{D \times N}{360-(D \times M)} \times 100$$

where "D" means the annual rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; "N" means 365 or 366, as the case may be; and "M" means the actual number of days in the applicable Interest Reset Period.

"H.15(519)" means the weekly statistical release entitled "Statistical Release H.15(519)", or any successor publication, published by the Board of Governors of the Federal Reserve System.

"H.15 Daily Update" means the daily update of H.15(519) available through the worldwide-web site of the Board of Governors of the Federal Reserve System, at http:// www.bog.frb.fed.us/releases/h15/update, or any successor site or publication.

DETERMINATION OF CMT RATE. If the Interest Rate Basis is the CMT Rate, the Interest Rate Basis that takes effect on any Interest Reset Date shall equal the CMT Rate on the CMT Interest Determination Date (as defined below). "CMT Rate" means the following rate displayed on the Designated CMT Telerate Page (as defined below) under the Heading "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.", under the column for the Designated CMT Index Maturity (as defined below):

(x) if the Designated CMT Telerate Page is Telerate Page 7051, the rate for such CMT Interest Determination Date; or

(y) if the Designated CMT Telerate Page is Telerate Page 7052, the weekly or monthly average, as specified on the face hereof, for the week that ends immediately before the week in which such CMT Interest Determination Date falls, or for the month that ends immediately before the month in which such CMT Interest Determination Date falls, as applicable.

If the CMT Rate cannot be determined in this manner, the following procedures will apply in determining the CMT Rate.

(a) If the applicable rate described above is not displayed on the relevant Designated CMT Telerate Page at 3:00 P.M., New York City time, on the Calculation Date corresponding to such CMT Interest Determination Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT Rate will be the applicable Treasury constant maturity rate described above as published in H.15(519).

(b) If the applicable rate described in (a) does not appear in H.15(519) by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT Rate will be the

Treasury constant maturity rate, or other U.S. Treasury rate, for the Designated CMT Index Maturity and with reference to such CMT Interest Determination Date, that:

(i) is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; and

(ii) is determined by the Calculation Agent to be comparable to the applicable rate formerly displayed on the Designated CMT Telerate Page and published in H.15(519).

(c) If the rate described in (b) does not appear by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT Rate will be the yield to maturity of the arithmetic mean of secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Interest Determination Date, of three primary U.S. government securities dealers in New York City selected by the Calculation Agent for the most recently issued direct, non-callable, fixed rate obligations of the U.S. government ("Treasury Notes") having an original maturity of approximately the Designated CMT Index Maturity and a remaining term to maturity of not less than the Designated CMT Index Maturity minus one year and in a Representative Amount. In selecting such offered rates, the Calculation Agent will request quotations from five such primary dealers and will disregard the highest quotation -- or, if there is equality, one of the highest -- and the lowest quotation -- or, if there is equality, one of the lowest.

(d) If the Calculation Agent is unable to obtain three quotations of the kind described in (c) the CMT Rate will be the yield to maturity of the arithmetic mean of secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Interest Determination Date, of three primary U.S. government securities dealers in New York City selected by the Calculation Agent for Treasury Notes with an original maturity longer than the Designated CMT Index Maturity, with a remaining term to maturity closest to the Designated CMT Index Maturity and in a Representative Amount. In selecting such offered rates, the Calculation Agent will request quotations from five such primary dealers and will disregard the highest quotation -- or, if there is equality, one of the highest -- and the lowest quotation -- or, if there is equality, one of the lowest. If two Treasury Notes with an original maturity longer than the Designated CMT Index Maturity have remaining terms to maturity that are equally close to the Designated CMT Index Maturity, the Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.

(e) If fewer than five but more than two such primary dealers are quoting as described in (d) the CMT Rate for such CMT Interest Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.

(f) If two or fewer primary dealers selected by the Calculation Agent are quoting as described in (e) the CMT Rate in effect for the new Interest Rate Reset Period will be the CMT Rate in effect for the prior Interest Rate Reset Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"CMT Interest Determination Date" means, in relation to a particular Interest Reset Date, the second Business Day immediately preceding such Interest Reset Date.

"Designated CMT Index Maturity" means the Index Maturity specified on the face hereof and will be the original period to maturity of a U.S. Treasury security -- specified on the face hereof, provided that, if no such original maturity period is so specified, the Designated CMT Index Maturity will be 2 years.

"Designated CMT Telerate Page" means the Telerate Page specified on the face hereof that displays Treasury constant maturities as reported in H.15(519); provided, however, that, if no Telerate Page is so specified, then the applicable page will be Telerate Page 7052, and provided further, that if Telerate Page 7052 applies but it is not specified on the face hereof whether the weekly or monthly average applies, the weekly average will apply.

DETERMINATION OF COMMERCIAL PAPER RATE. If the Interest Rate Basis is the Commercial Paper Rate, the Interest Rate Basis that takes effect on any Interest Reset Date shall equal the Money Market Yield (as defined below) of the discount rate, for the Commercial Paper Interest Determination Date (as defined below), for commercial paper having the Index Maturity specified on the face hereof, as published in H.15(519) under the heading "Commercial Paper -- Non-financial". If the Commercial Paper Rate cannot be determined in this manner, the following procedures will apply in determining the Commercial Paper Rate:

(a) If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date corresponding to such Commercial Paper Interest Determination Date (unless the calculation is made earlier and the rate is available from that source at that time), then the Commercial Paper Rate will be the rate, for such Commercial Paper Interest Determination Date, for commercial paper having the Index Maturity specified on the face hereof, as published in H.15 Daily Update or any other recognized electronic source used for displaying that rate, under the heading "Commercial Paper -- Non-financial".

(b) If the rate described in (a) does not appear in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Commercial Paper Rate will be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date, by three leading U.S. dollar commercial paper dealers in New York City selected by the Calculation Agent for U.S. dollar commercial paper that has the Index Maturity and is placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency.

(c) If fewer than three dealers selected by the Calculation Agent are quoting as described in (b) the Commercial Paper Rate for the new Interest Rate Reset Period will be the Commercial Paper Rate in effect for the prior Interest Rate Reset Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"Commercial Paper Interest Determination Date" means, in relation to a particular Interest Reset Date, the first Business Day immediately preceding such Interest Reset Date.

"Money Market Yield" means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{money market yield} = \frac{D \times 360}{360-(D \times M)} \times 100$$

where "D" means the annual rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and "M" means the actual number of days in the applicable Interest Reset Period.

DETERMINATION OF PRIME RATE. If the Interest Rate Basis is the Prime Rate, the Interest Rate Basis that takes effect on any Interest Reset Date shall equal the rate, for the Prime Interest Determination Date (as defined below), published in H.15(519) under the heading "Bank Prime Loan". If the Prime Rate cannot be determined in this manner, the following procedures will apply in determining the Prime Rate:

(a) If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time on the Calculation Date corresponding to such Prime Interest Determination Date (unless the calculation is made earlier and the rate is available from that source at that time), then the Prime Rate will be the rate, for such Interest Determination Date, as published in H.15 Daily Update or another recognized electronic source used for the purpose of displaying that rate, under the heading "Bank Prime Loan".

(b) If the rate described in (a) is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the Prime Rate will be the arithmetic mean of the rates of interest publicly announced by each bank appearing on that page as that bank's prime rate or base lending rate, as of 11:00 A.M., New York City time, on such Prime Interest Determination Date as they appear on the Reuters Screen US PRIME 1 Page (as defined below).

(c) If fewer than four of the rates referred to in (b) appear on the Reuters Screen US PRIME 1 Page, the Prime Rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on such Prime Interest Determination Date, of three major banks in New York City selected by the Calculation Agent. For this purpose, the Calculation Agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year.

(d) If fewer than three banks selected by the Calculation Agent are quoting as described in (c), the Prime Rate for the new Interest Rate Reset Period will be the Prime Rate in effect for the prior Interest Rate Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"Prime Interest Determination Date" means, in relation to a particular Interest Reset Date, the first Business Day immediately preceding such Interest Reset Date.

"Reuters Screen US PRIME 1 Page" means the display on the "US PRIME 1" page on the Reuters Monitor Money Rates Service, or any successor service, or any replacement page or pages on that service, for the purpose of displaying prime rates or base lending rates of major U.S. banks.

DETERMINATION OF CD RATE. If the Interest Rate Basis is the CD Rate, the Interest Rate Basis that takes effect on any Interest Reset Date shall equal the rate, on the CD Interest Determination Date (as defined below), for negotiable U.S. dollar certificates of deposit having the Specified Index Maturity as published in H.15(519) under the heading "CDs (Secondary Market)". If the CD Rate cannot be determined in this manner, the following procedures will apply in determining the CD Rate:

(a) If the rate described above does not appear published in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date corresponding to such CD Interest Determination Date, then the CD Rate will be the rate, for such CD Interest Determination Date, as published in H.15 Daily Update, or another recognized electronic source used for displaying that rate, under the heading "CDs (Secondary Market)".

(b) If the rate described in (a) does not appear in H.15 (519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the CD Rate will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Interest Determination Date, by three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City, as selected by the Calculation Agent for negotiable U.S. dollar certificates of deposit of major U.S. money center banks with a remaining maturity closest to the Index Maturity, and in a Representative Amount.

(c) If fewer than three dealers selected by the Calculation Agent are quoting as described in (b) , the CD Rate in effect for the new Interest Rate Reset Period will be the CD Rate in effect for the prior Interest Rate Reset Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"CD Interest Determination Date" means, in relation to a particular Interest Reset Date, the second Business Day immediately preceding such Interest Reset Date.

DETERMINATION OF FEDERAL FUNDS RATE. If the Interest Rate Basis is the Federal Funds Rate, the Interest Rate Basis that takes effect on any Interest Reset Date shall equal the rate, on the Federal Funds Interest Determination Date (as defined below), for U.S. dollar federal funds, as published in H.15(519) under the heading "Federal Funds (Effective)", as that rate is displayed on Telerate Page 120. If the Federal Funds Rate cannot be determined in this manner, the following procedures will apply in determining the Federal Funds Rate:

(a) If the rate described above is not displayed on Telerate Page 120 at 3:00 P.M., New York City time, on the Calculation Date corresponding to such Federal Funds Interest Determination Date (unless the calculation is made earlier and the rate is available from that source at that time), then the Federal Funds Rate will be the rate, for such Federal Funds Interest Determination Date, described above as published in H.15 Daily Update, or another recognized electronic source used for displaying that rate, under the heading "Federal Funds (Effective)".

(b) If the rate described in (a) is not displayed on Telerate Page 120 and does not appear in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on such Calculation Date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Federal Funds Rate will be the arithmetic mean of the rates for the last transaction in overnight, U.S. dollar federal funds arranged, before 9:00 A.M., New York City time, on such Federal Funds Interest Determination Date, by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the Calculation Agent.

(c) If fewer than three brokers selected by the Calculation Agent are quoting as described in (b), the Federal Funds Rate in effect for the new Interest Rate Reset Period will be the Federal Funds Rate in effect for the prior Interest Rate Reset Period. If the Initial Interest Rate has been in effect for the prior Interest Rate Reset Period, however, it will remain in effect for the new Interest Rate Reset Period.

The Interest Rate Basis determined in accordance with the foregoing provisions will be adjusted by the addition or subtraction of the Spread, if any, or by multiplying such Interest Rate Basis by the Spread Multiplier, if any.

"Federal Funds Interest Determination Date" means, in relation to a particular Interest Reset Date, the first Business Day immediately preceding such Interest Reset Date.

Any reference to a Telerate Page, H.15(519),H.15 Daily Update, Reuters Screen US Prime 1 Page or heading shall include any successor page or heading as determined by the Calculation Agent.

The "Calculation Date" pertaining to any Treasury Interest Determination Date, CMT Interest Determination Date, Commercial Paper Interest Determination Date, Prime Rate Interest Determination Date, CD Interest Determination Date or Federal Funds Interest Determination Date, as the case may be, shall be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day; and, (ii) the Business Day immediately preceding the Interest Payment Date or the Maturity, whichever is the day on which the payment of interest will be due. If LIBOR or EURIBOR is the specified Interest Rate Basis on the face hereof, LIBOR and EURIBOR will be calculated on the relevant LIBOR Interest Determination Date or EURIBOR Interest Determination Date.

The Calculation Agent's determination of the interest rate on this Note will be final and binding in the absence of manifest error. In calculating an Interest Rate Basis, the Calculation Agent may obtain quotations from banks and dealers that are affiliates of the Calculation Agent and/or the Company.

All percentages resulting from any calculation with respect to this Note will be rounded upwards, or downwards, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, and all amounts used in or resulting from such calculations will be rounded to the nearest cent in the case of U.S. dollars, or to the nearest corresponding hundreth of a unit, in the case of a currency other than U.S. dollars (with one-half cent or one-half of a corresponding unit or more being rounded upwards).

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, shown on the face hereof, and, in any event, the interest rate hereon shall not be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

Accrued Interest hereon from the Original Issue Date or from the last date to which interest hereon has been paid, as the case may be, shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factors calculated for each day from the Original Issue Date or from the last date to which interest shall have been paid or duly provided for, as the case may be, to but excluding the date for which accrued interest is being calculated. The interest factor (expressed as a decimal) for each such day shall be computed by dividing the interest rate (expressed as a decimal) applicable to such day by 360, in the case of Notes with a LIBOR, EURIBOR, Commercial Paper, Prime Rate, CD Rate or Federal Funds Interest Rate Basis, or by the actual number of days in the year, in the case of Notes with a Treasury Rate or CMT Interest Rate Basis.

Unless a Redemption Commencement Date is specified on the face hereof, this Note shall not be redeemable at the option of the Company before the Maturity Date. If a Redemption Commencement Date is so specified, and unless otherwise specified on the face hereof, this Note is subject to redemption upon not less than 30 days' nor more than 60 days' notice at any time and from time to time on or after the Redemption Commencement Date, in each case as a whole or in part, at the election of the Company and at the applicable Redemption Price specified on the face hereof (expressed as a percentage of the principal amount of this Note to be redeemed), together with accrued interest to the Redemption Date, but interest installments due on or prior to such Redemption Date will be payable to the Holder of this Note, or one or more Predecessor Notes, of record at the close of business on the relevant record date, all as provided in the Indenture.

If an Event of Default with respect to Notes shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

As set forth in, and subject to, the provisions of the Indenture, no Holder of this Note will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the Outstanding Notes shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Notes a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days; provided, however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and premium, if any) or any interest of this Note on or after the respective due date expressed herein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in principal amount of Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of Securities of each series at the time Outstanding, on behalf of the Holders of Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest (if any) on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest (if any) on this Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	--	as tenants in common	UNIF GIFT MIN ACT -- ___Custodian___
TEN ENT	--	as tenants by the entireties	(Cust) (Minor)
JT TEN	--	as joint tenants with right of survivorship and not as tenants in common	Under Uniform Gifts to Minors Act ____________ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

____

____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing ____ attorney to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: __________________________ ____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.

EXHIBIT 8

[SULLIVAN & CROMWELL LETTERHEAD]

January 26, 2001

American International Group, Inc.
70 Pine Street,
New York, New York 10270.

Ladies and Gentlemen:

We have acted as your counsel in connection with the registration under the Securities Act of 1933, as amended (the "Securities Act"), of $780,546,000 of Medium-Term Notes, Series F (the "Securities") of American International Group, Inc. We hereby confirm to you our opinion set forth under the caption "United States Taxation" in the Prospectus Supplement, dated January 26, 2001 (the "Prospectus Supplement"), relating to the Securities.

We hereby consent to the filing with the Securities and Exchange Commission of this letter and the reference to us in the Prospectus Supplement under the caption "United States Taxation". In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act.

Very truly yours,

/s/ Sullivan & Cromwell

Exhibit 11

American International Group, Inc. and Subsidiaries

Computation of Earnings Per Share

(in millions, except per share amounts)

Years Ended December 31,	2000(a)	1999(b)	1998(b)	1997(b)	1996(b)
Numerator:					
Basic:					
Net income	$ 5,636	$ 5,055	$ 4,282	$ 3,711	$ 3,171
Dividends on convertible preferred stocks	--	--	(12)	(18)	(27)
Net income applicable to common stock	5,636	5,055	4,270	3,693	3,144
Diluted:					
Net income	5,636	5,055	4,282	3,711	3,171
Dividends on non-convertible preferred stock	--	--	--	(6)	(12)
Net income applicable to common stock	5,636	5,055	4,282	3,705	3,159
Denominator:					
Basic:					
Average shares outstanding used in the computation of per share earnings:					
Common stock issued	2,484	2,496	2,448	2,427	2,415
Common stock in treasury	(166)	(174)	(166)	(161)	(149)
Common stock issued and outstanding but not vested to participants under various employee stock plans	--	--	(4)	(4)	(4)
Average shares outstanding-basic	2,318	2,322	2,278	2,262	2,262
Diluted:					
Average shares outstanding used in the computation of per share earnings:					
Common stock issued	2,484	2,496	2,448	2,427	2,415
Common stock in treasury	(166)	(174)	(166)	(161)	(149)
Stock options and stock purchase plan (treasury stock method)	25	28	22	17	15
Average number of shares issuable upon conversion of Series D Mandatory Conversion Premium Dividend Preferred Stock	--	--	--	--	6
Average number of shares issuable upon conversion of Series E Mandatory Conversion Premium Dividend Preferred Stock	--	--	21	24	28
Average number of shares issuable upon conversion of Premium Equity Redemption Cumulative Security Units	--	--	6	6	--
Average shares outstanding-diluted	2,343	2,350	2,331	2,313	2,315
Earnings per share:					
Basic	$ 2.43	$ 2.18	$ 1.87	$ 1.63	$ 1.39
Diluted	$ 2.41	$ 2.15	$ 1.83	$ 1.60	$ 1.37

(a) The number of common shares outstanding as of December 31, 2000 was 2,333. The number of common shares that would have been outstanding as of December 31, 2000 assuming the exercise or issuance of all dilutive potential common shares outstanding was 2,360.

(b) Share information reflects a common stock split in the form of a 50 percent common stock dividend paid July 28, 2000, a common stock split in the form of a 25 percent common stock dividend paid July 30, 1999 and common stock splits in the form of 50 percent common stock dividends paid July 31, 1998 and July 25, 1997.

Exhibit 12

American International Group, Inc. and Subsidiaries

Computation of Ratios of Earnings to Fixed Charges

(in millions, except ratios)

Years Ended December 31,	2000	1999	1998	1997	1996
Income before income taxes and minority interest	$ 8,349	$ 7,512	$ 6,277	$ 5,310	$ 4,468
Less-Equity income of less than 50% owned persons	9	22	98	120	121
Add-Dividends from less than 50% owned persons	3	13	24	30	13
	8,343	7,503	6,203	5,220	4,360
Add-Fixed charges	2,900	2,357	2,172	1,954	1,697
Less-Capitalized interest	69	60	86	60	61
Income before income taxes, minority interest and fixed charges	$11,174	$ 9,800	$ 8,289	$ 7,114	$ 5,996
Fixed charges:					
Interest costs	$ 2,786	$ 2,251	$ 2,076	$ 1,870	$ 1,621
Rental expense*	114	106	96	84	76
Total fixed charges	$ 2,900	$ 2,357	$ 2,172	$ 1,954	$ 1,697
Ratio of earnings to fixed charges	3.85	4.16	3.82	3.64	3.53

*The proportion deemed representative of the interest factor.

The ratios shown are significantly affected as a result of the inclusion of the fixed charges and operating results of AIG Financial Products Corp. and its subsidiaries (AIGFP). AIGFP structures borrowings through guaranteed investment agreements and engages in other complex financial transactions, including interest rate and currency swaps. In the course of its business, AIGFP enters into borrowings that are primarily used to purchase assets that yield rates greater than the rates on the borrowings with the intent of earning a profit on the spread and to finance the acquisition of securities utilized to hedge certain transactions. The pro forma ratios of earnings to fixed charges, excluding the effects of the operating results of AIGFP, are 6.66, 6.96, 5.93, 5.48, and 5.29 for 2000, 1999, 1998, 1997 and 1996, respectively. As AIGFP will continue to be a subsidiary, AIG expects that these ratios will continue to be lower than they would be if the fixed charges and operating results of AIGFP were not included therein.

Exhibit 21

Subsidiaries of Registrant

Name of Corporation(1)	Jurisdiction of Incorporation	% of Voting Securities Owned by its Immediate Parent(2)
American International Group, Inc. (Registrant)	Delaware	(3)
AIG Aviation, Inc.	Georgia	100%
AIG Bulgaria Insurance and Reinsurance Company AD	Bulgaria	100%
AIG Capital Corp.	Delaware	100%
AIG Capital Management Corp.	Delaware	100%
AIG Claim Services, Inc.	Delaware	100%
AIG Consumer Finance Group, Inc.	Delaware	100%
AIG Bank Polska S.A.	Poland	97.23%
AIG Credit S.A.	Poland	100%
Compania Financiera Argentina S.A.	Argentina	95.62%
AIG Credit Corp.	Delaware	100%
A.I. Credit Corp.	New Hampshire	100%
Imperial Premium Finance, Inc.	California	100%
Imperial Premium Finance, Inc.	Delaware	100%
AIG Finance Holdings, Inc.	New York	100%
AIG Finance (Hong Kong) Limited	Hong Kong	100%
AIG Financial Products Corp.	Delaware	100%
AIG Matched Funding Corp.	Delaware	100%
Banque AIG	France	90%(4)
AIG Funding, Inc.	Delaware	100%
AIG Global Investment Group, Inc.	Delaware	100%
AIG Capital Partners, Inc.	Delaware	100%
AIG Global Investment Corp.	New Jersey	100%
AIG Global Real Estate Investment Corp.	Delaware	100%
AIG Global Trade & Political Risk Insurance Company	New Jersey	100%
AIG Golden Insurance Ltd.	Israel	50.1%
AIG Life Insurance Company	Delaware	78.9%(5)
AIG Life Insurance Company of Canada	Canada	100%
AIG Life Insurance Company of Puerto Rico	Puerto Rico	100%
AIG Marketing, Inc.	Delaware	100%
AIG Memsa, Inc.	Delaware	100%
Tata AIG General Insurance Company Ltd.	India	26%
AIG Private Bank Ltd.	Switzerland	100%
AIG Risk Management, Inc.	New York	100%
AIG Trading Group Inc.	Delaware	100%
AIG International Inc.	Delaware	100%
AIU Insurance Company	New York	52%(6)
AIU North America, Inc.	New York	100%
American Home Assurance Company	New York	100%
AIG Hawaii Insurance Company, Inc.	Hawaii	100%
American International Insurance Company	New York	100%
American International Insurance Company of California, Inc.	California	100%
American International Insurance Company of New Jersey	New Jersey	100%
Minnesota Insurance Company	Minnesota	100%
American International Realty Corp.	Delaware	31.47%(7)
Pine Street Real Estate Holdings Corp.	New Hampshire	31.47%(8)
Transatlantic Holdings, Inc.	Delaware	33.77%(9)
Transatlantic Reinsurance Company	New York	100%
Putnam Reinsurance Company	New York	100%
Trans Re Zurich	Switzerland	100%

Subsidiaries of Registrant -- (continued)

Name of Corporation(1)	Jurisdiction of Incorporation	% of Voting Securities Owned by its Immediate Parent(2)
American International Group Data Center, Inc.	New Hampshire	100%
American International Life Assurance Company of New York	New York	77.52%(10)
American International Reinsurance Company Limited	Bermuda	100%
American International Assurance Company, Limited	Hong Kong	100%
American International Assurance Company (Australia) Limited	Australia	100%
American International Assurance Company (Bermuda) Limited	Bermuda	100%
American International Assurance Co. (Vietnam) Limited	Vietnam	100%
Tata AIG Life Insurance Company Ltd.	India	26%
Nan Shan Life Insurance Company, Ltd.	Taiwan	95%
American International Underwriters Corporation	New York	100%
American International Underwriters Overseas, Ltd.	Bermuda	100%
AIG Europe (Ireland) Ltd.	Ireland	100%
AIG Europe (U.K.) Limited	England	100%
AIG Interamericana Compania de Seguros Gerais (Brazil)	Brazil	50%
Universal Insurance Co., Ltd.	Thailand	100%
La Seguridad de Centroamerica, Compania de Seguros, Sociedad Anonima	Guatemala	100%
American International Insurance Company of Puerto Rico	Puerto Rico	100%
La Interamerica Compania de Seguros Generales S.A	Colombia	100%
American International Underwriters G.m.b.H	Germany	100%
Underwriters Adjustment Company, Inc.	Panama	100%
American Life Insurance Company	Delaware	100%
AIG Life (Bulgaria) Z.D. A.D.	Bulgaria	100%
AIG Participacoes do Brasil, S.A.	Brazil	100%
ALICO, S.A.	France	89%
American Life Insurance Company (Kenya) Limited	Kenya	100%
Pharaonic American Life Insurance Company	Egypt	71.6%
American Security Life Insurance Company, Ltd.	Switzerland	99.8%
American Security Life Insurance Company	Lichtenstein	100%
Birmingham Fire Insurance Company of Pennsylvania	Pennsylvania	100%
China America Insurance Company, Ltd.	Delaware	50%
Commerce and Industry Insurance Company	New York	100%
Commerce and Industry Insurance Company of Canada	Ontario	100%
Delaware American Life Insurance Company	Delaware	100%
Hawaii Insurance Consultants, Ltd.	Hawaii	100%
HSB Group, Inc.	Delaware	100%
The Hartford Steam Boiler Inspection and Insurance Company	Connecticut	100%
Allen Insurance Company Ltd. (Bermuda)	Bermuda	100%
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut	Connecticut	100%
The Hartford Steam Boiler Inspection and Insurance Company of Texas	Texas	100%
HSB Engineering Insurance Limited	England	100%
The Boiler Inspection and Insurance Company of Canada	Canada	100%
The Insurance Company of the State of Pennsylvania	Pennsylvania	100%
Landmark Insurance Company	California	100%
Mt. Mansfield Company, Inc.	Vermont	100%
National Union Fire Insurance Company of Pittsburgh, Pa.	Pennsylvania	100%
American International Specialty Lines Insurance Company	Alaska	70%(11)
International Lease Finance Corporation	California	100%
Lexington Insurance Company	Delaware	70%(11)
JI Accident & Fire Insurance Co. Ltd.	Japan	50%

Subsidiaries of Registrant--(continued)

Name of Corporation	Jurisdiction of Incorporation	% of Voting Securities Owned by its Immediate Parent(2)
National Union Fire Insurance Company of Louisiana	Louisiana	100%
21st Century Insurance Group	California	33.07%(12)
21st Century Insurance Company	California	100%
21st Century Casualty Company	California	100%
Starr Excess Liability Insurance Company, Ltd.	Delaware	100%
Starr Excess Liability Insurance International Limited	Ireland	100%
NHIG Holding Corp.	Delaware	100%
Audubon Insurance Company	Louisiana	100%
Audubon Indemnity Company	Mississippi	100%
Agency Management Corporation	Louisiana	100%
The Gulf Agency, Inc.	Alabama	100%
New Hampshire Insurance Company	Pennsylvania	100%
AIG Europe, S.A	France	(13)
A.I. Network Corporation	New Hampshire	100%
American International Pacific Insurance Company	Colorado	100%
American International South Insurance Company	Pennsylvania	100%
Granite State Insurance Company	Pennsylvania	100%
New Hampshire Indemnity Company, Inc.	Pennsylvania	100%
AIG National Insurance Company, Inc.	New York	100%
Illinois National Insurance Co.	Illinois	100%
New Hampshire Insurance Services, Inc.	New Hampshire	100%
Pharaonic Insurance Company, S.A.E.	Egypt	90%
The Philippine American Life and General Insurance Company	Philippines	99%
Pacific Union Assurance Company	California	100%
The Philippine American General Insurance Company, Inc.	Philippines	100%
Philam Insurance Company, Inc.	Philippines	100%
Risk Specialist Companies, Inc.	Delaware	100%
SunAmerica Inc.	Delaware	100%
SunAmerica Investments, Inc.	Georgia	100%
SunAmerica Financial Network, Inc.	Maryland	100%
Advantage Capital Corp.	New York	100%
FSC Securities, Inc.	Delaware	100%
Sentra Securities Corp.	California	100%
Spelman & Co., Inc.	California	100%
SunAmerica Securities, Inc.	Delaware	100%
Resources Trust Company	Colorado	100%
SunAmerica Life Insurance Company	Arizona	100%
First SunAmerica Life Insurance Company	New York	100%
Anchor National Life Insurance Company	Arizona	100%
Royal Alliance Associates, Inc.	Delaware	100%
SunAmerica Asset Management Corp.	Delaware	100%
SunAmerica Capital Services, Inc.	Delaware	100%
21st Century Insurance Company of Arizona	Arizona	51%(14)

Subsidiaries of Registrant--(continued)

Name of Corporation	Jurisdiction of Incorporation	% of Voting Securities Owned by its Immediate Parent(2)
United Guaranty Corporation	North Carolina	36.31%(15)
United Guaranty Insurance Company	North Carolina	100%
United Guaranty Mortgage Insurance Company	North Carolina	100%
United Guaranty Mortgage Insurance Company of North Carolina	North Carolina	100%
United Guaranty Residential Insurance Company of North Carolina	North Carolina	100%
United Guaranty Residential Insurance Company	North Carolina	75%(16)
United Guaranty Commercial Insurance Company of North Carolina	North Carolina	100%
United Guaranty Mortgage Indemnity Company	North Carolina	100%
United Guaranty Credit Insurance Company	North Carolina	100%
United Guaranty Services, Inc.	North Carolina	100%

- ----------

(1) All subsidiaries listed are consolidated in the accompanying financial statements. Certain subsidiaries have been omitted from the tabulation. The omitted subsidiaries, when considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary.

(2) Percentages include directors' qualifying shares.

(3) The common stock is owned 13.6 percent by SICO, 2.0 percent by Starr and 2.7 percent by The Starr Foundation.

(4) Also owned 10 percent by AIG Matched Funding Corp.

(5) Also owned 21.1 percent by Commerce & Industry Insurance Company.

(6) Also owned 8 percent by The Insurance Company of the State of Pennsylvania, 32 percent by National Union, and 8 percent by Birmingham.

(7) Also owned by 11 other AIG subsidiaries

(8) Also owned by 11 other AIG subsidiaries

(9) Also owned 26.19 percent by American International Group, Inc.

(10) Also owned 22.48 percent by American Home.

(11) Also owned 20 percent by The Insurance Company of the State of Pennsylvania and 10 percent by Birmingham.

(12) Also owned 16.87 percent by American Home, 6.34 percent by Commerce & Industry Insurance Company and 6.34 percent by New Hampshire.

(13) 100 percent to be held with other AIG companies.

(14) Also owned 49 percent by 21st Century Insurance Group.

(15) Also owned 45.88 percent by National Union, 16.95 percent by New Hampshire and 0.86 percent by The Insurance Company of the State of Pennsylvania.

(16) Also owned 25 percent by United Guaranty Residential Insurance Company of North Carolina.

Exhibit 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 and S-8 (No. 2-38768, No. 2-44043, No. 2-45346, No. 2-51498, No. 2-59317, No. 2-61858, No. 2-62760, No. 2-64336, No. 2-67600, No. 2-72058, No. 2-75874, No. 2-75875, No. 2-78291, No. 2-87005, No. 2-82989, No. 2-90756, No. 2-91945, No. 2-95589, No. 2-97439, No. 33-8495, No. 33-13874, No. 33-18073, No. 33-25291, No. 33-41643, No. 33-48996, No. 33-57250, No. 33-60327, No. 33-60827, No. 33-62821, No. 333-21365, No. 333-48639, No. 333-58095, No. 333-70069, No. 333-74187, No. 333-83813, No. 333-31024, No. 333-31346, No. 333-39976, No. 333-45828, No. 333-50198 and No. 333-52938) of American International Group, Inc. of our report dated February 7, 2001, relating to the consolidated financial statements and financial statement schedules, which appears in this Form 10-K. We also consent to the reference to our firm under the headings "Financial Statements" or "Experts" included in the Prospectuses.

PricewaterhouseCoopers LLP

New York, New York
March 30, 2001

Schedule I

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUMMARY OF INVESTMENTS--OTHER THAN INVESTMENTS IN RELATED PARTIES
As of December 31, 2000

(in millions)

	Cost*	Value	Amount at which shown in the Balance Sheet
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 1,861	$ 1,944	$ 1,941
States, municipalities and political subdivisions	21,592	22,435	21,918
Foreign governments	18,565	19,254	19,254
Public utilities	6,458	6,710	6,710
All other corporate	53,356	52,187	52,187
Total bonds	101,832	102,530	102,010
Total fixed maturities	101,832	102,530	102,010
Equity securities:			
Common stocks:			
Public utilities	138	150	150
Banks, trust and insurance companies	664	735	735
Industrial, miscellaneous and all other	5,569	5,240	5,240
Total common stocks	6,371	6,125	6,125
Non-redeemable preferred stocks	1,166	1,056	1,056
Total equity securities	7,537	7,181	7,181
Mortgage loans on real estate, policy and collateral loans	12,243	12,243	12,243
Financial services assets:			
Flight equipment primarily under operating leases, net of accumulated depreciation	19,325	--	19,325
Securities available for sale, at market value	14,636	14,669	14,669
Trading securities, at market value	--	7,347	7,347
Spot commodities, at market value	--	363	363
Unrealized gain on interest rate and currency swaps, options and forward transactions	--	10,235	10,235
Trading assets	7,045	--	7,045
Securities purchased under agreements to resell, at contract value	14,991	--	14,991
Other invested assets	13,394	--	13,394
Short-term investments, at cost (approximates market value)	5,831	--	5,831
Total investments	$196,834	--	$214,634

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

Schedule II

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

(in millions)

December 31,	2000	1999
Assets:		
Cash	$ 1	$ 3
Short-term investments	2	1
Invested assets	721	760
Carrying value of subsidiaries and partially-owned companies, at equity	39,712	34,603
Premiums and insurance balances receivable-net	155	113
Other assets	2,140	377
Total assets	42,731	35,857
Liabilities:		
Insurance balances payable	334	285
Due to affiliates-net	930	861
Medium term notes payable	582	481
Term notes payable	433	432
Zero coupon notes	127	114
Italian Lire bonds	159	159
Other liabilities	547	219
Total liabilities	3,112	2,551
Capital funds:		
Common stock	6,189	4,152
Additional paid-in capital	2,668	2,080
Retained earnings	34,304	31,040
Accumulated other comprehensive income	(2,136)	(2,103)
Treasury stock	(1,406)	(1,863)
Total capital funds	39,619	33,306
Total liabilities and capital funds	$42,731	$35,857

STATEMENT OF INCOME--PARENT COMPANY ONLY

(in millions)

Years Ended December 31,	2000	1999	1998
Agency loss	$ (11)	$ (13)	$ (6)
Financial services income	280	246	263
Asset management income (loss)	(5)	5	--
Dividend income from consolidated subsidiaries:			
Cash	1,514	1,049	856
Other	--	30	--
Dividend income from partially-owned companies	--	7	14
Equity in undistributed net income of consolidated subsidiaries and partially-owned companies	4,230	4,180	3,737
Other income (deductions)-net	(87)	(162)	(210)
Income before income taxes	5,921	5,342	4,654
Income taxes	285	287	372
Net income	$5,636	$ 5,055	$ 4,282

Schedule II

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

(in millions)

Years Ended December 31,	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 5,636	$ 5,055	$ 4,282
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash revenues, expenses, gains and losses included in income:			
Equity in undistributed net income of consolidated subsidiaries and partially-owned companies	(4,230)	(4,180)	(3,737)
Change in premiums and insurance balances receivable and payable-net	7	(1)	30
Change in cumulative translation adjustments	85	(99)	(18)
Other-net	(140)	(144)	178
Total adjustments	(4,278)	(4,424)	(3,547)
Net cash provided by operating activities	1,358	631	735
Cash flows from investing activities:			
Purchase of investments	(131)	(44)	(154)
Sale of investments	1	62	--
Change in short-term investments	(1)	9	(9)
Change in collateral and guaranteed loans	10	18	(25)
Contributions to subsidiaries and investments in partially-owned companies	(687)	(415)	(444)
Other-net	(26)	(39)	(36)
Net cash used in investing activities	(834)	(409)	(668)
Cash flows from financing activities:			
Change in medium term notes	101	14	(29)
Change in term notes	1	(556)	100
Proceeds from common stock issued	144	244	40
Change in loans payable	477	217	218
Cash dividends to shareholders	(335)	(303)	(324)
Acquisition of treasury stock	(947)	(275)	(81)
Proceeds from redemption of Premium Equity Redemption Cumulative Security Units	--	431	--
Other-net	33	7	7
Net cash used in financing activities	(526)	(221)	(69)
Change in cash	(2)	1	(2)
Cash at beginning of year	3	2	4
Cash at end of year	$ 1	$ 3	$ 2

NOTES TO FINANCIAL STATEMENTS--PARENT COMPANY ONLY

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

(2) Certain accounts have been reclassified in the 1999 and 1998 financial statements to conform to their 2000 presentation.

(3) "Equity in undistributed net income of consolidated subsidiaries and partially-owned companies" in the accompanying Statement of Income--Parent Company Only--includes equity in income of the minority-owned insurance operations.

(4) See also Notes to Consolidated Financial Statements.

Schedule III

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
As of December 31, 2000, 1999 and 1998 and for the years then ended

(in millions)

Segment	Deferred Policy Acquisition Costs	Reserves for Losses and Loss Expenses, Future Policy Benefits(a)	Reserve for Unearned Premiums	Policy and Contract Claims(b)	Premium Revenue	Net Investment Income	Losses and Loss Expenses Incurred, Benefits
2000							
General insurance	$2,438	$40,613	$12,510	$ --	$17,407	$2,701	$13,104
Life insurance	7,751	38,165	--	1,000	13,610	7,123	13,615
	$10,189	$78,778	$12,510	$1,000	$31,017	$9,824	$26,719
1999							
General insurance	$2,132	$38,252	$11,450	$ --	$15,544	$2,517	$11,738
Life insurance	7,492	34,608	--	942	11,942	6,206	11,870
	$9,624	$72,860	$11,450	$ 942	$27,486	$8,723	$23,608
1998							
General insurance	$1,852	$38,310	$10,009	$ --	$14,098	$2,192	$10,657
Life insurance	6,229	29,571	--	1,135	10,293	5,201	10,242
	$8,081	$67,881	$10,009	$1,135	$24,391	$7,393	$20,899

(in millions)

Segment	Amortization of Deferred Policy Acquisition Costs(c)	Other Operating Expenses	Net Premiums Written
2000			
General insurance	$1,708	$1,810	$17,526
Life insurance	958	2,611	--
	$2,666	$4,421	$17,526
1999			
General insurance	$1,528	$1,609	$16,224
Life insurance	891	2,381	--
	$2,419	$3,990	$16,224
1998			
General insurance	$1,358	$1,552	$14,586
Life insurance	759	2,046	--
	$2,117	$3,598	$14,586

(a) Reserves for losses and loss expenses with respect to the general insurance operations are net of discounts of $1.29 billion, $1.08 billion and $551 million for 2000, 1999 and 1998, respectively.

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

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

Schedule IV

AMERICAN INTERNATIONAL GROUP, INC. AND SUBSIDIARIES REINSURANCE
As of December 31, 2000, 1999 and 1998 and for the years then ended

(dollars in millions)

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percent of Amount Assumed to Net
2000					
Life insurance in-force	$581,937	$ 56,927	$ 1,122	$526,132	0.2%
Premiums:					
General insurance	$ 20,116	$ 7,524	$ 4,934	$ 17,526	28.1%
Life insurance	13,890	318	38	13,610(b)	0.3
Total premiums	$ 34,006	$ 7,842	$ 4,972	$ 31,136	16.0%
1999					
Life insurance in-force	$583,670	$ 69,535	$ 1,289	$515,424	0.3%
Premiums:					
General insurance	$ 18,660	$ 6,345	$ 3,909(a)	$ 16,224	24.1%
Life insurance	12,220	310	32	11,942(b)	0.3
Total premiums	$ 30,880	$ 6,655	$ 3,941	$ 28,166	14.0%
1998					
Life insurance in-force	$502,241	$ 62,768	$ 1,408	$440,881	0.3%
Premiums:					
General insurance	$ 17,931	$ 6,098	$ 2,753(a)	$ 14,586	18.9%
Life insurance	10,550	285	28	10,293(b)	0.3
Total premiums	$ 28,481	$ 6,383	$ 2,781	$ 24,879	11.2%

(a) The increase results from the consolidation of Transatlantic, which is a reinsurance company.

(b) Includes accident and health premiums of $2.58 billion, $2.25 billion and $1.88 billion in 2000, 1999 and 1998, respectively.