

AMERICAN INTERNATIONAL GROUP INC

Form 424B2

December 13, 2007

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**Filed Pursuant to Rule 424(b)(2)
Registration Nos. 333-106040; 333-143992**

Prospectus Supplement

(To Prospectus dated July 13, 2007)

American International Group, Inc.

\$1,000,000,000

7.70% Series A-5 Junior Subordinated Debentures

Minimum denominations of \$25 and integral multiples of \$25 in excess thereof

Interest is payable quarterly, beginning March 18, 2008

The Series A-5 Junior Subordinated Debentures will bear interest on their principal amount from the date they are issued to but excluding December 18, 2047 or, if that date is not a business day, the next business day (the scheduled maturity date) at the annual rate of 7.70% of their principal amount, payable quarterly in arrears on each March 18, June 18, September 18 and December 18, beginning on March 18, 2008, and commencing on the scheduled maturity date at an annual rate equal to three-month LIBOR plus 3.616%, payable quarterly in arrears on each March 18, June 18, September 18 and December 18, beginning on March 18, 2048. We have the right, on one or more occasions, to defer the payment of interest on the Series A-5 Junior Subordinated Debentures for up to 20 consecutive quarterly interest periods without being subject to our obligations under the alternative payment mechanism described in this prospectus supplement and for up to 40 consecutive quarterly interest periods without giving rise to an event of default. If we defer interest for more than two years and then file for bankruptcy, holders will have no claim for any interest other than for the earliest two years that remain unpaid at the time of filing.

We will be required to repay the principal amount of the Series A-5 Junior Subordinated Debentures on the scheduled maturity date only to the extent of the applicable percentage of the net proceeds we have received from the sale of qualifying capital securities during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to the scheduled maturity date. We will use our commercially reasonable efforts, subject to market disruption events, to sell enough qualifying capital securities to permit repayment of the Series A-5 Junior Subordinated Debentures in full on the scheduled maturity date. If any amount is not paid on the scheduled maturity date, it will remain outstanding and bear interest at a floating rate payable quarterly in arrears and we will continue to use our commercially reasonable efforts to sell enough qualifying capital securities to permit the repayment of any remaining principal amount of the Series A-5 Junior Subordinated Debentures in full. We must pay any remaining principal and interest on the Series A-5 Junior Subordinated Debentures in full, whether or not we have sold qualifying capital securities, on the final maturity date. The final maturity date is initially December 18, 2062, but we may extend the final maturity date for up to three additional five-year periods as described in this prospectus supplement.

The Series A-5 Junior Subordinated Debentures may be redeemed, in whole but not in part, at any time prior to December 18, 2012 (i) at their principal amount plus accrued and unpaid interest through the date of redemption if a tax event occurs and (ii) at a make-whole redemption price calculated as described herein plus accrued and unpaid interest through the date of redemption if a rating agency event occurs. On or after December 18, 2012, we may redeem the Series A-5 Junior Subordinated Debentures, in whole or in part, at their principal amount plus accrued and unpaid interest through the date of redemption.

The Series A-5 Junior Subordinated Debentures will be subordinated to all of our existing and future senior, subordinated and junior subordinated debt, except for (i) our Series A-1 through A-4 Junior Subordinated Debentures described in this prospectus supplement, which will rank *pari passu* with the Series A-5 Junior Subordinated Debentures, (ii) any trade accounts payable and accrued liabilities arising in the ordinary course of business and (iii) any future debt that by its terms is not superior in right of payment, and the Series A-5 Junior Subordinated

Debentures will be effectively subordinated to all liabilities of our subsidiaries.

We will apply to list the Series A-5 Junior Subordinated Debentures on the New York Stock Exchange. Trading of the Series A-5 Junior Subordinated Debentures on the New York Stock Exchange is expected to begin within 30 days after they are first issued.

An investment in the Series A-5 Junior Subordinated Debentures involves a high degree of risk. You should carefully consider the risks described under Risk Factors beginning on page S-7 before purchasing the Series A-5 Junior Subordinated Debentures.

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Commissions	Proceeds to American International Group, Inc.
Per \$25 principal amount of Series A-5 Junior Subordinated Debentures	\$ 25.00 ⁽¹⁾	\$ 0.7875	\$ 24.2125
Total (No Exercise of Over-Allotment Option)	\$ 1,000,000,000 ⁽¹⁾	\$ 31,500,000	\$ 968,500,000
Total (Full Exercise of Over-Allotment Option)	\$ 1,150,000,000 ⁽¹⁾	\$ 36,225,000	\$ 1,113,775,000

(1) Plus interest accrued on the Series A-5 Junior Subordinated Debentures since December 18, 2007, if any.

We expect to deliver the Series A-5 Junior Subordinated Debentures to investors through the book-entry facilities of The Depository Trust Company and its direct participants, including Euroclear and Clearstream, on or about December 18, 2007. We have granted an option to the underwriters to purchase up to an additional \$150,000,000 principal amount of Series A-5 Junior Subordinated Debentures, at the price to public, exercisable within 15 days of the date of this prospectus supplement, solely to cover any over-allotments.

Joint Bookrunning Managers

Citi	Merrill Lynch & Co.	Morgan Stanley	UBS Investment Bank	Wachovia Securities
Banc of America Securities LLC	Bear, Stearns & Co. Inc.			RBC Capital Markets
Lehman Brothers				Wells Fargo Securities

December 11, 2007

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to the Company, AIG, we, our, us and similar references mean American International Group, Inc. and not its subsidiaries.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference therein and any related free writing prospectus issued by us. We have not authorized anyone to provide you with different information. We are offering to sell the Series A-5 Junior Subordinated Debentures only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front of those documents, regardless of the time of delivery of those documents or any sale of the Series A-5 Junior Subordinated Debentures.

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SUMMARY

In this summary, we have highlighted certain information in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that is important to you. To understand the terms of the Series A-5 Junior Subordinated Debentures, as well as the considerations that are important to you in making a decision to purchase the Series A-5 Junior Subordinated Debentures, you should carefully read this entire prospectus supplement and the accompanying prospectus. You should also read the documents we have referred you to in *Where You Can Find More Information* on page 106 in the accompanying prospectus.

About this Prospectus Supplement

This prospectus supplement summarizes the specific terms of the securities being offered and supplements the general descriptions set forth in the accompanying prospectus. This prospectus supplement also updates and supersedes information in the accompanying prospectus. In the case of inconsistencies, this prospectus supplement will apply. We use terms in this prospectus supplement as they are defined in the accompanying prospectus.

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 in the United States and abroad. AIG's principal executive offices are located at 70 Pine Street, New York, New York 10270, and its main telephone number is (212) 770-7000. The Internet address for AIG's corporate website is www.aigcorporate.com. Except for the documents referred to under *Where You Can Find More Information* in the accompanying prospectus, which are specifically incorporated by reference into this prospectus supplement, information contained on AIG's website or that can be accessed through its website does not constitute a part of this prospectus. AIG has included its website address only as an inactive textual reference and does not intend it to be an active link to its website.

The Series A-5 Junior Subordinated Debentures

Repayment of Principal

We are required to repay the principal amount of the Series A-5 Junior Subordinated Debentures, together with accrued and unpaid interest, on December 18, 2047, or, if that date is not a business day, on the next business day (the *scheduled maturity date*), subject to the limitations described below.

We are required to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date only to the extent of the applicable percentage of the net proceeds we have received from the issuance of qualifying capital securities, as these terms are defined under *Replacement Capital Covenant*, that we have sold during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If we have not sold a sufficient amount of qualifying capital securities to permit repayment of all of the Series A-5 Junior Subordinated Debentures on the scheduled maturity date, the unpaid amount will remain outstanding and bear interest at a floating rate until repaid. This obligation will continue to apply on each subsequent interest payment date until the earliest to occur of

the redemption of all the Series A-5 Junior Subordinated Debentures;

an event of default which results in acceleration of the Series A-5 Junior Subordinated Debentures; and

the final maturity date for the Series A-5 Junior Subordinated Debentures, which is initially December 18, 2062 (or, if this day is not a business day, the following business day) but may be extended at our sole option for up to three additional five-year periods as described below.

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Our failure to pay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date will not constitute an event of default under the junior debt indenture governing the Series A-5 Junior Subordinated Debentures. See

Description of Terms of the Series A-5 Junior Subordinated Debentures Events of Default Remedies If an Event of Default Occurs and Risk Factors Holders have limited rights of acceleration for a discussion of the limited remedies holders of the Series A-5 Junior Subordinated Debentures have if AIG fails to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date.

We will use our commercially reasonable efforts, subject to a market disruption event, as described under Description of Terms of the Series A-5 Junior Subordinated Debentures Market Disruption Events, to sell sufficient qualifying capital securities to permit repayment of the Series A-5 Junior Subordinated Debentures in full on the scheduled maturity date in accordance with the preceding paragraph. If we are unable for any reason to issue sufficient qualifying capital securities to permit repayment of the Series A-5 Junior Subordinated Debentures in full, we will use our commercially reasonable efforts, subject to a market disruption event, to sell sufficient qualifying capital securities to permit repayment of any outstanding Series A-5 Junior Subordinated Debentures on the following interest payment date, and on each interest payment date thereafter, until all of the Series A-5 Junior Subordinated Debentures are paid in full.

Any unpaid principal amount of the Series A-5 Junior Subordinated Debentures, together with accrued and unpaid interest, will be due and payable on the final maturity date, regardless of the amount of qualifying capital securities we have sold by that time. The final maturity date will initially be December 18, 2062 (or, if this day is not a business day, the following business day), but may be extended at our sole option on each of December 18, 2012, December 18, 2017 and December 18, 2022 (each, an *election date*) for an additional five years from the then applicable final maturity date. If we make this election on all of the election dates, the Series A-5 Junior Subordinated Debentures will mature on December 18, 2077 (or, if this day is not a business day, the following business day). If we make this election on two of these dates, the Series A-5 Junior Subordinated Debentures will mature on December 18, 2072 (or, if this day is not a business day, the following business day). If we make this election on only one of these dates, the Series A-5 Junior Subordinated Debentures will mature on December 18, 2067 (or, if this day is not a business day, the following business day).

We are not required to issue any securities pursuant to the obligation described above other than qualifying capital securities.

Interest

The Series A-5 Junior Subordinated Debentures will bear interest from and including December 18, 2007 to but excluding the scheduled maturity date at the annual rate of 7.70%, payable quarterly in arrears on March 18, June 18, September 18 and December 18 of each year, beginning on March 18, 2008. The Series A-5 Junior Subordinated Debentures will bear interest from and including the scheduled maturity date at a rate equal to three-month LIBOR (as defined under Description of Terms of the Series A-5 Junior Subordinated Debentures Interest Rate and Interest Payment Dates) plus 3.616%, payable quarterly in arrears on March 18, June 18, September 18 and December 18 of each year, beginning on March 18, 2048. We refer to each quarterly date on which interest is payable as an interest payment date.

Ranking

The Series A-5 Junior Subordinated Debentures will constitute one series of the junior subordinated debentures referred to in the accompanying prospectus and will be issued by AIG under the junior debt indenture referred to in the accompanying prospectus. The Series A-5 Junior Subordinated Debentures will rank *pari passu* with our

\$1,000,000,000 aggregate principal amount of 6.25% Series A-1 Junior Subordinated Debentures, our £750,000,000 aggregate principal amount of 5.75% Series A-2 Junior Subordinated Debentures, our 1,000,000,000 aggregate principal amount of 4.875% Series A-3 Junior Subordinated Debentures and our \$750,000,000 aggregate principal amount of 6.45% Series A-4 Junior Subordinated Debentures (collectively, the *outstanding parity securities*).

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The Series A-5 Junior Subordinated Debentures will be unsecured, will rank junior in payment to all of our existing and future senior debt, as defined under Description of Terms of the Series A-5 Junior Subordinated Debentures Subordination, will rank *pari passu* with the outstanding parity securities and will be effectively subordinated to all liabilities of our subsidiaries. Substantially all of our existing indebtedness, other than the outstanding parity securities, is senior debt.

Deferral of Interest

We have the right, on one or more occasions, to defer the payment of interest on the Series A-5 Junior Subordinated Debentures for up to 20 consecutive quarterly interest periods without being subject to our obligations under the alternative payment mechanism described under Description of Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism, and for up to 40 consecutive quarterly interest periods without giving rise to an event of default under the terms of the Series A-5 Junior Subordinated Debentures. However, the failure to pay all accrued and unpaid interest after the conclusion of 40 consecutive quarterly interest periods of deferral will, after the lapse of 30 days, constitute an event of default permitting acceleration of the Series A-5 Junior Subordinated Debentures. Interest on unpaid interest installments on the Series A-5 Junior Subordinated Debentures will accrue during the deferral period at the then applicable interest rate, compounding on each interest payment date.

During any deferral period, we generally will not be permitted to make any payments of deferred interest or distributions from any source other than eligible proceeds, as defined under Description of Terms of the Series A-5 Junior Subordinated Debentures, and we will not be required to make any interest or distribution payments other than pursuant to the alternative payment mechanism after the conclusion of 20 consecutive quarterly interest periods following the commencement of the deferral period or, if earlier, the first interest payment date on which we pay current interest.

Following the earlier of (i) the conclusion of 20 consecutive quarterly interest periods following the commencement of a deferral period and (ii) a payment of current interest on the Series A-5 Junior Subordinated Debentures during a deferral period, we will be required to pay deferred interest pursuant to the alternative payment mechanism. Under the alternative payment mechanism, after that date we must, subject to market disruption events, use our commercially reasonable efforts to sell APM qualifying securities, as defined under Alternative Payment Mechanism below, and apply the eligible proceeds to pay accrued and unpaid deferred interest on the Series A-5 Junior Subordinated Debentures.

If we defer payments of interest on the Series A-5 Junior Subordinated Debentures, the Series A-5 Junior Subordinated Debentures will be treated as being issued with original issue discount for United States federal income tax purposes. This means that you must include interest income with respect to the deferred distributions on your Series A-5 Junior Subordinated Debentures in gross income for United States federal income tax purposes, even though we will not make actual payments on the Series A-5 Junior Subordinated Debentures during a deferral period. See Certain United States Federal Income Tax Consequences United States Holders Interest Income and Original Issue Discount and Risk Factors Deferral of interest payments will have negative United States federal income tax consequences and is likely to adversely affect the market price of the Series A-5 Junior Subordinated Debentures for a further discussion of the federal income tax consequences of an interest deferral.

Limitations on Claims in the Event of Our Bankruptcy, Insolvency or Receivership

In the event of our bankruptcy, insolvency or receivership, a holder of Series A-5 Junior Subordinated Debentures will only have a claim for deferred and unpaid interest (including compounded interest thereon) to the extent such interest (including compounded interest thereon) relates to the earliest two years of the portion of the deferral period for which interest has not been paid, as further described under Description of Terms of the Series A-5 Junior Subordinated

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Certain Payment Restrictions

During any period in which an event of default has occurred and is continuing or we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing, we and our subsidiaries generally may not make payments on or redeem or purchase our capital stock or our debt securities or guarantees ranking *pari passu* with or junior to the Series A-5 Junior Subordinated Debentures, subject to the exceptions described in the next paragraph and under Description of Terms of the Series A-5 Junior Subordinated Debentures Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances. In addition, if any deferral period lasts longer than one year, subject to the exceptions described in the next paragraph and under Description of Terms of the Series A-5 Junior Subordinated Debentures Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances, neither we nor any of our subsidiaries will be permitted to purchase, redeem or otherwise acquire any securities ranking junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period until the first anniversary of the date on which all deferred interest has been paid.

The terms of the Series A-5 Junior Subordinated Debentures permit us during a deferral period:

to make any payment of current or deferred interest on our debt securities or guarantees that rank *pari passu* with the Series A-5 Junior Subordinated Debentures upon our liquidation, including the outstanding parity securities (*pari passu securities*), so long as the payment is made *pro rata* to the amounts due on *pari passu* securities (including the Series A-5 Junior Subordinated Debentures), subject to the limitations described in the last paragraph under Description of the Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism Remedies and Market Disruptions to the extent that they apply;

to make any payment of deferred interest on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities;

to make any payment of principal in respect of *pari passu* securities having an earlier scheduled maturity date than the Series A-5 Junior Subordinated Debentures, as required under a provision of such *pari passu* securities that is substantially the same as the provision described below under Description of the Terms of the Series A-5 Junior Subordinated Debentures Repayment of Principal Scheduled Maturity Date, or any such payment in respect of *pari passu* securities having the same scheduled maturity date as the Series A-5 Junior Subordinated Debentures that is made on a *pro rata* basis among one or more series of such securities and the Series A-5 Junior Subordinated Debentures; and

to repay or redeem any security so as to avoid a breach of the instrument governing the same.

Alternative Payment Mechanism

Unless a market disruption event has occurred, and subject to certain limitations and conditions described under Description of Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism, if we defer interest on the Series A-5 Junior Subordinated Debentures, we will be required, not later than (i) the business day following the conclusion of 20 consecutive quarterly interest periods following the commencement of a deferral period or (ii) if earlier, the first interest payment date during a deferral period on which we elect to pay current interest, to issue APM qualifying securities until we have raised an amount of eligible proceeds sufficient to pay the deferred interest (and compounded interest thereon) in full. We will not pay deferred interest (and compounded interest thereon) on the Series A-5 Junior Subordinated Debentures from any source other than the eligible proceeds from the sale of APM qualifying securities, unless otherwise required at the time by any applicable regulatory

authority, the deferral period is terminated on the interest payment date following certain business combinations or an event of default has occurred and is continuing. We refer to this process as the alternative payment mechanism. See Description of Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism for a more detailed description of this mechanism.

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The following securities are APM qualifying securities for purposes of the alternative payment mechanism:

- common stock ;
- qualifying warrants ;
- qualifying non-cumulative preferred stock ; and
- mandatorily convertible preferred stock,

in each case as defined under Description of Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism.

Although our failure to comply with our obligations with respect to the alternative payment mechanism will breach a covenant of the junior debt indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy. The remedies of holders of the Series A-5 Junior Subordinated Debentures will be limited in such circumstances as described under Risk Factors Holders have limited rights of acceleration.

Early Redemption of Series A-5 Junior Subordinated Debentures

We may redeem the Series A-5 Junior Subordinated Debentures in whole but not in part, at any time prior to December 18, 2012, (i) at their principal amount plus accrued and unpaid interest through the date of redemption if a tax event occurs or (ii) at a make-whole redemption price calculated as described herein plus accrued and unpaid interest through the date of redemption if a rating agency event occurs. If we redeem the Series A-5 Junior Subordinated Debentures prior to December 18, 2012 upon the occurrence of a rating agency event, the discount rate used to calculate the make-whole redemption price will be the adjusted treasury rate, plus 0.50%. For descriptions of tax event, rating agency event, adjusted treasury rate and how the make-whole redemption price will be calculated, see Description of Terms of the Series A-5 Junior Subordinated Debentures Early Redemption below. On or after December 18, 2012, we may redeem the Series A-5 Junior Subordinated Debentures, in whole or in part, on any interest payment date, at their principal amount plus accrued and unpaid interest through the date of redemption.

Any redemption of the Series A-5 Junior Subordinated Debentures must be made in accordance with the Replacement Capital Covenant and Alternative Payment Mechanism.

Events of Default

The following events are *events of default* with respect to the Series A-5 Junior Subordinated Debentures:

- default in the payment of interest, including compounded interest, in full on any Series A-5 Junior Subordinated Debenture for a period of 30 days after the conclusion of a deferral period that lasts for 40 consecutive quarterly interest periods; or
- default in the payment of the principal of any Series A-5 Junior Subordinated Debenture at the final maturity date or upon a call for redemption; or
- certain events of bankruptcy, insolvency and reorganization involving AIG.

The occurrence of an event of default described in the first bullet point will permit the indenture trustee or holders of at least 25% in principal amount of the Series A-5 Junior Subordinated Debentures to accelerate the principal amount

of all then outstanding Series A-5 Junior Subordinated Debentures, and the occurrence of an event of default described in the third bullet point will result in an automatic acceleration of the principal amount of all then outstanding Series A-5 Junior Subordinated Debentures. In the case of any other default or breach of the junior debt indenture by AIG, including an event of default under the second bullet point in the definition of that term, there is no right to declare the principal amount of the Series A-5 Junior Subordinated Debentures immediately due and payable. See

Risk Factors Holders have limited rights of acceleration for a further discussion of the limited ability of holders to exercise the remedy of acceleration.

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Book-Entry

The Series A-5 Junior Subordinated Debentures will be represented by one or more global securities registered in the name of a nominee for, and deposited with, The Depository Trust Company (*DTC*) or its nominee. This means that you will not receive a certificate for your Series A-5 Junior Subordinated Debentures and Series A-5 Junior Subordinated Debentures will not be registered in your name, except under certain limited circumstances described under Legal Ownership and Book-Entry Issuance.

Listing

We will apply to list the Series A-5 Junior Subordinated Debentures on the New York Stock Exchange. Trading of the Series A-5 Junior Subordinated Debentures on the New York Stock Exchange is expected to commence within 30 days after they are first issued.

Replacement Capital Covenant

We agree in the replacement capital covenant, only for the benefit of persons that buy, hold or sell a specified series of our long-term indebtedness ranking senior to the Series A-5 Junior Subordinated Debentures, that the Series A-5 Junior Subordinated Debentures will not be repaid, redeemed, defeased or purchased by us or any of our subsidiaries on or before December 18, 2057, unless the principal amount repaid or defeased, or the applicable redemption or purchase price does not exceed a maximum amount determined by reference to the aggregate amount of net cash proceeds we have received from the sale of common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity and certain qualifying capital securities and the market value of any common stock (or rights to acquire common stock) we and our subsidiaries have delivered or issued as consideration for property or assets in an arm's length transaction or issued in connection with the conversion or exchange of any convertible or exchangeable securities, other than securities for which we or any of our subsidiaries have received equity credit from any rating agency, in each case within the applicable measurement period. The replacement capital covenant, including the definitions of common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity and qualifying capital securities and other important terms, is described in more detail under Replacement Capital Covenant below.

If an event of default resulting in the acceleration of the Series A-5 Junior Subordinated Debentures occurs, we will not have to comply with the replacement capital covenant. Our covenant in the replacement capital covenant will run only to the benefit of the covered debtholders. It may not be enforced by the holders of the Series A-5 Junior Subordinated Debentures. The initial class of covered debtholders are the holders of our 6.25% Notes due 2036, CUSIP No. 026874AZ0.

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RISK FACTORS

Before deciding to purchase any Series A-5 Junior Subordinated Debentures, you should pay special attention to the following risk factors, as well as the risk factors set forth in Item 1A. of Part I of AIG's Annual Report on Form 10-K for the year ended December 31, 2006 (to obtain this document, see "Where You Can Find More Information" in the accompanying prospectus).

Our obligations to make payments on the Series A-5 Junior Subordinated Debentures are subordinate to our payment obligations under our senior debt and pari passu with the outstanding parity securities.

Our obligations under the Series A-5 Junior Subordinated Debentures are unsecured and rank junior in right of payment to all of our existing and future senior debt. See "Description of Terms of the Series A-5 Junior Subordinated Debentures Subordination" for the definition of "senior debt." As of September 30, 2007, there was approximately \$103.8 billion of outstanding senior debt of AIG.

This means that, unless all senior debt is repaid in full, we cannot make any payments on the Series A-5 Junior Subordinated Debentures if our unsecured indebtedness for borrowed money with a principal amount in excess of \$100 million is accelerated, in the event of our bankruptcy, insolvency or liquidation or in the event of the acceleration of the Series A-5 Junior Subordinated Debentures.

Substantially all of our existing indebtedness, other than the outstanding parity securities, is senior debt. The outstanding parity securities will rank *pari passu* with the Series A-5 Junior Subordinated Debentures and will not constitute senior debt. The terms of the junior debt indenture do not limit our ability to incur additional debt, including secured or unsecured debt.

The Series A-5 Junior Subordinated Debentures will be effectively subordinated to the obligations of our subsidiaries.

We are a holding company that conducts substantially all of our operations through subsidiaries. As a result, our ability to make payments on the Series A-5 Junior Subordinated Debentures will depend primarily upon the receipt of dividends and other distributions from our subsidiaries. Various legal and regulatory limitations restrict the extent to which our subsidiaries may extend credit to, pay dividends or other funds to, or otherwise engage in transactions with, us.

Our right to participate in any distribution of assets from any subsidiary upon the subsidiary's liquidation or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent that we are recognized as a creditor of that subsidiary. As a result, the Series A-5 Junior Subordinated Debentures will be effectively subordinated to all existing and future liabilities of our subsidiaries. You should look only to the assets of AIG as the source of payment for the Series A-5 Junior Subordinated Debentures, and not those of our subsidiaries.

Our obligation to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date is subject to our ability to issue qualifying capital securities.

Our obligation to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date, December 18, 2047, is limited. We are required to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date only to the extent that we have sold sufficient qualifying capital securities (as defined under "Replacement Capital Covenant") within a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If we have not sold sufficient qualifying capital securities to permit repayment of the Series A-5 Junior

Subordinated Debentures in full on the scheduled maturity date, the unpaid amount will remain outstanding and continue to bear interest at a floating rate until repaid, and we will not be required to repay the Series A-5 Junior Subordinated Debentures until (i) we have issued sufficient qualifying capital securities to permit repayment in accordance with this requirement, (ii) payment on the Series A-5 Junior Subordinated Debentures is accelerated upon the occurrence of an event of default or (iii) the final maturity date for the Series A-5 Junior Subordinated Debentures. The final maturity date is initially December 18, 2062 (or, if this day is not a business day, the following business day), but we

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may extend the final maturity date for up to three additional five-year periods at our sole option as described under Description of the Series A-5 Junior Subordinated Debentures Repayment of Principal Final Maturity Date. Our ability to issue qualifying capital securities will depend on, among other things, market conditions at the time the obligation arises, as well as the acceptability to prospective investors of the terms of these securities. Although we have agreed to use our commercially reasonable efforts to issue sufficient qualifying capital securities to repay the Series A-5 Junior Subordinated Debentures during the 180-day period referred to above and from interest payment date to interest payment date thereafter until the Series A-5 Junior Subordinated Debentures are repaid in full, our failure to do so would not be an event of default or give rise to a right of acceleration or similar remedy, and we will be excused from using our commercially reasonable efforts if certain market disruption events occur. Accordingly, there could be circumstances where we may have sufficient cash to repay the Series A-5 Junior Subordinated Debentures, but are restricted from doing so because we were unable to sell a sufficient amount of qualifying capital securities. In addition, all of the outstanding parity securities have an earlier scheduled maturity date than the Series A-5 Junior Subordinated Debentures. If these securities are outstanding on the scheduled maturity date, we will be required to repay them in full before repaying the Series A-5 Junior Subordinated Debentures if we are unable to sell a sufficient amount of qualifying capital securities to repay both the outstanding parity securities and the Series A-5 Junior Subordinated Debentures in full. See Holders have limited rights of acceleration below for a further discussion of the limited consequences of our failure to issue qualifying capital securities.

Moreover, we are entering into a replacement capital covenant for the benefit of holders of a designated series of our indebtedness that ranks senior to the Series A-5 Junior Subordinated Debentures pursuant to which we will covenant that neither we nor any of our subsidiaries will repay, redeem, defease or purchase Series A-5 Junior Subordinated Debentures on or before December 18, 2057 unless during the applicable measurement period we or our subsidiaries have sold sufficient common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity or certain qualifying capital securities. The holders of the Series A-5 Junior Subordinated Debentures are not parties to or beneficiaries of the replacement capital covenant. As a result, we may amend the replacement capital covenant at any time without the consent of the holders of the Series A-5 Junior Subordinated Debentures, except that under the terms of the junior debt indenture an amendment that imposes additional restrictions on the type or amount of qualifying capital securities that are considered for purposes of determining the principal amount of the Series A-5 Junior Subordinated Debentures that we are permitted to repay requires the consent of holders of a majority in principal amount of Series A-5 Junior Subordinated Debentures.

We have no obligation to issue any securities other than qualifying capital securities in connection with our obligation to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date.

We have the right to defer interest for 40 consecutive quarterly interest periods without causing an event of default.

We have the right to defer interest on the Series A-5 Junior Subordinated Debentures for a period of up to 40 consecutive quarterly interest periods. Although we would be subject to the alternative payment mechanism after the earlier of the conclusion of 20 consecutive quarterly interest periods following the commencement of the deferral period and the first interest payment date on which we make any payment of current interest during a deferral period, if we are unable to raise sufficient eligible proceeds, we may defer payment of accrued interest on the Series A-5 Junior Subordinated Debentures for a period of up to 40 consecutive quarterly interest periods without causing an event of default. During any such deferral period, holders of Series A-5 Junior Subordinated Debentures will receive limited or no current payments and, so long as we are otherwise in compliance with our obligations, such holders will have no remedies against us for nonpayment unless within 30 days after the conclusion of 40 consecutive quarterly interest periods following the commencement of the deferral period we fail to pay all previously deferred interest (including compounded interest).

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Interest and principal payments may be made on pari passu securities even though interest has not been paid on the Series A-5 Junior Subordinated Debentures.

We may in the future issue *pari passu* securities as to which during a deferral period we are required to make payments of interest that are not made *pro rata* with payments of interest on the Series A-5 Junior Subordinated Debentures or other *pari passu* securities and that, if not made, would cause us to breach the terms of the instrument governing the *pari passu* securities. The terms of the Series A-5 Junior Subordinated Debentures permit us during a deferral period:

to make any payment of current interest or deferred interest on *pari passu* securities during a deferral period that is made *pro rata* to the amounts due on *pari passu* securities and the Series A-5 Junior Subordinated Debentures, subject to the limitations described in the last paragraph under Description of Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism Remedies and Market Disruptions to the extent that they apply;

to make any payment of deferred interest on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities;

to make any payment of principal in respect of *pari passu* securities having an earlier scheduled maturity date than the Series A-5 Junior Subordinated Debentures, as required under a provision of such *pari passu* securities that is substantially the same as the provision described below under Description of the Terms of the Series A-5 Junior Subordinated Debentures Repayment of Principal Scheduled Maturity Date, or any such payment in respect of *pari passu* securities having the same scheduled maturity date as the Series A-5 Junior Subordinated Debentures that is made on a *pro rata* basis among one or more series of such securities and the Series A-5 Junior Subordinated Debentures; and

to repay or redeem any security necessary to avoid a breach of the instrument governing the same.

The outstanding parity securities constitute *pari passu* securities and will not require us to make interest payments on these securities while interest is being deferred on the Series A-5 Junior Subordinated Debentures, other than pursuant to an alternative payment mechanism substantially the same as the alternative payment mechanism for the Series A-5 Junior Subordinated Debentures.

Our ability to pay deferred interest is limited by the terms of the alternative payment mechanism and is subject to market disruption events and other factors beyond our control.

If we elect to defer interest payments, we will not be permitted to pay deferred interest on the Series A-5 Junior Subordinated Debentures (and compounded interest thereon) during the deferral period, which may last up to 40 consecutive quarterly interest periods, from any source other than from the net proceeds received by us from the issuance of common stock up to the maximum share number, qualifying warrants up to the maximum warrant number or qualifying non-cumulative preferred stock or mandatorily convertible preferred stock up to the preferred stock issuance cap (each as described below and defined under Description of Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism), unless otherwise directed by a regulatory authority, the deferral period is terminated on the interest payment date following certain business combinations or an event of default has occurred and is continuing.

Common Stock. The number of shares of common stock that we may sell to fund the payment of deferred interest on the Series A-5 Junior Subordinated Debentures may not exceed 100 million (subject to adjustment).

Qualifying Warrants. The number of shares of common stock that underlie qualifying warrants that we may sell to fund the payment of deferred interest on the Series A-5 Junior Subordinated

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Debentures may not exceed 100 million (or 200 million if we amend the definition of APM qualifying securities to eliminate common stock) (subject to adjustment).

Qualifying non-cumulative preferred stock and mandatorily convertible preferred stock. The preferred stock issuance cap limits the net proceeds of the issuance of qualifying non-cumulative preferred stock and mandatorily convertible preferred stock that we may apply to the payment of deferred interest on the Series A-5 Junior Subordinated Debentures to 25% of the aggregate principal amount of the Series A-5 Junior Subordinated Debentures issued.

We may increase the maximum share number or the maximum warrant number without your consent, but we may not increase the preferred stock issuance cap. These restrictions may prevent us from issuing sufficient shares of common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock for the purpose of paying all deferred interest on the Series A-5 Junior Subordinated Debentures.

The occurrence of a market disruption event may prevent or delay a sale of common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock pursuant to the alternative payment mechanism and, accordingly, the payment of deferred interest on the Series A-5 Junior Subordinated Debentures. Market disruption events include events and circumstances both within and beyond our control, such as the failure to obtain any consent or approval of our stockholders or a regulatory body or governmental authority to issue common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock notwithstanding our commercially reasonable efforts. Moreover, we may encounter difficulties in successfully marketing our common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock, particularly during times we are subject to the restrictions on dividends as a result of the deferral of interest. To the extent we do not sell sufficient common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock to fund deferred interest payments in these circumstances, we will not be permitted to pay deferred interest on the Series A-5 Junior Subordinated Debentures, even if we have cash available from other sources. In addition, the outstanding parity securities have comparable provisions with respect to the payment of deferred interest. Accordingly, if these securities are outstanding during a deferral period, we will be required to pay deferred interest on them on a *pro rata* basis with the Series A-5 Junior Subordinated Debentures if we are unable to sell sufficient shares of common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock to pay the deferred interest on all series in full. See Description of Terms of the Series A-5 Junior Subordinated Debentures Option to Defer Interest Payments, Alternative Payment Mechanism and Market Disruption Events for a more detailed explanation of the alternative payment mechanism.

The junior debt indenture limits our obligation to raise proceeds from the sale of common stock and qualifying warrants to pay deferred interest during the first 20 consecutive quarterly interest periods of a deferral period.

The junior debt indenture limits our obligation to raise proceeds from the sale of common stock and qualifying warrants to pay deferred interest during the first 20 consecutive quarterly interest periods of any deferral period to an amount we refer to as the stock and warrant issuance cap. This cap provides that, during the first 20 consecutive quarterly interest periods of any deferral period, in order to pay deferred interest, we are not required to issue shares of common stock or qualifying warrants to purchase a number of shares of our common stock in excess of an aggregate of 2% of the total number of issued and outstanding shares of our common stock as of the date of our then most recent publicly available consolidated financial statements. Once we reach the stock and warrant issuance cap for a deferral period, we will not be obligated to sell common stock or qualifying warrants to pay deferred interest relating to such deferral period until the conclusion of 20 consecutive quarterly interest periods of such deferral period.

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We have the ability under certain circumstances to narrow the definition of APM qualifying securities.

We may, without the consent of the holders of the Series A-5 Junior Subordinated Debentures, amend the definition of APM qualifying securities for the purposes of the alternative payment mechanism to eliminate common stock, qualifying warrants or mandatorily convertible preferred stock (but not both common stock and qualifying warrants) from the definition if, after the date of this prospectus supplement, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes. The elimination of common stock, qualifying warrants or mandatorily convertible preferred stock from the definition of APM qualifying securities, together with continued application of the preferred stock issuance cap, may make it more difficult for us to succeed in selling sufficient APM qualifying securities to fund the payment of the deferred interest.

Deferral of interest payments will have negative United States federal income tax consequences and is likely to adversely affect the market price of the Series A-5 Junior Subordinated Debentures.

If we defer interest payments on the Series A-5 Junior Subordinated Debentures, you will be required to accrue income, in the form of original issue discount, for United States federal income tax purposes with respect to the deferred interest on the Series A-5 Junior Subordinated Debentures, even if you normally report income when received and even though you may not receive the cash attributable to that income during the deferral period. See **Certain United States Federal Income Tax Consequences United States Holders Interest Income and Original Issue Discount** for a further discussion of the tax consequences of a deferral.

If we exercise our right to defer interest, the market price of the Series A-5 Junior Subordinated Debentures is likely to be adversely affected. As a result of the existence of our deferral right, the market price of the Series A-5 Junior Subordinated Debentures may be more volatile than the market prices of other securities that are not subject to optional interest deferrals.

We may redeem the Series A-5 Junior Subordinated Debentures before December 18, 2012 if there is a challenge to their tax characterization or the rating agency equity credit we receive for the Series A-5 Junior Subordinated Debentures is reduced.

We may redeem all, but not less than all, of the Series A-5 Junior Subordinated Debentures before December 18, 2012 if certain changes occur relating to the tax treatment of the Series A-5 Junior Subordinated Debentures or the rating agency equity credit accorded to the Series A-5 Junior Subordinated Debentures.

The redemption price prior to December 18, 2012 will equal 100% of the principal amount of the Series A-5 Junior Subordinated Debentures plus accrued and unpaid interest to the date of redemption in the case of a redemption after a tax event and a make-whole redemption price in the case of a redemption after a rating agency event. An Internal Revenue Service pronouncement or threatened challenge affecting the tax treatment of the Series A-5 Junior Subordinated Debentures could occur at any time. Similarly, changes in rating agency methodology for assigning equity credit to the Series A-5 Junior Subordinated Debentures could occur at any time. See **Description of Terms of the Series A-5 Junior Subordinated Debentures Early Redemption** for a further description of these events and the method of determining the make-whole redemption price.

Your claims in bankruptcy, insolvency and receivership to receive payment in respect of deferred interest may be limited.

In the event of our bankruptcy, insolvency or receivership, a holder of Series A-5 Junior Subordinated Debentures will have a claim for deferred and unpaid interest (including compounded interest thereon) only to the extent such interest (including compounded interest thereon) relates to the earliest two years of the portion of the deferral period for which interest has not been paid. Because we are permitted to defer interest

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payments for up to 40 consecutive quarterly interest periods without an event of default, claims may be extinguished in respect of interest accrued (and compounded) during as many as 32 quarterly interest periods.

Holders have limited rights of acceleration.

The remedies for any breach of our obligations under the alternative payment mechanism, the restrictions imposed in connection with any optional deferral of interest payments and our obligation to raise proceeds from the issuance of qualifying capital securities to permit the repayment of the Series A-5 Junior Subordinated Debentures on or after the scheduled maturity date are all limited. Our failure to comply with these obligations and restrictions will not constitute an event of default or give rise to a right of acceleration or similar remedy under the terms of the junior debt indenture. See Description of Terms of the Series A-5 Junior Subordinated Debentures Events of Default Remedies if an Event of Default Occurs for a description of the limited remedies of holders of the Series A-5 Junior Subordinated Debentures.

Changes in demand for Series A-5 Junior Subordinated Debentures could adversely affect their market price.

The Series A-5 Junior Subordinated Debentures are unlike traditional subordinated debt securities in that interest may be deferred for up to 40 consecutive quarterly interest periods, holders have limited remedies and our obligation to repay the principal amount of the Series A-5 Junior Subordinated Debentures prior to the final maturity date is subject to conditions. Investor demand for securities with the characteristics of the Series A-5 Junior Subordinated Debentures may change as these characteristics are assessed by market participants, regulators and others. Accordingly, the Series A-5 Junior Subordinated Debentures that you purchase, whether pursuant to the offer made by this prospectus supplement or in the secondary market, may trade at a significant discount to the price that you paid.

The trading market for the Series A-5 Junior Subordinated Debentures may be limited.

We will apply to list the Series A-5 Junior Subordinated Debentures on the New York Stock Exchange. Trading is expected to commence within 30 days after the Series A-5 Junior Subordinated Debentures are first issued. The underwriters for this offering have advised us that they intend to make a market in the Series A-5 Junior Subordinated Debentures after the offering is completed. However, the underwriters are not obligated to do so and may discontinue market making at any time. Therefore, no assurance can be given as to the liquidity of, or trading markets for, the Series A-5 Junior Subordinated Debentures.

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USE OF PROCEEDS

The net proceeds from this offering, after deducting the underwriting discounts and estimated offering expenses that we will pay, are estimated to be \$967,500,000, or \$1,112,675,000 if the underwriters exercise their over-allotment option in full. We intend to use the net proceeds from this offering primarily to repurchase shares of our common stock and otherwise for general corporate purposes.

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DESCRIPTION OF TERMS OF THE SERIES A-5 JUNIOR SUBORDINATED DEBENTURES

We have summarized below certain terms of the 7.70% Series A-5 Junior Subordinated Debentures, which we refer to in this prospectus supplement as the Series A-5 Junior Subordinated Debentures. This summary supplements and amends the general description of the junior subordinated debentures contained in the accompanying prospectus. Any information regarding the Series A-5 Junior Subordinated Debentures contained in this prospectus supplement that is inconsistent with information in the accompanying prospectus will apply and will supersede the inconsistent information in the accompanying prospectus.

This summary is not complete. You should refer to the junior debt indenture, which has been filed as an exhibit to the registration statement, and the fifth supplemental indenture, a copy of which is available from us upon request and will be filed on a Current Report on Form 8-K. References herein to the *junior debt indenture* are to the junior subordinated indenture, as supplemented by the fifth supplemental indenture. The Bank of New York will act as indenture trustee under the junior debt indenture.

The Series A-5 Junior Subordinated Debentures will be a series of junior subordinated debentures under the junior debt indenture, as described herein and in the accompanying prospectus. They will be unsecured and junior in right of payment to all of our senior debt, as defined below under Subordination, and *pari passu* with the outstanding parity securities.

Interest Rate and Interest Payment Dates

The Series A-5 Junior Subordinated Debentures will bear interest from and including December 18, 2007 to but excluding the scheduled maturity date at the annual rate of 7.70%, payable quarterly in arrears on March 18, June 18, September 18 and December 18 of each year, beginning on March 18, 2008. The Series A-5 Junior Subordinated Debentures will bear interest from and including the scheduled maturity date at a rate equal to three-month LIBOR plus 3.616%, payable quarterly in arrears on March 18, June 18, September 18 and December 18 of each year, beginning on March 18, 2048. We refer to these dates as *interest payment dates* and we refer to the period beginning on and including December 18, 2007 and ending on but excluding the first interest payment date and each successive period beginning on and including an interest payment date and ending on but excluding the next interest payment date as an *interest period*. The amount of interest payable for any interest period ending on or prior to the scheduled maturity date will be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of interest payable for any interest period commencing on or after the scheduled maturity date, will be computed on the basis of a 360-day year and the actual number of days elapsed. In the event that any interest payment date on or before the scheduled maturity date would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day and no interest will accrue as a result of that postponement. In the event that any interest payment date after the scheduled maturity date would otherwise fall on a day that is not a business day, that interest payment date will be postponed to the next day that is a business day; however, if the postponement would cause the day to fall in the next calendar month, the interest payment date will instead be brought forward to the immediately preceding business day.

Accrued interest that is not paid on the applicable interest payment date will bear additional interest, to the extent permitted by law, at the interest rate in effect from time to time, from the relevant interest payment date, compounded on each subsequent interest payment date. When we use the term *interest*, we are referring not only to regularly scheduled interest payments but also interest on interest payments not paid on the applicable interest payment date.

Interest is payable on each interest payment date to the person in whose name a Series A-5 Junior Subordinated Debenture is registered at the close of business on the business day next preceding that interest payment date or, in the

event the Series A-5 Junior Subordinated Debentures cease to be held in book-entry form, at the close of business on the date fifteen days prior to that interest payment date, whether or not a business day.

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For the purposes of calculating interest due on the Series A-5 Junior Subordinated Debentures after the scheduled maturity date:

Three-month LIBOR means, with respect to any quarterly interest period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that interest period that appears on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the LIBOR determination date for that interest period. If such rate does not appear on Reuters Screen LIBOR01, three-month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that interest period are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent (after consultation with us), at approximately 11:00 a.m., London time, on the LIBOR determination date for that interest period, in an amount that, in the calculation agent's judgment, is representative of a single transaction in that market at that time. The calculation agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, three-month LIBOR with respect to that interest period will be the arithmetic mean of such quotations. If fewer than two quotations are provided, three-month LIBOR with respect to that interest period will be the arithmetic mean of the rates quoted by three major banks in New York City selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of that interest period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that interest period and in an amount that, in the calculation agent's judgment, is representative of a single transaction in that market at that time. However, if fewer than three banks selected by the calculation agent to provide quotations are quoting as described above, three-month LIBOR for that interest period will be the same as three-month LIBOR as determined for the previous interest period or, in the case of the quarterly interest period beginning on the scheduled maturity date, three-month LIBOR will be 5.111%.

Calculation agent means AIG Financial Products Corp., or any other firm appointed by us, acting as calculation agent.

London banking day means any day on which dealings in dollars are transacted in the London interbank market.

LIBOR determination date means the second London banking day immediately preceding the first day of the relevant interest period.

Reuters Screen LIBOR01 means the display designated on Reuters Screen LIBOR01, Inc. or any successor service or page for the purpose of displaying LIBOR offered rates of major banks, as determined by the calculation agent.

All percentages resulting from any calculation of three-month LIBOR will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point (for example, 9.876541% (or .09876541) would be rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) would be rounded up to 9.87655% (or .0987655)). All amounts used in or resulting from any calculation will be rounded upward or downward, as appropriate, to the nearest cent, with one-half cent or more being rounded upward. The establishment of three-month LIBOR for each interest period by the calculation agent shall (in the absence of manifest error) be final and binding.

In determining three-month LIBOR during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market. Those reference banks and dealers may include the

calculation agent itself and our other affiliates.

Option to Defer Interest Payments

We may elect at one or more times to defer payment of interest on the Series A-5 Junior Subordinated Debentures for up to 40 consecutive quarterly interest periods. We may defer payment of interest prior to, on or after the scheduled maturity date. We may not defer interest beyond the final maturity date or the earlier

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redemption date of any Series A-5 Junior Subordinated Debentures being redeemed. We currently do not intend to exercise our option to defer interest on the Series A-5 Junior Subordinated Debentures.

Deferred interest on the Series A-5 Junior Subordinated Debentures will bear interest at the then applicable interest rate, compounded on each interest payment date, subject to applicable law. As used in this prospectus supplement, a *deferral period* refers to the period beginning on an interest payment date with respect to which we elect to defer interest and ending on the earlier of (i) the conclusion of 40 consecutive quarterly interest periods following that interest payment date and (ii) the next interest payment date on which we have paid all accrued and previously unpaid interest on the Series A-5 Junior Subordinated Debentures.

We have agreed in the junior debt indenture that:

immediately following the conclusion of 20 consecutive quarterly interest periods following the commencement of the deferral period or, if earlier, the first interest payment date during the deferral period on which we elect to pay current interest, we will be required to use commercially reasonable efforts to sell common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock pursuant to the alternative payment mechanism, unless we have delivered notice of a market disruption event, and apply the eligible proceeds, as these terms are defined under Market Disruption Events and Alternative Payment Mechanism below, to the payment of any deferred interest (and compounded interest) on the next interest payment date, and this requirement will continue in effect until the end of the deferral period;

we will not pay deferred interest on the Series A-5 Junior Subordinated Debentures (and compounded interest thereon) prior to the final maturity date from any source other than eligible proceeds, unless otherwise required by an applicable regulatory authority, the deferral period is terminated on the interest payment date following certain business combinations described below or an event of default has occurred and is continuing; and

the sale of mandatorily convertible preferred stock to pay deferred interest is an option that may be exercised at our sole discretion, and we will not be obligated to sell mandatorily convertible preferred stock or to apply the proceeds of any such sale to pay deferred interest on the Series A-5 Junior Subordinated Debentures, and no class of investors of our securities or other obligations, or any other party, may require us to issue mandatorily convertible preferred stock.

We may pay current interest at all times from any available funds.

If we are involved in a merger, consolidation, amalgamation, binding share exchange or conveyance, transfer or lease of assets substantially as an entirety to any other person or a similar transaction (a *business combination*) where immediately after the consummation of the business combination more than 50% of the surviving or resulting entity's voting stock is owned by the shareholders of the other party to the business combination or continuing directors cease for any reason to constitute a majority of the directors of the surviving or resulting entity, then the foregoing rules will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination. *Continuing director* means a director who was a director of AIG at the time the definitive agreement relating to the transaction was approved by the AIG board of directors.

Although our failure to comply with the foregoing rules with respect to the alternative payment mechanism and payment of interest during a deferral period will be a breach of the junior debt indenture, it will not constitute an event of default under the junior debt indenture or give rise to a right of acceleration or similar remedy.

We will give the holders of the Series A-5 Junior Subordinated Debentures and the indenture trustee written notice of our election to begin a deferral period at least one business day before the record date for the next interest payment date. However, our failure to pay interest on any interest payment date will itself constitute the commencement of a deferral period unless we pay such interest within five business days after the interest payment date, whether or not we provide a notice of deferral. A failure to pay interest will not give rise to an event of default unless we fail to pay interest, including compounded interest, in full for a

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period of 30 days after the conclusion of 40 consecutive quarterly interest periods following the commencement of any deferral period.

If we have paid all deferred interest on the Series A-5 Junior Subordinated Debentures, we can again defer interest payments on the Series A-5 Junior Subordinated Debentures as described above. The junior debt indenture does not limit the number or frequency of interest deferral periods.

Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances

We have agreed that, so long as any Series A-5 Junior Subordinated Debentures remain outstanding, if an event of default has occurred and is continuing or we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing, then we will not, and will not permit any of our subsidiaries to:

declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock;

make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of our debt securities that upon our liquidation rank *pari passu* with, or junior to, the Series A-5 Junior Subordinated Debentures; or

make any guarantee payments regarding any guarantee by us of securities of any of our subsidiaries if the guarantee ranks *pari passu* with, or junior in interest to, the Series A-5 Junior Subordinated Debentures.

The restrictions listed above do not apply to:

purchases, redemptions or other acquisitions of shares of our capital stock in connection with:

any employment benefit plan or other compensatory contract or arrangement; or the Assurance Agreement, dated as of June 27, 2005, by AIG in favor of eligible employees and relating to specified obligations of Starr International Company, Inc. (as such agreement may be amended, supplemented, extended, modified or replaced from time to time); or

a dividend reinvestment, stock purchase plan or other similar plan;

any exchange or conversion of any class or series of our capital stock (or any capital stock of a subsidiary of AIG) for any class or series of our capital stock or of any class or series of our indebtedness for any class or series of our capital stock; or

the purchase of fractional interests in shares of our capital stock in accordance with the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or

any declaration of a dividend in connection with any stockholders' rights plan, or the issuance of rights, equity securities or other property under any stockholders' rights plan, or the redemption or repurchase of rights in accordance with any stockholders' rights plan; or

any dividend in the form of equity securities, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of the warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks on a parity with or junior to such equity securities; or

any payment during a deferral period of current or deferred interest in respect of *pari passu* securities that is made *pro rata* to the amounts due on *pari passu* securities and the Series A-5 Junior Subordinated Debentures, *provided* that such payments are made in accordance with the last paragraph under Description of Terms of the Series A-5 Junior Subordinated Debentures Alternative Payment Mechanism Remedies and Market Disruptions to the extent that it applies, and any payments of deferred interest on *pari passu* securities that, if not made, would cause us

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to breach the terms of the instrument governing such *pari passu* securities. The outstanding parity securities constitute *pari passu* securities and will require AIG to make interest payments on these securities while interest is being deferred on the Series A-5 Junior Subordinated Debentures only pursuant to an alternative payment mechanism substantially the same as the alternative payment mechanism for the Series A-5 Junior Subordinated Debentures; or

any payment of principal in respect of *pari passu* securities having an earlier scheduled maturity date than the Series A-5 Junior Subordinated Debentures, as required under a provision of such *pari passu* securities that is substantially the same as the provision described below under Repayment of Principal Scheduled Maturity Date, or any such payment in respect of *pari passu* securities having the same scheduled maturity date as the Series A-5 Junior Subordinated Debentures that is made on a *pro rata* basis among one or more series of such securities and the Series A-5 Junior Subordinated Debentures; or

any repayment or redemption of a security necessary to avoid a breach of the instrument governing the same.

In addition, if any deferral period lasts longer than one year, neither we nor any of our subsidiaries will be permitted to purchase, redeem or otherwise acquire any securities ranking junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period until the first anniversary of the date on which all deferred interest has been paid, subject to the exceptions listed above. However, if we are involved in a business combination where immediately after its consummation more than 50% of the surviving or resulting entity's voting stock is owned by the shareholders of the other party to the business combination or continuing directors cease for any reason to constitute a majority of the surviving or resulting entity's board of directors, then the one-year restriction on repurchases described in the previous sentence will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.

Alternative Payment Mechanism

Obligations and Limitations Applicable to All Deferral Periods

Subject to the conditions described in Option to Defer Interest Payments above and to the exclusions described in Market Disruption Events below, if we defer interest on the Series A-5 Junior Subordinated Debentures, we will be required, commencing not later than (i) the business day following the conclusion of 20 consecutive quarterly interest periods following the commencement of the deferral period or (ii) if earlier, the first interest payment date on which we elect to pay current interest, to issue APM qualifying securities, as defined below, subject to the limits described below, until we have raised an amount of eligible proceeds, as defined below, at least equal to the aggregate amount of accrued and unpaid deferred interest on the Series A-5 Junior Subordinated Debentures. We refer to this method of funding the payment of accrued and unpaid interest as the *alternative payment mechanism*.

We have agreed to apply eligible proceeds raised during any deferral period pursuant to the alternative payment mechanism to pay deferred interest on the Series A-5 Junior Subordinated Debentures.

Eligible proceeds, for each relevant interest payment date, means the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuance or sale) that AIG has received during the 180 days prior to the related interest payment date from the issuance of APM qualifying securities to persons that are not subsidiaries of AIG.

APM qualifying securities means common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock; *provided* that we may amend the definition of *APM qualifying securities* to eliminate common stock, qualifying warrants or mandatorily convertible preferred stock (but not both common stock and qualifying warrants) from the definition if, after the date of this prospectus supplement, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would

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result in a reduction in our earnings per share as calculated for financial reporting purposes. We will promptly notify the holders of the Series A-5 Junior Subordinated Debentures, in the manner contemplated in the junior debt indenture, of such change.

Common stock, under the alternative payment mechanism, means shares of AIG common stock, including treasury stock and shares of common stock sold pursuant to AIG's dividend reinvestment plan and employee benefit plans, up to the maximum share number, as defined below.

Qualifying warrants means net share settled warrants to purchase shares of common stock that:

have an exercise price greater than the current stock market price of our common stock as of their date of pricing;

we are not entitled to redeem for cash and the holders are not entitled to require us to repurchase for cash in any circumstances; and

do not entitle the holders thereof to purchase a number of shares of our common stock in excess of the then applicable maximum warrant number, as defined below.

If we eliminate our common stock from the definition of APM qualifying securities, we will be required to use commercially reasonable efforts, subject to the maximum warrant number (as defined below), to set the terms of any qualifying warrants we issue pursuant to the alternative payment mechanism so that the proceeds from the issuances of qualifying warrants, together with the proceeds from the sale of any other APM qualifying securities, are sufficient proceeds to pay all deferred interest on the Series A-5 Junior Subordinated Debentures in accordance with the alternative payment mechanism.

We intend to issue qualifying warrants with exercise prices at least 10% above the current stock market price of our common stock on the date of pricing of the warrants. The *current stock market price* of our common stock on any date is the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if our common stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which our common stock is traded. If our common stock is not listed on any U.S. securities exchange on the relevant date, the *current stock market price* will be the average of the midpoint of the bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Qualifying non-cumulative preferred stock means our non-cumulative perpetual preferred stock that (i) contains no remedies other than permitted remedies and (ii)(a) is redeemable, but is subject to intent-based replacement disclosure, as such terms are defined under Replacement Capital Covenant below, and has a provision that provides for mandatory suspension of distributions or the payment of distributions solely from eligible proceeds upon its failure to satisfy one or more financial tests set forth therein or (b) is subject to a replacement capital covenant substantially similar to the replacement capital covenant applicable to the Series A-5 Junior Subordinated Debentures.

Mandatorily convertible preferred stock means cumulative preferred stock with (a) no prepayment obligation on the part of AIG, whether at the election of the holders or otherwise, and (b) a requirement that the preferred stock converts into our common stock within three years from the date of its issuance at a conversion ratio within a range established at the time of issuance of the preferred stock, subject to customary anti-dilution adjustments.

We are not permitted to issue qualifying non-cumulative preferred stock or mandatorily convertible preferred stock for the purpose of paying deferred interest to the extent the net proceeds of such issuance applied to pay interest on the Series A-5 Junior Subordinated Debentures pursuant to the alternative payment mechanism, together with the net proceeds of all prior issuances of qualifying non-cumulative preferred stock and still-outstanding mandatorily convertible preferred stock applied during the current and all prior deferral periods, would exceed 25% of the aggregate principal amount of the Series A-5 Junior Subordinated Debentures (including any Series A-5 Junior Subordinated Debentures that may be issued pursuant to the

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underwriters overallotment option and any additional Series A-5 Junior Subordinated Debentures issued as described under Further Issues below) issued under the junior debt indenture (the *preferred stock issuance cap*).

The *maximum share number* will initially equal 100 million and the *maximum warrant number* will initially equal 100 million (or 200 million if we amend the definition of APM qualifying securities to eliminate common stock). If the number of issued and outstanding shares of our common stock is changed into a different number of shares or a different class by reason of any stock split, reverse stock split, stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or other similar transaction, then the maximum share number and the maximum warrant number will be correspondingly adjusted. We may, at our discretion and without the consent of the holders of the Series A-5 Junior Subordinated Debentures, increase the maximum share number or the maximum warrant number or both (including through the increase of our authorized share capital, if necessary) if we determine that such increase is necessary to allow us to issue sufficient common stock and/or qualifying warrants to pay deferred interest on the Series A-5 Junior Subordinated Debentures.

Additional Limitations Applicable to the First 20 Consecutive Quarterly Interest Periods of Any Deferral Period

We may become subject to the alternative payment mechanism prior to the conclusion of 20 consecutive quarterly interest periods following the commencement of a deferral period if we elect to pay current interest prior to such date. In such event, we are not required to issue shares of common stock or qualifying warrants under the alternative payment mechanism for the purpose of paying deferred interest during the first 20 consecutive quarterly interest periods of that deferral period to the extent the number of shares of common stock issued and the number of shares of common stock subject to such qualifying warrants, together with the number of shares of common stock previously issued and the number of shares of common stock subject to qualifying warrants previously issued during such deferral period to pay interest on the Series A-5 Junior Subordinated Debentures pursuant to the alternative payment mechanism would, in the aggregate, exceed 2% of the total number of issued and outstanding shares of our common stock as of the date of our then most recent publicly available consolidated financial statements (the *stock and warrant issuance cap*).

Once we reach the stock and warrant issuance cap for a deferral period, we will not be required to issue more shares of common stock or qualifying warrants under the alternative payment mechanism during the first 20 consecutive quarterly interest periods of such deferral period even if the stock and warrant issuance cap subsequently increases because of a subsequent increase in the number of outstanding shares of our common stock. The stock and warrant issuance cap will cease to apply after the conclusion of 20 consecutive quarterly interest periods following the commencement of any deferral period, at which point we must pay any deferred interest regardless of the time at which it was deferred, using the alternative payment mechanism, subject to the limitations described under

Obligations and Limitations Applicable to All Deferral Periods above and any market disruption event. In addition, if the stock and warrant issuance cap is reached during a deferral period and we subsequently pay all deferred interest, the stock and warrant issuance cap will cease to apply at the termination of such deferral period, reset to zero and will not apply again unless and until we start a new deferral period. The preferred stock issuance cap, however, does not reset to zero even if we pay all deferred interest, and the net proceeds from sales of qualifying non-cumulative preferred stock and then outstanding mandatorily convertible preferred stock applied pursuant to the alternative payment mechanism during such deferral period and all prior deferral periods cumulate as qualifying non-cumulative preferred stock is issued, or so long as mandatorily convertible preferred stock is outstanding, to pay deferred interest.

Remedies and Market Disruptions

Although our failure to comply with our obligations with respect to the alternative payment mechanism will breach a covenant under the junior debt indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy. The remedies of holders of the Series A-5 Junior Subordinated Debentures will be

limited in these circumstances as described under Risk Factors Holders have limited rights of acceleration.

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If, due to a market disruption event or otherwise, we were able to raise some, but not all, eligible proceeds necessary to pay all deferred interest on any interest payment date, we will apply any available eligible proceeds to pay accrued and unpaid interest on the applicable interest payment date in chronological order based on the date each payment was first deferred, and you will be entitled to receive your *pro rata* share of any amounts so paid. If, in addition to the Series A-5 Junior Subordinated Debentures, other *pari passu* securities (including the outstanding parity securities) are outstanding under which we are obligated to sell common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock and apply the net proceeds to the payment of deferred interest or distributions, then on any date and for any period the amount of net proceeds received by us from those sales and available for payment of the deferred interest and distributions shall be applied to the Series A-5 Junior Subordinated Debentures and those other *pari passu* securities on a *pro rata* basis up to, in the case of common stock, the stock and warrant issuance cap and the maximum share number, in the case of qualifying warrants, the stock and warrant issuance cap and the maximum warrant number and, in the case of qualifying non-cumulative preferred stock or mandatorily convertible preferred stock, the preferred stock issuance cap (or comparable provisions in the instruments governing those *pari passu* securities) in proportion to the total amounts that are due on the Series A-5 Junior Subordinated Debentures and such *pari passu* securities. The Series A-5 Junior Subordinated Debentures and the outstanding parity securities all permit *pro rata* payments to be made on any other series so long as we deposit with our paying agent or segregate and hold in trust for payment the *pro rata* proceeds applicable to such series that we have not paid.

Market Disruption Events

A *market disruption event* means, for purposes of sales of APM qualifying securities pursuant to the alternative payment mechanism or sales of qualifying capital securities pursuant to Repayment of Principal Scheduled Maturity Date below, as applicable (collectively, the *permitted securities*), the occurrence or existence of any of the following events or sets of circumstances:

trading in securities generally (or in our shares specifically) on the New York Stock Exchange or any other national securities exchange, or in the over-the-counter market, on which our capital stock is then listed or traded shall have been suspended or its settlement generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or market by the relevant regulatory body or governmental agency having jurisdiction that materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, permitted securities;

we would be required to obtain the consent or approval of our stockholders or a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue permitted securities and we fail to obtain that consent or approval notwithstanding our commercially reasonable efforts to obtain that consent or approval;

an event occurs and is continuing as a result of which the offering document for the offer and sale of permitted securities would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading, *provided* that (1) one or more events described under this bullet point shall not constitute a market disruption event with respect to a period of more than 90 days in any 180-day period and (2) multiple suspension periods contemplated by this bullet point shall not exceed an aggregate of 180 days in any 360-day period;

we reasonably believe that the offering document for the offer and the sale of permitted securities would not be in compliance with a rule or regulation of the Securities and Exchange Commission (for reasons other than those referred to in the immediately preceding bullet point) and we are unable to comply with

such rule or regulation or such compliance is unduly burdensome, *provided* that (1) one or more events described under this bullet point shall not constitute a market disruption event with respect to a period of more than 90 days in any 180-day period and

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(2) multiple suspension periods contemplated by this bullet point shall not exceed an aggregate of 180 days in any 360-day period;

a banking moratorium shall have been declared by the federal or state authorities of the United States that results in a material disruption of any of the markets on which our permitted securities are trading;

a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States;

the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that market trading in our capital stock has been materially disrupted; or

there shall have occurred such a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, or the effect of international conditions on the financial markets in the United States, that materially disrupts the capital markets such as to make it, in our judgment, impracticable or inadvisable to proceed with the offer and sale of the permitted securities.

We will be excused from our obligations under the alternative payment mechanism in respect of any interest payment date if we provide written certification to the indenture trustee (which the indenture trustee will promptly forward upon receipt to each holder of record of Series A-5 Junior Subordinated Debentures) no more than 30 and no less than 10 business days in advance of that interest payment date certifying that:

a market disruption event occurred after the immediately preceding interest payment date; and

either (a) the market disruption event continued for the entire period from the business day immediately following the preceding interest payment date to the business day immediately preceding the date on which that certification is provided or (b) the market disruption event continued for only part of this period, but we were unable after commercially reasonable efforts to raise sufficient eligible proceeds during the rest of that period to pay all accrued and unpaid interest.

We will not be excused from our obligations under the alternative payment mechanism or our obligations in connection with the repayment of principal described under **Repayment of Principal** **Scheduled Maturity Date** below if we determine not to pursue or complete the sale of permitted securities due to pricing, dividend rate or dilution considerations.

Repayment of Principal

Scheduled Maturity Date

We must repay the principal amount of the Series A-5 Junior Subordinated Debentures, together with accrued and unpaid interest, on December 18, 2047, or if that date is not a business day, the next business day (*scheduled maturity date*), subject to the limitations described below.

Our obligation to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date is limited. We are required to repay the Series A-5 Junior Subordinated Debentures on the scheduled maturity date only to the extent of the applicable percentage of the net proceeds we have received from the issuance of qualifying capital securities, as

these terms are defined under Replacement Capital Covenant, that we have sold during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If we have not sold sufficient qualifying capital securities to permit repayment of all principal and accrued and unpaid interest on the Series A-5 Junior Subordinated Debentures on the scheduled maturity date, the unpaid amount will remain outstanding from interest payment date to interest payment date until we have raised sufficient proceeds to permit repayment in full in accordance with this obligation, an event of default which results in acceleration of the Series A-5 Junior Subordinated Debentures occurs or the final maturity date. The final maturity date is initially December 18, 2062 (or, if this day is not a business day,

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the following business day), but we may extend the final maturity date for up to three additional five-year periods at our sole option as described below.

We agree in the junior debt indenture to use our commercially reasonable efforts (except as described below) to sell sufficient qualifying capital securities in a 180-day period ending on a notice date not more than 30 and not less than 10 business days prior to the scheduled maturity date to permit repayment of the Series A-5 Junior Subordinated Debentures in full on this date in accordance with the above requirement. We further agree in the junior debt indenture that if we are unable for any reason to sell sufficient qualifying capital securities to permit payment in full on the scheduled maturity date, we will use our commercially reasonable efforts (except as described below) to sell sufficient qualifying capital securities to permit repayment on the next interest payment date, and on each interest payment date thereafter until the Series A-5 Junior Subordinated Debentures are repaid in full or redeemed, an event of default resulting in their acceleration occurs or the final maturity date occurs. Our failure to use our commercially reasonable efforts to sell a sufficient amount of qualifying capital securities would be a breach of covenant under the junior debt indenture; however, such breach will not be an event of default thereunder. See Risk Factors Holders have limited rights of acceleration.

We are not required under the junior debt indenture to use commercially reasonable efforts to issue any securities other than qualifying capital securities in connection with the above obligation.

We will give to DTC a notice of repayment at least 10 but not more than 15 days before the scheduled repayment date. If any Series A-5 Junior Subordinated Debentures are to be repaid in part only, the notice of repayment will state the portion of the principal amount thereof to be repaid.

We may amend or supplement the replacement capital covenant from time to time with the consent of the holders of the specified series of indebtedness benefiting from the replacement capital covenant, *provided* that no such consent shall be required if any of the following apply (it being understood that any such amendment or supplement may fall into one or more of the following): (i) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate certain of, the types of securities qualifying as replacement capital securities, as described under Replacement Capital Covenant below, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate to that effect, (ii) such amendment or supplement is not materially adverse to the covered debtholders, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate stating that, in his or her determination, such amendment or supplement is not materially adverse to the covered debtholders, or (iii) such amendment or supplement eliminates common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities if, after the date of this prospectus supplement, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to eliminate common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States. For this purpose, the addition of securities qualifying as permitted replacement capital securities under a qualifying replacement capital covenant will not be deemed materially adverse to the holders of the then-effective series of covered debt.

We generally may amend or supplement the replacement capital covenant without the consent of the holders of the Series A-5 Junior Subordinated Debentures. With respect to qualifying capital securities, on the other hand, we have agreed in the junior debt indenture that we will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining when repayment, redemption or purchase of the Series A-5 Junior Subordinated Debentures is permitted, except with

the consent of holders of a majority by principal amount of the Series A-5 Junior Subordinated Debentures.

Any unpaid amounts on the Series A-5 Junior Subordinated Debentures that remain outstanding beyond the scheduled maturity date will continue to bear interest at a rate equal to three-month LIBOR plus 3.616%

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and we will continue to pay quarterly interest on the Series A-5 Junior Subordinated Debentures after the scheduled maturity date, subject to our rights and obligations under Option to Defer Interest Payments and Alternative Payment Mechanism above.

Commercially reasonable efforts to sell our qualifying capital securities means commercially reasonable efforts to complete the offer and sale of our qualifying capital securities to third parties that are not subsidiaries of ours in public offerings or private placements. We will not be considered to have made commercially reasonable efforts to effect a sale of qualifying capital securities if we determine to not pursue or complete such sale due to pricing, coupon, dividend rate or dilution considerations.

We will be excused from our obligation under the junior debt indenture to use commercially reasonable efforts to sell qualifying capital securities to permit repayment of the Series A-5 Junior Subordinated Debentures if we provide written certification to the indenture trustee (which certification will be forwarded to each holder of record of Series A-5 Junior Subordinated Debentures) no more than 30 and no less than 10 business days in advance of the required repayment date certifying that:

a market disruption event was existing at any time during the period commencing 180 days prior to the date on which certification is provided or, in the case of any required repayment date after the scheduled maturity date, commencing on the immediately preceding interest payment date and ending on the business day immediately preceding the date on which the certification is provided; and

either (a) the market disruption event continued for the entire 180-day period or the period since the most recent interest payment date, as the case may be, or (b) the market disruption event continued for only part of the period, but we were unable after commercially reasonable efforts to raise sufficient net proceeds during the rest of that period to permit repayment of the Series A-5 Junior Subordinated Debentures in full.

Payments in respect of the Series A-5 Junior Subordinated Debentures on and after the scheduled maturity date will be applied, first, to deferred interest to the extent of eligible proceeds under the alternative payment mechanism, second, to current interest and, third, to repay the principal of the Series A-5 Junior Subordinated Debentures; *provided* that if we are obligated to sell qualifying capital securities and repay any outstanding *pari passu* securities in addition to the Series A-5 Junior Subordinated Debentures, then on any date and for any period such payments shall be applied:

first, to the outstanding *pari passu* securities and any other *pari passu* securities having an earlier scheduled maturity date than the Series A-5 Junior Subordinated Debentures, until the principal of and all accrued and unpaid interest on those securities has been paid in full; and

second, to the Series A-5 Junior Subordinated Debentures and any other *pari passu* securities having the same scheduled maturity date as the Series A-5 Junior Subordinated Debentures *pro rata* in accordance with their respective outstanding principal amounts.

None of such payments shall be applied to any other *pari passu* securities having a later scheduled maturity date until the principal of and all accrued and unpaid interest on the Series A-5 Junior Subordinated Debentures has been paid in full (except to the extent permitted under Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances and the last paragraph under Alternative Payment Mechanism Remedies and Market Disruptions above). If we raise less than \$5 million of net proceeds from the sale of qualifying capital securities during the relevant 180-day or three-month period, we will not be required to repay any Series A-5 Junior Subordinated Debentures on the scheduled maturity date or the next quarterly interest payment date, as applicable, but we will repay the applicable principal amount of Series A-5 Junior Subordinated Debentures on the next quarterly

interest payment date as of which we have sold at least \$5 million in qualifying capital securities.

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Final Maturity Date

Any principal amount of the Series A-5 Junior Subordinated Debentures, together with accrued and unpaid interest, will be due and payable on the final maturity date, regardless of the amount of qualifying capital securities we have issued and sold by that time. The final maturity date is initially December 18, 2062 (or, if this day is not a business day, the following business day). We may extend the final maturity date at our sole option on each of December 18, 2012, December 18, 2017 and December 18, 2022 (each, an *election date*) for an additional five years from the then applicable final maturity date. If we make this election on all of the election dates, the Series A-5 Junior Subordinated Debentures will mature on December 18, 2077 (or, if this day is not a business day, the following business day). If we make this election on two of these dates, the Series A-5 Junior Subordinated Debt will mature on December 18, 2072 (or, if this day is not a business day, the following business day). If we make this election on only one of these dates, the Series A-5 Junior Subordinated Debentures will mature on December 18, 2067 (or, if this day is not a business day, the following business day). We will provide irrevocable written notice of an election to extend the final maturity date no later than the 30th calendar day prior to the applicable election date. On the final maturity date, we may repay the Series A-5 Junior Subordinated Debentures with any monies available to us. However, if we repay the Series A-5 Junior Subordinated Debentures prior to the final maturity date when any deferred interest remains unpaid, the unpaid deferred interest (including compounded interest thereon) may only be paid pursuant to the alternative payment mechanism described above under *Alternative Payment Mechanism*.

Limitation on Claims in the Event of Our Bankruptcy, Insolvency or Receivership

The junior debt indenture provides that a holder of Series A-5 Junior Subordinated Debentures, by that holder's acceptance of the Series A-5 Junior Subordinated Debentures, agrees that in the event of our bankruptcy, insolvency or receivership prior to the redemption or repayment of such holder's Series A-5 Junior Subordinated Debentures, that holder of Series A-5 Junior Subordinated Debentures will only have a claim for deferred and unpaid interest (including compounded interest thereon) to the extent such interest (including compounded interest thereon) relates to the earliest two years of the portion of the deferral period for which interest has not been paid. See *Risk Factors* Your claims in bankruptcy, insolvency and receivership to receive payment in respect of deferred interest may be limited, for a further discussion of this limitation of rights.

Early Redemption

The Series A-5 Junior Subordinated Debentures:

are redeemable, in whole or in part, at our option on any interest payment date on or after December 18, 2012, at 100% of their principal amount plus accrued and unpaid interest to the date of redemption;

are redeemable, in whole but not in part, at our option at any time prior to December 18, 2012 upon the occurrence of a tax event, at 100% of their principal amount plus accrued and unpaid interest to the date of redemption;

are redeemable, in whole but not in part, at our option at any time prior to December 18, 2012 upon the occurrence of a rating agency event, at a make-whole redemption price described below; and

are not subject to any sinking fund, a holder's right to require us to purchase such holder's Series A-5 Junior Subordinated Debentures or similar provisions;

provided that any redemption of Series A-5 Junior Subordinated Debentures will be subject to the restrictions described under *Replacement Capital Covenant* below.

In the case of a redemption prior to December 18, 2012 upon the occurrence of a rating agency event, the make-whole redemption price will be equal to:

100% of the principal amount of the Series A-5 Junior Subordinated Debentures; or

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as determined by the calculation agent, if greater, the sum of the present values of the remaining scheduled payments of principal (assuming for this purpose that the Series A-5 Junior Subordinated Debentures are to be redeemed at their principal amount on December 18, 2012) discounted from December 18, 2012, and interest thereon that would have been payable to and including December 18, 2012 (not including any portion of any payment of interest accrued to the redemption date) discounted from the relevant interest payment date to the redemption date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate plus 0.50%;

plus, in either case, accrued interest on the Series A-5 Junior Subordinated Debentures to the date of redemption.

If we redeem or repay the Series A-5 Junior Subordinated Debentures prior to the final maturity date when any deferred interest remains unpaid, the unpaid deferred interest (including compounded interest thereon) may only be paid pursuant to the alternative payment mechanism, as described under Alternative Payment Mechanism.

The definitions of certain terms used in the second preceding paragraph above are listed below.

Adjusted treasury rate means, with respect to any redemption date, the rate per annum equal to the quarterly equivalent yield to maturity of the comparable treasury issue, assuming a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

Comparable treasury issue means the U.S. Treasury security selected by an independent investment bank selected by the calculation agent as having a maturity comparable to the term remaining from the redemption date to December 18, 2012 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity.

Comparable treasury price means, with respect to any redemption date, the average of the reference treasury dealer quotations for such redemption date.

Reference treasury dealer means:

Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and UBS Securities LLC or their respective successors; *provided* that if any of the foregoing shall cease to be a primary U.S. government securities dealer in the United States (a *primary treasury dealer*), we will substitute therefor another primary treasury dealer; and

any other primary treasury dealer selected by the calculation agent after consultation with us.

Reference treasury dealer quotations means with respect to each reference treasury dealer and any redemption date, the average, as determined by the calculation agent, of the bid and ask prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the calculation agent by that reference treasury dealer at 5:00 p.m. on the third business day preceding such redemption date.

For purposes of the above, a *tax event* means that we have requested and received an opinion of counsel experienced in such matters to the effect that, as a result of any:

amendment to or change in the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is enacted or becomes effective after the date of this prospectus supplement;

proposed change in those laws or regulations that is announced after the date of this prospectus supplement;

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official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the date of this prospectus supplement; or

threatened challenge asserted in connection with an audit of us, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Series A-5 Junior Subordinated Debentures;

there is more than an insubstantial risk that interest payable by us on the Series A-5 Junior Subordinated Debentures is not, or will not be, deductible by us, in whole or in part, for United States federal income tax purposes.

For purposes of the above, a *rating agency event* means that any rating agency amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series A-5 Junior Subordinated Debentures, which amendment, clarification or change results in:

the shortening of the length of time the Series A-5 Junior Subordinated Debentures are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the issue date of the Series A-5 Junior Subordinated Debentures, or

the lowering of the equity credit (including up to a lesser amount) assigned to the Series A-5 Junior Subordinated Debentures by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the issue date of the Series A-5 Junior Subordinated Debentures.

A *rating agency* means any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act (or any successor provision), that publishes a rating for us on the relevant date.

If less than all of the Series A-5 Junior Subordinated Debentures are to be redeemed at any time, selection of Series A-5 Junior Subordinated Debentures for redemption will be made by the indenture trustee on a *pro rata* basis, by lot or by such method as the indenture trustee deems fair and appropriate.

We will give to DTC a notice of redemption at least 10 but not more than 60 days before the redemption date. If any Series A-5 Junior Subordinated Debentures are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. A new Series A-5 Junior Subordinated Debenture in principal amount equal to the unredeemed portion thereof will be issued and delivered to the indenture trustee, or its nominee, or, in the case of Series A-5 Junior Subordinated Debentures in definitive form, issued in the name of the holder thereof, in each case upon cancellation of the original Series A-5 Junior Subordinated Debenture.

Events of Default

The following events are *events of default* with respect to the Series A-5 Junior Subordinated Debentures:

default in the payment of interest, including compounded interest, in full on any Series A-5 Junior Subordinated Debenture for a period of 30 days after the conclusion of 40 consecutive quarterly interest periods following the commencement of any deferral period; or

default in the payment of the principal on any Series A-5 Junior Subordinated Debenture at the final maturity date or upon a call for redemption; or

certain events of bankruptcy, insolvency and reorganization involving AIG.

Remedies If an Event of Default Occurs

All remedies available upon the occurrence of an event of default under the junior debt indenture will be subject to the restrictions described below under Subordination. If an event of default occurs, the

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indenture trustee will have special duties. In that situation, the indenture trustee will be obligated to use its rights and powers under the junior debt indenture, and to use the same degree of care and skill in doing so that a prudent person would use in that situation in conducting his or her own affairs. If an event of default of the type described in the first bullet point in the definition of that term has occurred and has not been cured, the indenture trustee or the holders of at least 25% in principal amount of the Series A-5 Junior Subordinated Debentures may declare the entire principal amount of all the then outstanding Series A-5 Junior Subordinated Debentures to be due and immediately payable. This is ca