



Annual Meeting of Shareholders

May 16, 2007

The remarks from the AIG Annual Meeting of Shareholders on May 16, 2007 represented below may contain projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying those projections and statements. Please refer to AIG's Quarterly Report on Form 10-Q for the period ended March 31, 2007 and AIG's past and future filings with the Securities and Exchange Commission for a description of the business environment in which AIG operates and the factors that may affect its business. AIG is not under any obligation (and expressly disclaims any such obligation) to update or alter its projections and other statements whether as a result of new information, future events or otherwise.

The remarks may also contain certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Fourth Quarter 2006 and First Quarter 2007 Financial Supplements available in the Investor Information Section of AIG's corporate website, www.aigcorporate.com.

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American International Group, Inc. (AIG), world leaders in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in London, Paris, Switzerland and Tokyo.

The following remarks were delivered by AIG Chairman, Robert B. Willumstad at the Annual Shareholders' Meeting held in New York on May 16, 2007.

Before proceeding to the formal part of the meeting, let me take just a moment to say that I'm honored to be here for the first time as AIG Chairman. I stepped into the chairmanship last November with tremendous excitement. There are only a handful of companies in the world that share AIG's scale and record of growth and achievement.

Interim Chairman Frank Zarb last year stated that AIG had come a long way in dealing with the issues the company faced and is now well positioned to focus on the future. It is my pleasure to tell you that this past year has been a giant first step into the future for AIG.

As you will hear from Martin, our businesses are healthy and growing with record earnings this past year, and the entrepreneurial culture that made AIG great continues to flourish. This success would not have been possible without the hard work and dedication of the 106,000 AIG employees. But what impresses me the most is that AIG is retaining its best qualities while adapting to a changing business and regulatory environment. Just look at the dramatic changes the company has made in its Corporate Governance in a very short period of time.

The Corporate Governance enhancements implemented over the past two years have put AIG in the forefront of good governance. They include the separation of the position of Chairman and Chief Executive Officer; a more independent board of directors and internal controls that have been strengthened across the organization. We have taken leadership positions on important issues that directly impact our businesses such as climate change and diversity. We have created a Board committee on Public Policy and Social Responsibility to review and evaluate our public-facing policies and activities. There is more to do but AIG is among the leaders in best practices in Corporate Governance.

The entire Board of Directors, Martin and AIG's management and employees all deserve credit for adopting these important measures while keeping our businesses moving forward. I want to express my personal thanks to the Board for their support during the year as I assumed my new role as Chairman. I believe that AIG has an outstanding Board of Directors. Each Director has consistently demonstrated the commitment and professionalism that is necessary in today's business world. But the extraordinary leadership of Frank Zarb does deserve special recognition. An outspoken leader for good Corporate Governance, Frank stepped into the role of Interim Chairman during a very difficult period for AIG. With determination and courage he guided the Board and worked closely with Martin and our management team to stabilize the organization, remediate the problems we faced and restore confidence in AIG's future. And when the heavy lifting was finished he oversaw an orderly transition to a new Chairman. Frank continues to work hard as an AIG director and shareholders continue to benefit from his service.

On a personal note, Frank has also been a great help to me as I have taken on the role of Chairman. Frank, on behalf of myself and AIG's shareholders, you have our most sincere thanks.

The following remarks were delivered by AIG President and Chief Executive Officer Martin J. Sullivan.

Thank you Bob and good morning ladies and gentlemen.

As we reported, 2006 was an excellent year for AIG. Net income for 2006 was a record \$14.05 billion, a 34.1 percent increase over 2005. We earned \$5.36 per diluted share in 2006, an increase of 34.3 percent over 2005. Our revenues grew about 4 percent to a little more than \$113 billion and we had assets at year-end of about \$980 billion, nearly 15 percent higher than the previous year. Shareholders' equity grew nearly 18 percent to roughly \$102 billion and book value per share increased to \$39.09 from \$33.24. According to Forbes Magazine, AIG ranks as the sixth largest public company in the world, based on revenues, profits, assets and market value. These are impressive numbers indeed.

Our General Insurance operations turned in an outstanding performance with operating income before realized capital gains and losses of \$10.35 billion. Net premiums written increased 7.2 percent and the combined ratio improved to 89.06 from 104.69 in 2005. Higher investment income and a benign year for catastrophes were positive factors.

The Domestic Brokerage Group, the largest segment of General Insurance, is the largest provider of commercial property-casualty insurance in the United States. Under the leadership of Kris Moor, Kevin Kelley, John Doyle, Mark Willis and the rest of the management team, many of whom are here today, DBG's net premiums written exceeded \$24 billion last year.

DBG is executing its strategy to expand distribution by building relationships with select national and regional brokers. The group is also increasing emphasis on cross selling, improving transactional processes with brokers and growing the small business segment.

Many DBG businesses are long-established leaders in their markets. Lexington has achieved success in the surplus lines market by responding creatively to emerging issues within industry-specific groups. National Union again showed why it is a premier provider of Directors & Officers insurance by introducing a multinational D&O liability coverage, called Passport, that is aligned with local laws, regulations and customs in more than 70 countries. In other lines too, including workers' compensation, excess casualty, risk management and environmental, DBG companies lead the way.

Our personal lines operations, led by Bob Sandler, also contributed to our success. You may have seen in the news yesterday that we have reached an agreement to acquire the shares of 21st Century Insurance Group that we don't already own. The combination of 21st Century with our personal auto business will improve our competitiveness by giving us greater scale and efficiency.

United Guaranty Corporation, led by Billy Nutt, and the HSB Group, led by Dick Booth also positively contributed to our overall General Insurance results.

Our Foreign General insurance business, known as American International Underwriters, or AIU, has the world's most extensive property-casualty insurance network. Led by Nic Walsh and his experienced regional and profit-center management team, AIU increased net premiums written by about 14% to \$11.4 billion. AIU has been producing excellent results by marketing a full range of P&C products through multiple distribution channels to both commercial and individual clients in more than 85 countries. Although our largest Foreign General operations are in Japan and the United Kingdom, we are well positioned in many other markets that have excellent growth prospects including developing markets such as China, India, Vietnam and the Middle East.

Speaking of the Middle East, in 2006 our Foreign General group set up regional operations in Dubai to expand our presence in that region. We also launched AIG Takaful, a regional company headquartered in Bahrain. AIG Takaful provides insurance and financial products that comply with Islamic law, a market that we believe is underserved.

In Southeast Asia, where AIU has a long-standing presence and is already the largest general insurer, we added strength with the acquisition of Central Insurance in Taiwan. We are now one of the largest general insurers in that important market, ranking sixth in gross premiums written in 2006. Foreign General had a strong year in continental Europe, and the Latin American Division now has more than 17 million clients and is one of the largest property-casualty organizations in the region.

Overall, it was another year of solid, disciplined performance in the Foreign General group, best summed up by its world class combined ratio of 82.46.

In our Life Insurance & Retirement Services operations, operating income before realized capital gains and losses increased nearly 10 percent over 2005 to \$10 billion. Edmund Tse, Jay Wintrob, Rod Martin, Bruce Abrams, Matt Winter and their worldwide team achieved those results despite challenging conditions in certain markets including the U.S., where a flat and, at times, inverted yield curve and other factors have proved a challenging environment for our fixed annuity business and group retirement products. As you would expect, we are taking whatever steps are necessary to respond to this environment, including new product development and expanded distribution.

AIG American General, a leading life insurer in the United States, built market share through distribution and product diversification. AIG Annuity ranked as the largest U.S. issuer of fixed annuities in the United States on the strength of its innovation, market responsiveness and bank partnerships.

AIG VALIC, a leader in the group retirement savings industry, staked out a position in the growing market for income protection benefits while AIG SunAmerica achieved record variable annuity sales, fee income and assets under management. These businesses are well positioned to respond to the tremendous opportunities ahead of us as baby boomers start retiring. We will make the most of this demographic trend.

Our Foreign Life & Retirement Services operations capitalized on the strong positions we have built in many markets, expanding product offerings in countries like Vietnam, Thailand and Korea. Our insurance joint venture in India, Tata AIG, has built a robust distribution network to meet the needs of India's growing middle class. We also took important steps to expand into asset management and consumer finance in India, gaining regulatory approval from the Reserve Bank of India to operate a wholly owned non-bank finance company that will serve as a platform for growth.

In China we received regulatory approval for provincial expansion in Guangdong and Jiangsu provinces, two of China's most important economic regions, and also received our group insurance license. And in Japan we diversified distribution channels and developed new products that helped us achieve higher profits despite greater competition.

Many of our life businesses have some of the most respected names in their markets such as AIA, ALICO, Philamlife and Nan Shan. So it's no wonder that our life businesses constitute the industry's most extensive network and have for many years.

AIG's Financial Services division adds diversity to our business profile through aircraft and equipment leasing, capital markets operations, consumer finance and insurance premium finance. Led by Bill Dooley, Steve Hazy, Joe Cassano, Rick Geissinger and Rick Pfeiffer, the group's operating income increased 3.6 percent in 2006, excluding the effects of FAS 133 and realized capital gains and losses.

International Lease Finance Corporation had strong revenue growth as lease rates improved. The airline industry magazine "Airline Business" ranked ILFC as the world's top aircraft lessor in 2006 as measured by fleet value. Last year ILFC signed leases covering 177 aircraft to 75 airlines worldwide, including 18 new customers. ILFC's fleet of 865 modern aircraft effectively makes it the largest airline in the world by a comfortable margin.

AIG Financial Products has an established reputation as a leading-edge provider of finance, investment and risk solutions, in addition to its recognized leadership in the area of commodity derivatives and commodity indices. Last year AIGFP also played key roles in the acquisition of London City Airport and the management-led buyout of Kinder Morgan Inc., one of the largest private equity transactions announced in 2006.

American General Finance, which is one of the largest consumer finance organizations in the U.S., expanded its international reach earlier this year when it acquired Ocean Finance, a United Kingdom finance broker and lender to homeowners. AIG Consumer Finance Group also entered several new markets including China, where it launched a sales finance business, and in Russia, where CFG applied for a banking license.

Our fourth business segment, Asset Management, led by Win Neuger, Richard Scott and Hans Danielsson, provides institutional and retail asset management, broker-dealer services, private banking and institutional spread-based investments, in addition to managing AIG's insurance companies invested assets.

Total operating income in 2006 was \$2.13 billion and assets under management continued to climb steadily. Asset Management had more than \$75 billion in third party client assets under management at the end of 2006. Combined with the AIG assets we manage and our other investment operations, we had more than \$688 billion in assets under management by the end of last year. AIG's Global Investment Group ranks sixth out of 750 investment managers around the world for institutional assets under management.

In addition to our business results, there were other reasons why 2006 was an excellent year. Throughout the year our employees demonstrated their ability to maintain focus, execute our strategies and produce strong results, despite significant challenges. We addressed material weaknesses and strengthened accounting procedures and disclosure practices. We have one remaining material weakness that relates to income tax accounting and our goal is to complete remediation by the end of the year. Thanks to everyone's hard

work, our financial ratings stabilized in 2006. The year was a strong affirmation that we're on the right track, and I'm extremely proud of the job everyone has done. I would particularly point out the extraordinary efforts of the world-wide finance, treasury, tax, rating agency, legal, operations and systems teams in helping to achieve these results.

Another very important achievement last year was the advancement of our economic capital modeling initiative. The model is a sophisticated tool that is helping AIG to make intelligent decisions about the use of capital. I want to recognize Bob Lewis and his team in Enterprise Risk Management for their extraordinary work on the model. Initial results reinforced our view that AIG's capital position is strong. We estimated that approximately \$15 to \$20 billion in excess capital existed at the end of 2006. These findings led to our decision to move forward with a new dividend policy and additional common stock repurchases.

As we announced in March, the new dividend policy provides for AIG, under ordinary circumstances, to increase the common stock dividend by approximately 20 percent annually. I'm happy to announce that in accordance with this new policy the Board today approved a 21.2 percent increase in our dividend. The new quarterly rate will be 20 cents per share, beginning with the September dividend payment. This marks the twenty-second consecutive year in which AIG has raised its dividend.

In March the Board also expanded our existing share repurchase authorization by approving the repurchase of up to \$8 billion in common stock. We repurchased 2.47 million shares in the month of March and 6.64 million shares in April. We anticipate purchasing a total of \$5 billion of our shares in 2007.

Even after taking into account the stock repurchases and new dividend policy, we're confident that we still have comfortable levels of cash to reinvest in our businesses and fuel our growth. We will continue to refine our economic capital model to ensure that we're using our capital in the best ways possible to optimize risk adjusted returns on capital and enhance shareholder value.

So, all in all, it was a very good year. But that was then, and this is now. As much as I'd like to dwell on last year's fine results, we're nearly halfway through a new year and it's a challenging one at that. The weak housing market, high oil prices and political uncertainty in parts of the world have dampened economic activity in some markets. Despite these factors, we achieved very good first quarter results, which we announced last week.

Adjusted net income for the first quarter of 2007 was \$4.39 billion or \$1.68 per diluted share, compared to \$3.38 billion or \$1.29 per diluted share in the first quarter of 2006. That's an AIG record for quarterly adjusted net income. To put that in some perspective, the \$1 billion growth in our first quarter adjusted net income over the prior year, if annualized, would spawn a Fortune 500 company, based on the most recent Fortune 500 survey. Return on equity, using adjusted net income as the measure, was 18.9 percent. Total assets at March 31 totaled just under \$1 trillion and shareholders' equity stood at just over \$103 billion.

Our first-quarter results reflect strong performance in our worldwide General Insurance businesses, continued improvement in Foreign Life Insurance & Retirement Services, and solid results at ILFC and Asset Management. Partnership returns were also strong.

However, the housing slowdown hurt results at United Guaranty and American General Finance, and Domestic Life Insurance & Retirement Services results were mixed.

Looking to the rest of the year and beyond, it's clear that we have all the ingredients for success. The key will be execution.

I know of no other organization that matches our financial strength, worldwide footprint and diversified businesses. Add in our entrepreneurial culture, and you have an organization with tremendous potential. Our strategy is to make the most of our

considerable attributes by growing in the markets we currently serve, while expanding into new and developing markets.

Most important, we need to continue to improve how we “deliver the firm” to our 69 million customers. With such a vast, global customer base and our wide array of products and services, we can tap the enormous potential for new business by bringing more of our products and services to new and existing customers. We can’t settle for selling one or two products to our customers. Clearly, we want to deliver the entire breadth of our products and services to our entire customer base. Our success will depend upon continuous improvement in cross-functional coordination. I know we are up to the challenge.

If we are to deliver the firm to customers around the world, it is essential that we strengthen the AIG brand and increase its recognition. Our sponsorship of Manchester United Football Club is an important part of that effort. A year into this sponsorship, it is clearly driving increased awareness of AIG. We have also seen that consumers who are aware of the sponsorship have a more favorable view of AIG and indicate a greater intent to purchase our products and services. We intend to make the most of the opportunities provided by the sponsorship to build our business around the world.

Enthusiasm for this sponsorship throughout the organization has been enormous, particularly in Southeast Asia. And of course, it doesn’t hurt that Manchester United just won its ninth England Premier League title, with over 100 million people a week watching a Manchester United game on television. They are also playing in this Saturday’s FA Cup Final. A match watched by many millions around the world.

We are also using advertising to strengthen recognition of the AIG brand and its key attributes. To date, much of our advertising has been intended simply to increase our name recognition in the marketplace. Now, we’re structuring messages to give customers a better idea of the things we do.

I hope you have seen the first commercial in this series, which has been showing on television for some time and was playing on the monitors here before the meeting started. It's the commercial in which a young girl on an outing with her father anxiously questions him about their family's financial security. The father says she can relax because they are with the AIG companies. We are about to follow that spot with three new commercials, again involving children with a heightened awareness of financial matters. Here's a sneak preview for you.

AIG ads were shown.

You'll see these ads in the weeks ahead on broadcasts including the Belmont Stakes, the NBA Finals, U.S. Open golf and Major League Baseball.

In the past year we have also taken important steps on the corporate responsibility front. Good companies can deliver good financial results. But truly great companies deliver superior financial results, while observing sustainable business practices and respecting the dignity of others.

In recent months, we have affirmed AIG's commitment to being a truly great organization in several ways. Notably, we have been proactive in the strengthening of our efforts to promote diversity at AIG. We owe much of our past success to the diversity of our businesses, our geography and our employees. Our continued success will depend in large part on the new ideas and fresh perspectives that come from a diverse workforce. We have long supported activities such as mentoring and scholarship programs that promote diversity. However, to bring focus to these efforts we recently named Terri Austin as our Chief Diversity Officer and established a diversity executive steering committee and operating level diversity committees. We are serious about doing all we can to make sure AIG is an employer of choice, and that we recruit and retain the very best.

AIG has been a leading supporter of microfinance and microinsurance initiatives, committing more than \$7 million to organizations like ACCION International and FINCA

International. Through these organizations we are helping disadvantaged people all over the world to grow small businesses, become self-sufficient and build prosperity in their communities.

We are also taking actions to promote a cleaner environment while mitigating the environmental impact of our own facilities. Last May, AIG became the first U.S. insurer to adopt a corporate policy on climate change, focusing on business opportunities to promote greenhouse gas mitigation globally for our customers and to address the risks climate change poses to our business.

We are focusing on providing funds for additional private equity investments in technologies to mitigate greenhouse gas emissions; on establishing new insurance practices for alternative energy and other low-carbon solutions; and on developing insurance and risk products to support the emerging carbon market.

In addition, we are funding a collaborative research effort to be convened by the Insurance Information Institute and Harvard University to investigate how better to include climate change risk in catastrophe underwriting. And recently, AIG joined 20 other leading corporations and seven non-profit organizations in the U.S. Climate Action Partnership to advocate federal legislation to limit greenhouse gas emissions in the U.S., through an emissions trading system.

As a result of these and other activities, I am proud to report that AIG was recently named one of the 100 Most Sustainable Companies in the World. We have updated our corporate website to reflect these activities and you can also read about them in our Corporate Responsibility booklet available in the hallway.

As Bob mentioned, we continued to make changes in 2006 to improve the independence and transparency of governance at AIG. It is now clear that our governance changes have made AIG a stronger and more responsive organization. Let me echo Bob's thanks to the entire Board of Directors for their leadership and support during the past year.

And I want to give special thanks to both Bob Willumstad and Frank Zarb for their enormous contributions to AIG during the past year.

Frank took on a difficult job during challenging times and demonstrated tremendous leadership, and gave management great advice. Frank's contribution to the Company has been immense. And how fortunate we were to have Bob step up and succeed Frank as chairman in November, and to have Frank remain as a Director. It was a completely seamless transition.

In other Board changes since last year's annual meeting we welcomed one new director and said goodbye to another. We were very pleased to have Ginny Rometty come on board in September and we are already benefiting from her contributions. However, we will miss the contributions and camaraderie of Pei-yuan Chia, who retired after 10 years of service to our company. Pei was an active and valued Board member, and we wish him all the best for the future.

And, sadly, we said good bye to a dear member of the AIG family when Marion Fajen passed away last October. Marion joined C.V. Starr & Company as Assistant Secretary in 1971 and went on to become the first woman named to the AIG Board of Directors. She was a remarkable lady and close friend to many of us, and we all miss her.

At last year's annual meeting I closed with this quote from Winston Churchill:

“Success is not final. Failure is not fatal. It is the spirit to continue that counts.”

How appropriate those words were a year ago when we were emerging from upheaval and uncertainty. We still face challenges and we always will. So perhaps it would be appropriate to finish this year's meeting with another Churchill quote.

“But I leave the past and I leave the present. It is to the future that we turn our gaze.”

Today we are a stronger organization with an engaged and supportive Board of Directors, a talented and deep management team and 106,000 of the best and brightest employees on the planet. Add to that the financial strength of nearly \$1 trillion in assets, more than \$100 billion in shareholders' equity, our entrepreneurship, geographic and business diversification and our enviable position in high-growth markets, and it's easy to see why AIG is a great company, with even better days ahead.

But in closing, I want to recognize the real heroes of the last twenty-six months – the men and women that make up the most dedicated and talented workforce in the industry. I am extremely proud of what they have achieved, and they are daily reminders of why I am confident that AIG's best years are yet to come.

Thank you for your attention.