AMERICAN INTERNATIONAL GROUP INC
Form 424B2
August 08, 2007

PRICING SUPPLEMENT NO. AIG-FP-27A
DATED AUGUST 6, 2007
TO PROSPECTUS DATED JULY 13, 2007
AND PROSPECTUS SUPPLEMENT DATED JULY 13, 2007

FILED PURSUANT TO RULE 424(b)(2)
REGISTRATION NOS. 333-106040; 333-143992

AMERICAN INTERNATIONAL GROUP, INC.
MEDIUM-TERM NOTES, SERIES AIG-FP,
CMS CURVE NOTES DUE AUGUST 20, 2027

Principal Amount: U.S.$11,500,000*

Agents Discount or Commission: None

Net Proceeds to Issuer: U.S.$11,500,000

Issue Date: August 20, 2007

Stated Maturity Date: August 20, 2027

Interest Rate:

For the period from and including the Issue Date to but excluding August 20, 2009, the interest rate per annum shall be 9.50% per annum.

For the period from and including August 20, 2009 to but excluding August 20, 2015, the interest rate per annum shall be determined as follows:

(i) 9.50% per annum times (ii) N/M; where N is the total number of calendar days in the applicable Interest Accrual Period that the Reference Rate is ***greater than or equal to 0.00%***; and M is the total number of calendar days in the applicable Interest Accrual Period.

For the period from and including August 20, 2015 to but excluding August 20, 2027, the interest rate per annum shall be determined as follows:

(i) 14.00% per annum times (ii) N/M.

For the purpose of calculating the value of N , for each calendar day in an Interest Accrual Period that is not a U.S. Government Securities Business Day, the Reference Rate will be equal to the Reference Rate on the previous U.S. Government Securities Business Day, subject to the provisions set out under Reference Rate Cut-Off below.

Interest Payment Dates: Semi-annual on each February 20, and August 20, commencing on February 20, 2008, and ending on the Maturity Date (whether the Stated Maturity Date or an earlier Redemption Date), subject to adjustment using the Following Business Day Payment Convention.

Interest Accrual Periods: The semi-annual period from and including the Issue Date (in the case of the first Interest Accrual Period) or previous Period End Date, as applicable, to but excluding the next Period End Date. Interest shall cease to accrue upon payment of principal on the Notes on the Maturity Date.

Period End Dates: Semi-annual, on each February 20, and August 20, commencing on February 20, 2008 and ending on the Maturity Date, not subject to adjustment, whether or not such dates are Business Days or U.S. Government Securities Business Days.

Reference Rate: An amount equal to 30CMS *minus* 10CMS; where (i) 30CMS is the 30-Year Constant Maturity Swap rate, as published by the Federal Reserve Board in the Federal Reserve Statistical Release H.15 and reported on Reuters ISDAFIX1 or any successor page thereto at 11:00 a.m. New York time, and (ii) 10CMS is the 10-Year Constant Maturity Swap rate, as published by the Federal Reserve Board in the Federal Reserve Statistical Release H.15 and reported on Reuters

ISDAFIX1 or any successor page thereto at 11:00 a.m. New York time. If either of 10CMS or 30CMS does not appear on Reuters Screen ISDAFIX1 on any date, such rate for such date shall be determined as if the parties had specified USD-CMS-Reference Banks (as defined below) as the rate (or rates) that does not appear on Reuters Screen ISDAFIX1.

Reference Rate Cut-Off: Beginning with the Interest Accrual Period commencing August 20, 2009, for each calendar day in an Interest Accrual period starting on, and including, the fifth U.S. Government Securities Business Day prior to the Period End Date for such Interest Accrual Period and ending on and excluding such Period End Date, the Reference Rate will be equal to the Reference Rate determined on the fifth U.S. Government Securities Business Day prior to that Period End Date.

Form: þ Book Entry o Certificated	CUSIP No.: 02687QCJ5
Specified Currency (If other than U.S. dollars): N/A	Authorized Denominations (If other than U.S.$1,000 and integral multiples of U.S.$1,000 in excess thereof): N/A

The notes are being placed through or purchased by the Agents listed below:

Agent	Principal Amount			
Nomura Securities International, Inc.	U.S.$11,500,000	Capacity:	o Agent	þ Principal

If as Agent:	The notes are being offered at a fixed initial public offering price of ___% of principal amount.
If as Principal:	þ The notes are being offered at varying prices related to prevailing market prices at the time of resale.
	o The notes are being offered at a fixed initial public offering price of 100% of principal amount.

* The Principal Amount of notes offered hereby includes $5,000,000 aggregate principal amount of Medium-Term Notes, Series AIG-FP, CMS Curve Notes due August 20, 2027, that were described in Pricing Supplement No. AIG-FP-27 dated July 20, 2007.

Redemption at Option of Issuer:

The notes will be redeemable, in whole only, at the option of the Issuer, upon written notice of a minimum of five (5) Business Days, at 100% of the Principal Amount, on August 20, 2008 and on each Interest Payment Date thereafter up to and including February 20, 2027.

Events of Default and Acceleration:

In case an Event of Default with respect to any of the notes has occurred and is continuing, the amount payable to a holder of a note upon any acceleration permitted by the notes, will be equal to the amount payable on that note calculated as though the date of acceleration were the Maturity Date of the notes.

In case of default in payment of the notes, whether at the Stated Maturity Date, upon redemption, or upon acceleration, from and after that date the notes will bear interest, payable upon demand of their holders, at the rate equal to the interest rate applicable to the Interest Accrual Period or portion thereof as of the date on which the default occurs, to the extent that payment of interest is legally enforceable on the unpaid amount due and payable on that date in accordance with the terms of the Notes to the date payment of that amount has been made or duly provided for.

Other Provisions:

Following Business Day Convention	Means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. When used in conjunction with a date, this convention shall mean that an adjustment will be made such that if that date would otherwise fall on a day that is not a Business Day so, that date as adjusted will be the first following day that is a Business Day.
Business Day	Means any day other than a day that (i) is a Saturday or Sunday, (ii) is a day on which banking institutions generally in the City of New York or London, England are authorized or obligated by law, regulation or executive order to close or (iii) is a day on which transactions in dollars are not conducted in the City of New York or London, England.
U.S. Government Securities Business Day	Means any day except for Saturday, Sunday, or a day on which The Bond Market Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.
USD-CMS-Reference Banks	An interest rate determined on the basis of the mid-market semi-annual swap rate quotations provided by the principal New York City office of each of five leading swap dealers in the New York interbank market (the Reference Banks) at approximately 11:00 a.m., New York City time on the day that is two U.S. Government Securities Business Days preceding the applicable date; and for this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to, in the case of 30CMS, 30 years, and in the case of 10CMS, 10 years**,** commencing on the applicable date and in a representative amount for 30-year and 10-year CMS swap transactions, as applicable, with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an actual/360 day count basis, is equivalent to USD-LIBOR-BBA with a designated maturity of three months. The Calculation Agent will request the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the applicable date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If two quotations are provided, the rate for the applicable date will be the arithmetic mean of the two quotations. If one quotation is provided, the rate for the applicable date will be that single quotation provided. If no quotations are provided, the rate for the applicable date will be determined by the Calculation Agent in good faith and in a commercially reasonable manner.
Day Count Convention:	30/360
Calculation Agent:	AIG Financial Products Corp.

Examples of Calculation of Interest Rate:

Example 1: Assuming the value of the Reference Rate is greater than or equal to 0.00% on every calendar day from August 20, 2009 to February 20, 2010, on the applicable Interest Payment Date, the Interest Rate per annum for the applicable Interest Accrual Period would be 9.50% calculated as follows: 9.50% x 180/180 = 9.50%.

Example 2: Assuming the value of the Reference Rate is less than 0.00% on every calendar day from August 20, 2009 to February 20, 2010, on the applicable Interest Payment Date, the Interest Rate per annum for the applicable Interest Accrual Period would be 0.00% calculated as follows: 9.50% x 0/180 = 0.00%.

Example 3: Assuming the value of the Reference Rate is greater than or equal to 0.00% on 90 calendar days from August 20, 2009 to February 20, 2010, on the applicable Interest Payment Date, the Interest Rate per annum for the applicable Interest Accrual Period would be 4.75% calculated as follows: 9.50% x 90/180 = 4.75%.

RISK FACTORS

Investing in the Notes involves a number of significant risks not associated with similar investments in a conventional debt security, including, but not limited to, fluctuations in the USD 30-year Constant Maturity Swap (CMS) Rate and the USD 10-year CMS Rate, and other events that are difficult to predict and beyond AIG s control. Accordingly, prospective investors should consult their financial and legal advisors as to the risks entailed by an investment in the notes and the suitability of the notes in light of their particular circumstances.

Historical performance of the spread between the USD 30-year CMS Rate and the USD 10-year CMS Rate should not be taken as an indication of the future performance of the USD 30-year CMS Rate and the USD 10-year CMS Rate during the term of the notes.

It is impossible to predict whether the Reference Rate will increase or decrease. The Reference Rate will be influenced by complex and interrelated political, economic, financial and other factors; therefore, the historical spread between the USD 30-year CMS Rate and the USD 10-year CMS Rate should not be taken as an indication of the future performance of the spread between these two rates during the term of the notes.

Factors that may affect the level of the USD 30-year CMS Rate and the USD 10-year CMS Rate and the Reference Rate between them include monetary policy, interest rate volatility, interest rate levels and the inflation rate.

Please note that historical trends are not indicative of future behavior of the USD 30 year CMS Rate, the USD 10 year CMS Rate and the spread between the two swap rates.

The market value of the notes may be influenced by unpredictable factors.

The market value of your notes may fluctuate between the date you purchase them and the Maturity Date. Several factors, many of which are beyond our control, will influence the market value of the notes. We expect that generally the USD 30-Year CMS Rate and the USD 10-Year CMS Rate on any day and expectations relating to the future level of the USD 30-Year CMS Rate and the USD 10-Year CMS Rate will affect the market value of the notes more than any other single factor. Other factors that may influence the market value of the notes include:

- supply and demand for the notes, including inventory positions held by any market maker;
- economic, financial, political and regulatory or judicial events that affect financial markets generally; interest rates in the market generally;
- the time remaining to maturity;
- our right to redeem the notes; and
- our creditworthiness and credit ratings.

Market factors may influence whether we exercise our right to redeem the notes prior to their scheduled maturity.

It is more likely that we will redeem the notes prior to their stated Maturity Date to the extent that the Reference Rate increases and results in an amount of interest in respect of the notes greater than that for instruments of a comparable maturity and credit rating trading in the market. If we redeem the notes prior to their stated maturity date, you may be unable to invest in securities with similar risk and yield as the notes and replacement investments may be more expensive than your investment in the notes. Your ability to realize market value appreciation and any interest is limited by our right to redeem the notes prior to their scheduled maturity.

There may not be an active trading market in the notes and sales prior to maturity may result in losses.

There may be little or no secondary market for the notes. We do not intend to list the notes on any stock exchange or automated quotation system, and it is not possible to predict whether a secondary market will develop for the notes. Even if a secondary market for the notes develops, it may not provide significant liquidity or result in trading of notes at prices advantageous to you. Sales in the secondary market may result in significant losses. Nomura Securities International, Inc. currently intends to act as market makers for the notes, but they are not required to do so, and may stop doing so at any time. We expect there will be little or no liquidity in the notes. The prices that may be offered in the secondary market for the notes will be discounted to reflect hedging and other costs and, among other things, changes of and volatility in interest rates in the market.

Trading by certain of our affiliates in the U.S. Dollar swap rate market may impair the value of the notes.

Certain of our affiliates, including our subsidiary AIG Financial Products Corp. are active participants in the U.S. Dollar swap rate market as dealers, proprietary traders and agents for our customers, and therefore at any given time may be a party to one or more transactions related to the USD 30-year CMS Rate or the USD 10-year CMS Rate. In addition, we or one or more of our affiliates may hedge our exposure under