



Bring on tomorrow

American International Group, Inc.

2014 Annual Report



American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 100 countries and jurisdictions. AIG companies serve commercial, institutional, and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States.

Financial Highlights¹

Years Ended December 31,

(dollars in millions, except per share data)

| | 2014 | 2013 | 2012 |
|---|-----------|-----------|-----------|
| Operating results: | | | |
| Total revenues | \$ 64,406 | \$ 68,874 | \$ 71,214 |
| Net income attributable to AIG | 7,529 | 9,085 | 3,438 |
| After-tax operating income attributable to AIG | 6,630 | 6,650 | 6,542 |
| Earnings per share (EPS): | | | |
| Basic | | | |
| Net income attributable to AIG | 5.27 | 6.16 | 2.04 |
| Diluted | | | |
| Net income attributable to AIG | 5.20 | 6.13 | 2.04 |
| After-tax operating income attributable to AIG | \$ 4.58 | \$ 4.49 | \$ 3.88 |
| Balance sheet (period-end): | | | |
| Total assets | \$515,581 | \$541,329 | \$548,633 |
| Total AIG shareholders' equity | \$106,898 | \$100,470 | \$ 98,002 |
| Key metrics: | | | |
| Book value per share | \$ 77.69 | \$ 68.62 | \$ 66.38 |
| Book value per share, excluding AOCI and DTA | \$ 58.23 | \$ 52.12 | \$ 45.30 |
| Return on equity (ROE) | 7.1% | 9.2% | 3.4% |
| ROE – after-tax operating income, excluding AOCI and DTA | 8.4% | 9.3% | 9.0% |
| Commercial Insurance: | | | |
| Property Casualty combined ratio | 100.2 | 101.6 | 110.9 |
| Property Casualty accident year combined ratio, as adjusted ² | 94.2 | 95.1 | 99.3 |
| Consumer Insurance: | | | |
| Personal Insurance combined ratio | 99.9 | 101.5 | 102.1 |
| Personal Insurance accident year combined ratio, as adjusted ² | 99.5 | 102.1 | 99.3 |
| Retirement premiums and deposits | \$ 24,023 | \$ 23,729 | \$ 16,048 |
| Life premiums and deposits | \$ 4,806 | \$ 4,862 | \$ 4,864 |

¹The non-GAAP financial measures presented herein may not be comparable to similarly-named measures reported by other companies. The reconciliations of such measures to the most comparable GAAP measures in accordance with Regulation G are included within AIG's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (included herein) or in the Fourth Quarter 2014 Financial Supplement available in the Investor Information section of AIG's website, www.aig.com.

²Combined ratio presented excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments and the impact of reserve discounting.

Peter D. Hancock
President and Chief Executive Officer



To Our Shareholders,

Transition and transformation: This was 2014.

Value and sustainability: This is 2015 and looking toward the future.

AIG aspires to be the world's most valued insurer to clients, investors, employees, and the broader society. This means that we take the longer view – balancing our pursuit of sustainable performance with meaningful improvements to our performance in the short term.

The changes we are making, to our organization and to our mind-set, will help us realize both.

Honoring Bob Benmosche's Legacy

A review of AIG in 2014 can start in only one place – with our enormous gratitude to Bob Benmosche, who passed away in February 2015, having retired as AIG President and CEO in September 2014.

Bob led AIG during one of the most tumultuous periods for both our company and the global economy. AIG today can look forward because of Bob's vision and perseverance. Under his leadership, AIG made America whole on its more than \$182 billion in financial support, plus a profit of nearly \$23 billion. Equally important, Bob and our Board ensured AIG's continued viability by refocusing the company on its insurance roots and positioning us to take on future challenges.

Bob inspired us with his courage, integrity, and commitment. He made us a stronger, smarter, and more focused company – a company that combines historical strengths with the increased wisdom that follows from overcoming unprecedented challenges together. His legacy to our clients, our employees, and you, our shareholders, is a company empowered to lead in the insurance industry for years to come. For this, we are forever grateful.

Maximizing Our Value

In my first letter to you as CEO, I will review the progress we've made since I was given the opportunity to lead AIG in September, and will set out my plans for building on that foundation.

One of the enduring lessons of AIG's history is the importance of balancing growth, profitability, and risk to maximize our company's intrinsic value. There are many ways for companies to deliver impressive short-term profits and market value. Yet our experience has shown that in the long term, companies often jeopardize their ability to deliver consistent growth when they take on excessive risk and postpone much-needed investments. Market value can over- or undershoot intrinsic value, so we choose intrinsic value as our true north.

We recognize that AIG will perform its best when we focus on two goals: honoring our commitments to clients, and acting as a responsible steward of our shareholders' capital by analyzing opportunities in light of their ability to deliver profitable growth at an appropriate level of risk.

As we focus on delivering that balanced mix of growth, profitability, and risk, we recently announced three financial targets through 2017:

- Growth of at least 10 percent a year in the company's book value per share, excluding accumulated other comprehensive income (AOCI) and tax attribute deferred tax assets (DTA).
- A reduction in net general operating expense (GOE) of 3 to 5 percent a year.
- An increase in normalized return on equity of at least 50 basis points a year, excluding AOCI and DTA.

Achieving these targets means working diligently to improve and sustain profitability, manage risk, and return excess capital.



Last year, we made progress toward these financial objectives. For the full year, we:

- Grew book value per share, excluding AOCI and DTA, by 12 percent.
- Reduced our net GOE by 3.5 percent through disciplined cost management.
- Increased shareholders' equity 6.4 percent to \$106.9 billion.
- Achieved a normalized return on equity, excluding AOCI and DTA, of 7.4 percent, reflecting nearly 5 percent in core insurance pre-tax operating income growth and improved capital efficiencies.

Managing our business to maximize intrinsic value in a sustainable way means resisting the urge to blindly pursue market share and sales volume, and instead growing the best-quality business where we are – or have the potential to be – a market leader. It means not being distracted by normal quarterly fluctuations in earnings per share, and instead patiently working to deliver growth in book value per share. Through this continued discipline, we will be able to consistently deliver value to our clients and shareholders.

The core elements of our plan to achieve this are:

- Managing capital in a way that limits our risks while maximizing returns to shareholders.
- Enhancing our operating model, so we can efficiently deploy our human and technology resources in ways that heighten our ability to make the smartest underwriting decisions while consistently delivering the best results for our clients.
- Investing in our infrastructure, ensuring that our company stays competitive in a world of constant technological and market innovation.

Managing Your Capital Wisely

In 2014, we continued to make progress deploying capital to enhance long-term returns, while prudently managing our liquidity and capital risks. We did this by:

- Completing \$4.9 billion in share repurchases.
- Strengthening the financial flexibility of AIG Parent with distributions of \$10.4 billion from our insurance companies.
- Reducing our overall debt by approximately \$10.5 billion.
- Pursuing strategic, complementary acquisition opportunities.

Continuing our liability management initiatives, we've taken advantage of opportunities to buy back high-cost, illiquid debt and replace it with new, more liquid debt at lower yields. Since early 2012, our credit spreads have narrowed hundreds of basis points, reflecting the investment community's acknowledgment of AIG's improved risk profile. The rating agencies have also recognized our restructuring and deleveraging efforts. Moody's and S&P have our ratings on stable outlook, and Fitch recently revised our outlook from stable to positive, citing improvement in our capital position and debt servicing capabilities.

Managing the company to intrinsic value extends from how we price the liabilities generated by our businesses to the way we invest the float generated by premiums. We are therefore evaluating how to enhance the total return on the investments in our general account, rather than focusing primarily on net investment income. While we prioritize organic growth in making decisions about where we can most effectively deploy your capital, we also continuously evaluate acquisition opportunities across the globe that align with our strategic direction, provide capabilities that support our business priorities, and produce attractive financial returns.

We see opportunities to grow our core businesses profitably by focusing on delivering value to our clients. In our Commercial Insurance business, for example, we've invested in our engineers, helping us grow in markets where relatively few competitors have the dedicated industry expertise our clients need. From cyber-risk insurance to crisis management and environmental consulting, our innovative offerings and investments in loss control services are increasingly differentiating AIG and opening up new avenues to expand client relationships. And to extend our advantage in the multinational segment, we are investing in improved multicountry service platforms and better consulting tools.

We have a number of conduits for organic growth. We currently insure 99.6 percent of the *Fortune* 500 companies and see an opportunity to increase the proportion of these clients for whom we are their lead insurer. In Consumer Insurance, we are also applying our capabilities to reduce people's fear of outliving their savings, endemic in aging populations in a number of large economies. We are optimistic about the demand for insurance in India and China, and are well positioned to collaborate with our long-standing partners Tata Group and People's Insurance Company of China.

Also in Consumer Insurance, our acquisition of London-based Ageas Protect Limited will strengthen our profile in the UK. Already in 2015, we announced the acquisition of Laya Healthcare, Ireland's second-largest health insurance provider, which will give us nearly 500,000 additional clients and new capabilities in the health insurance area, where we see substantial opportunities around the world.

Growing our company is one aspect of value-based management. Running AIG according to these principles also means that, where our current products, services, and offerings do not support our strategic and financial goals, we will look for ways to redeploy capital or return it to you.

The unwinding of the Direct Investment book (DIB) portfolio and the systematic settlement of the Runoff insurance lines are examples of this.

Creating Value Beyond the Sum of the Parts

Our recent history has also taught us that complexity jeopardizes long-term shareholder value by increasing cost, risk, and the time it takes to reach and implement decisions, while reducing accountability. So a key element of our plan is further simplifying AIG's business and operating models, and creating structures that promote clear accountability.

As I said earlier, delaying investment in infrastructure is not a sustainable option compatible with long-term shareholder value. Failure to invest deprives our employees of the tools needed to properly measure risk, evaluate business opportunity, and deliver best-in-class service to our clients in an increasingly competitive marketplace. Consequently, we continue to invest in our IT infrastructure, Science, and Compliance functions. These investments are incorporated into our financial target to reduce GOE by 3 to 5 percent a year.

From a conglomerate of businesses, largely operated as silos, to a core group of insurance businesses run by a central leadership team, AIG has greatly simplified and de-risked its structure over the past several years. After becoming CEO in September, I further refocused AIG's businesses and aligned them by clients served – Commercial and Consumer – rather than by products offered.

I also launched a comprehensive look at how we can enhance our decision making at AIG by leveraging our unparalleled strategic data assets to make the most informed business decisions, and by improving our employees' ability to act quickly to advance the interests of our clients and shareholders.



We can now focus more strategically and diligently on serving our clients and delivering what they value most in the quickest and most efficient way.

Our simplified business model preserves the benefits of scale and diversification, which distinguish us from our peers, and better enables us to deliver sustainable value to shareholders at an appropriate risk level by:

- Balancing risk across products, geographies, and clients, and promoting overall credit strength.
- Enabling more dynamic allocation of capital while minimizing friction costs.
- Positioning us to better absorb the growing costs of compliance, risk management, and investment in technology.
- Enabling us to use our valuable \$16 billion in net operating loss and foreign tax credit carryforwards to offset future taxable income and tax liabilities.

As we sculpt the future AIG, we will implement initiatives including:

- Applying science to better price and select risk through enhanced data, analytics, and evidence-based decision making, to deliver superior risk-adjusted returns.
- Making necessary investments in IT, including new global claims and underwriting platforms, and improved global call center and exposure analysis resources, to deliver first-class client service and decrease our loss ratio.
- Reducing costs and deploying capital more efficiently by integrating our Japanese businesses and building a new distribution platform for our Japanese agency network.
- Floating or selling businesses that lack current or realizable potential synergy with our core operations.

AIG's diversified status, and thus our ability to be taxed as a Life and Non-Life company, enables us to use our valuable net operating loss and foreign tax credit carryforwards to

offset future taxable income and tax liabilities. Changes to AIG's diversified corporate structure would significantly reduce our ability to use our valuable tax assets, and the company would forfeit a significant economic benefit.

AIG Employees: Driving Everything We Do

I've set out an ambitious plan for 2015 and beyond. This plan will require discipline, focus, and a willingness to continuously revisit and enhance the way we work so that we stay competitive in an ever-changing and ever-challenging marketplace.

Our 65,000 employees are up to the task. The professionals who brought AIG through unparalleled challenge continue to deliver industry-leading service to our clients. Those who have joined AIG more recently bring new insights and experiences for us to advance our business.

Our employees are the source of our clients' trust – whether in new and growing relationships, or those established over decades. They are building on that deep level of client engagement, taking an increasingly integrated approach to the client experience.

Within the insurance industry, AIG's talent differentiates us, with our professionals being recognized as industry leaders around the world. We will continue to invest in individuals but are increasing our emphasis on building teams that bring the full scale, breadth of capability, and diversity of perspective to clients.

This is a new chapter for AIG. In this letter, I've set out goals – and I'm accountable to you for them. With the industry's best team, I'm confident that together we'll achieve or exceed them.

Bring on tomorrow.

Peter D. Hancock

Robert S. Miller
Non-Executive Chairman of the Board



Dear AIG Shareholder,

2014 was another year of great progress for AIG. It was a year of decision and action, as we focused on staying the course while moving forward, and creating sustainable value for our stakeholders.

The most important decision in 2014 was the selection of the leader who would succeed Bob Benmosche as AIG President and CEO. After a comprehensive process to bring the best leadership to our stakeholders, the Board, with great confidence, selected Peter Hancock as AIG's new President and CEO in June. He succeeded Bob on September 1.

Bob passed away in February 2015. We mourn this profound loss with great sadness, yet celebrate Bob's life and legacy with the greatest appreciation. Courageous and controversial, Bob led the people of AIG to achieve the unimaginable – executing perhaps the largest turnaround in the history of corporate America. The Board witnessed firsthand the effect of Bob's philosophy: When you give people the freedom to act, and they act responsibly, they are capable of amazing things. On behalf of the Board and so many others, we will always be grateful to Bob.

Peter has the characteristics to lead AIG toward our vision of being the world's most valued insurer for our clients, including his deep financial experience that helped us de-risk the company, and broad international experience from having lived and led in places across the globe. Shortly after Peter officially took on the role in September, he aligned the company by client segment rather than product line – further bringing together our capabilities and bringing us closer to our clients.

In 2014, the dialogue continued between the AIG Board and our regulators to better understand and help shape the evolving worldwide regulatory environment. Our primary objectives remain the same. As a global company with many global clients, we want our many individual regulatory entities to develop rules and requirements that are consistent across national boundaries. And as an insurer, we want to advocate for a framework that recognizes the inherent differences between insurance companies and banks, and treats each industry accordingly. In our view, regulatory oversight, if done properly, can facilitate rather than hinder the important role of the insurance industry in our world economy.

AIG is no stranger to change, and 2014 was no exception, with new leadership and a new structure. What matters is that the changes make us better and move us forward in the right direction. We look forward to the changes that 2015 will bring, and to even more opportunities to deliver value to our clients and shareholders.

Sincerely,

Robert S. Miller

AIG employees volunteered more than **20,000 hours** during Global Volunteer Weeks in 2014.



The perspectives and insights that come from being a truly global enterprise differentiate AIG. Our 65,000 employees serve clients in more than 100 countries and jurisdictions. This is something few companies can rival.

One way we bring together people from across our enterprise to deliver creative solutions to our clients is through Innovation Bootcamps. Several teams made up of employees from across disciplines – for instance, underwriters, claims professionals, actuaries, and science professionals – each creates a new product or service, develops a business plan for bringing it to market, and presents the idea to a panel of AIG senior leaders. Launched in Commercial Insurance in late 2013, the Innovation Bootcamps have since been expanded to Consumer Insurance.

AIG also supports employees' diverse philanthropic interests by empowering them to donate money and time to the causes they care about through a 2:1 Matching Grants Program and a Volunteer Time Off program. AIG's Global Volunteer Weeks also engage employees in building better communities – and saw a 76 percent increase in participation last year from employees in 45 countries.



We are not simply passive observers of risk – rather, we actively engage with clients to truly understand their most important problems and use our risk expertise to help solve these problems.

We analyze clients' historical data to help them reduce losses and help AIG reduce claims. We have made big investments in risk engineering to improve our clients' business continuity. With the addition of over 300 engineers, and proactive risk mitigation tools, we guide clients to prevent losses.

Learning together begins by listening to what our clients value most, as teams of leaders from Consumer Insurance did in the fourth quarter when they visited AIG's top 40 distributors of retirement and life products. Together, they reviewed 2014 and revised how we will work in 2015 based on mutual priorities.

As part of this dialogue, AIG also shares insights we have gained from serving more than 90 million clients, paying hundreds of millions of dollars in claims each week, and analyzing the vast amount of data we have accumulated over the decades to better understand risk.

Last year, for instance, 900 clients and brokers participated in a webcast by our Global Travel team on the West African Ebola crisis – part of our Global Perspective Series about market issues and trends.



AIG's AG Asset Protector opens a door to additional income by allowing policyholders to receive death benefits while living.



Last year, AIG teams worked with a client in Brazil to bring together multiple coverages that will enable the client to help increase a major Brazilian port's capacity for larger ships.



AIG offers the rail industry in North America one of the largest capacities by a single insurer in excess casualty liability.



Transfer

ISK

Accept

Our clients depend on us – and trust us – to be there when they need us most, as well as to empower them. We give them confidence to invest in the future, whether it's a business looking to expand or a family financing a child's education.

AIG also has the discipline to fulfill our promise to our shareholders to create value that's sustainable. More than simply seeking short-term earnings outcomes, we are committed to doing the right thing from a long-term perspective.

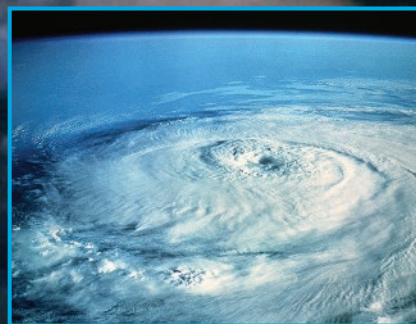
On a broader scale, AIG plays a role helping society move forward with confidence through our efforts in areas such as road safety. We insure over 10 million vehicles globally and are uniquely positioned to help understand why road accidents happen. AIG last year became a founding member and co-chair of the Together for Safer Roads coalition, which brings together global industry leaders to focus on this major global health issue.



In a world now facing more than a million cyber attacks a day, AIG's CyberEdge® helps clients safeguard against sensitive data breaches, computer hacking, employee error, and more.



The New York and Houston Global Security Operations Centers provide real-time crisis management, travel support, and risk mitigation 24/7 to AIG clients and employees worldwide.



AIG's Catastrophe Advantage ProgramSM (CAP) integrates state-of-the-art storm modeling technology with our extensive policy and claims data to identify essential information pertinent to our clients before the storm occurs.



Board of Directors



Front row, from left:

Arthur C. Martinez

Former Chairman of the Board, President and Chief Executive Officer Sears, Roebuck and Co.

W. Don Cornwell

Former Chairman of the Board and Chief Executive Officer Granite Broadcasting Corporation

Peter R. Fisher

Senior Fellow, Center of Global Business and Government and Senior Lecturer, Tuck School of Business at Dartmouth College

Former Head of Fixed Income Portfolio Management
BlackRock, Inc.

William G. Jurgensen

Former Chief Executive Officer Nationwide Insurance

Suzanne Nora Johnson

Former Vice Chairman
The Goldman Sachs Group, Inc.

Robert S. Miller

Non-Executive Chairman of the Board
American International Group, Inc.

Former Chief Executive Officer
Hawker Beechcraft, Inc.

Former Executive Chairman
Delphi Corporation

Peter D. Hancock

President and Chief Executive Officer
American International Group, Inc.

Henry S. Miller

Chairman
Marblegate Asset Management, LLC

Former Chairman and Managing Director
Miller Buckfire & Co., LLC

George L. Miles, Jr.

Chairman Emeritus
The Chester Group, Inc.

Former President and Chief Executive Officer
WQED Multimedia

Christopher S. Lynch

Former National Partner in Charge
of Financial Services
KPMG LLP

Back row, from left:

John H. Fitzpatrick

Former Secretary General
The Geneva Association

Former Chief Financial Officer, Head of
the Life and Health Reinsurance Business Group
and Head of Financial Services
Swiss Re

Douglas M. Steenland

Former President and Chief Executive Officer
Northwest Airlines Corporation

Theresa M. Stone

Former Executive Vice President and Treasurer
Massachusetts Institute of Technology

Former Executive Vice President and
Chief Financial Officer
Jefferson-Pilot Corporation

Former President
Chubb Life Insurance Company

Ronald A. Rittenmeyer

Former Chairman, President and
Chief Executive Officer
Expert Global Solutions, Inc.

Former Chairman, Chief Executive Officer
and President
Electronic Data Systems Corporation



American International Group, Inc.

Form 10-K

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| Title of Each Class | Name of Each Exchange on Which Registered |
|--|---|
| Common Stock, Par Value \$2.50 Per Share | New York Stock Exchange |
| Warrants (expiring January 19, 2021) | New York Stock Exchange |
| 5.75% Series A-2 Junior Subordinated Debentures | New York Stock Exchange |
| 4.875% Series A-3 Junior Subordinated Debentures | New York Stock Exchange |
| Stock Purchase Rights | New York Stock Exchange |



Shareholder Information

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Stock Market Listings

New York and Tokyo Stock Exchanges
NYSE common stock trading symbol: AIG

SEC Certifications

The certifications by the Chief Executive Officer and the Chief Financial Officer of AIG, required under Section 302 of the Sarbanes-Oxley Act of 2002, were filed as exhibits to AIG's Annual Report on Form 10-K for the year ended December 31, 2014, and are included herein.

NYSE Certification

The Chief Executive Officer of AIG made an unqualified certification to the NYSE with respect to AIG's compliance with the NYSE Corporate Governance Listing Standards in June 2014.

Annual Meeting of Shareholders

The 2015 Annual Meeting of Shareholders will be held on Wednesday, May 13, 2015, at 11:00 a.m., at 175 Water Street, New York, NY.

Shareholder Assistance

Visit the AIG corporate website at www.aig.com. Requests for copies of the Annual Report to Shareholders and Annual Report on Form 10-K for the year ended December 31, 2014, should be directed to:

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Duplicate Mailings/Householding

A shareholder who receives multiple copies of AIG's proxy materials and Annual Report may eliminate duplicate report mailings by contacting AIG's transfer agent.



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