

AMERICAN INTERNATIONAL GROUP INC

Form 424B2

June 12, 2007

PRICING SUPPLEMENT NO. AIG-FP-21
DATED JUNE 12, 2007
TO PROSPECTUS DATED JULY 24, 2006
AND PROSPECTUS SUPPLEMENT DATED OCTOBER 12, 2006

FILED PURSUANT TO RULE 424(b)(2)
REGISTRATION NO. 333-106040

**AMERICAN INTERNATIONAL GROUP, INC.
MEDIUM-TERM NOTES, SERIES AIG-FP,
CMS CURVE NOTES DUE JUNE 27, 2022**

Principal Amount: U.S.\$5,000,000

Issue Date: June 27, 2007

Agents Discount or Commission: None

Stated Maturity Date: June 27, 2022

Net Proceeds to Issuer: U.S.\$5,000,000

Interest Rate: For each Interest Accrual Period from and including the Interest Accrual Period commencing on the Issue Date to and including the Interest Accrual Period ending on June 27, 2008, 11.00% per annum.

For each Interest Accrual Period commencing on or after June 27, 2008, the interest rate per annum shall be determined as follows:

(i) 50 times (ii) the *greater of* 0 or the Reference Rate on the related Interest Determination Date.

Interest Payment Dates: Quarterly, on the 27th calendar day of each March, June, September and December, commencing September 27, 2007 and ending on the Maturity Date (whether the Stated Maturity Date or an earlier Redemption Date), subject to adjustment using the Modified Following Business Day Payment Convention.

Interest Accrual Periods: The quarterly 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.

Period End Dates: Quarterly, on the 27th calendar day of each March, June, September and December, commencing September 27, 2007 and ending on the Maturity Date, not subject to adjustment, whether or not such dates are Business Days.

Reference Rate: An amount equal to 30CMS *minus* 10CMS; where (i) 30CMS is the USD 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 USD 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.

Form: Book Entry Certificated

CUSIP No.:02687QCC0

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	Capacity:
Lehman Brothers Inc.	U.S.\$5,000,000	<input type="radio"/> Agent <input type="radio"/> Principal

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

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 June 27, 2008 and on each Interest Payment Date thereafter to and including March 27, 2022 (such date, the Redemption Date).

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 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:

Modified 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, unless the proposed adjusted date would fall in the next calendar month, in which case the adjusted date will be the first preceding day that is a Business Day.
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Interest Determination Date	Means, in respect of an Interest Accrual Period commencing on or after June 27, 2008, the day that is two (2) Business Days prior to the beginning of such Interest Accrual Period.
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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 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.
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Maturity Date	The earlier of the Stated Maturity Date or the Redemption Date.
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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.
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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 10CMS, 10 years, and in the case of 30CMS, 30 years, commencing on the applicable date and in a representative amount for 10-year and 30-year CMS swap transactions, as applicable, with an acknowledged dealer of good credit in the swap

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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 Reference Rate is 0.00% or less on an Interest Determination Date (that is, 30CMS is not greater than 10CMS), on the related Interest Payment Date, the Interest Rate per annum for the applicable Interest Accrual Period would be 0.00% calculated as follows: $50 \times 0.00 = 0.00\%$.

Example 2: Assuming the Reference Rate is 0.04% on an Interest Determination Date, on the related Interest Payment Date, the Interest Rate per annum for the applicable Interest Accrual Period would be 2.00% calculated as follows: $50 \times 0.04\% = 2.00\%$.

Example 3: Assuming the Reference Rate is 0.75% on an Interest Determination Date, on the related Interest Payment Date, the Interest Rate per annum for the applicable Interest Accrual Period would be 37.50% calculated as follows: $50 \times 0.75\% = 37.50\%$.

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 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 30-year CMS Rate and the 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:

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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. Lehman Brothers 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 the notes by entering into various transactions. We may adjust these hedges at any time and from time to time. Our trading and hedging activities or other financial activity of ours or our affiliates may have a material adverse effect on the spread between the USD 30-year CMS Rate and the USD 10-year CMS Rate and make it less likely that you will receive a return on your investment in the notes. It is possible that we or our affiliates could receive significant returns from these hedging activities while the value of or amounts payable under the notes may decline.

The inclusion of compensation and projected profits from hedging in the original issue price is likely to adversely affect secondary market prices.

Assuming no change in market conditions or any other relevant factors, the price, if any, at which we, any of our affiliates or any market maker are willing to purchase the notes in secondary market transactions will likely be lower, and may be materially lower, than the price at which we sold the notes to the Agent. In addition, any such prices may differ from values determined by pricing models used by us or any of our affiliates or any market maker as a result of dealer discounts, mark-ups or other transactions.

We may have conflicts of interests arising from our relationships with the Calculation Agent

You should be aware that AIG Financial Products Corp. (AIG-FP), our subsidiary, in its capacity as Calculation Agent for the notes, is under no obligation to take your interests into consideration in determining the Reference Rate or the number of days on which interest will accrue, and is only required to act in good faith and in a commercially reasonable manner. AIG-FP, as Calculation Agent will, among other things, also determine the applicable interest rate

and the redemption payment to be made on the notes. Because these determinations by the Calculation Agent will affect the interest, redemption payment and the payment at maturity on the notes, conflicts of interest may arise in connection with its performance of its role as Calculation Agent.

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ERISA CONSIDERATIONS

The notes may not be purchased or held by any employee benefit plan or other plan or account that is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA) or Section 4975 of the Code (each, a plan), or by any entity whose underlying assets include plan assets by reason of any plan s investment in the entity (a plan asset entity), unless in each case the purchaser or holder is eligible for exemptive relief from the prohibited transaction rules of ERISA and Section 4975 of the Code under a prohibited transaction class exemption issued by the Department of Labor or another applicable statutory or administrative exemption. Each purchaser or holder of the notes will be deemed to represent that either (1) it is not a plan or plan asset entity and is not purchasing the notes on behalf of or with plan assets or (2) with respect to the purchase and holding, it is eligible for relief under a prohibited transaction class exemption or other applicable statutory or administrative exemption from the prohibited transaction rules of ERISA and Section 4975 of the Code. The foregoing supplements the discussion under ERISA Considerations in the base prospectus dated July 24, 2006.

USE OF PROCEEDS

We intend to lend the net proceeds from the sale of the notes to our subsidiary AIG Financial Products Corp. or certain of its subsidiaries for use for general corporate purposes.

HISTORICAL INFORMATION ON CONSTANT MATURITY SWAP RATES

The following graphs set forth the historical spread between the USD 30-Year CMS Rate and the USD 10-Year CMS Rate and the levels of each of the USD 30-Year CMS Rate and the USD 10-Year CMS Rate for the years indicated. You should not take the past performance of the spreads between the USD 30-Year CMS Rate and the USD 10-Year CMS Rate as an indication of future spreads.

Source: Bloomberg L.P.

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Source: Bloomberg L.P.

Source: Bloomberg L.P.

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CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

For the reasons described below, we believe that the notes should be characterized as contingent payment obligations and not as variable rate notes for U.S. federal income tax purposes, and we intend to treat the notes as contingent payment obligations. Special U.S. federal income tax rules apply to contingent payment obligations. These rules are described under the heading United States Taxation Original Issue Discount Notes Subject to Contingent Payment Obligation Rules in the Prospectus Supplement.

Under the applicable U.S. Treasury Regulations governing original issue discount on debt instruments, a debt instrument is a variable rate note if it provides for interest at a single objective rate (that is, a rate determined using a single interest-rate formula based on objective financial or economic information) unless, as is our expectation in this case, the notes are reasonably expected to provide for significant front-loading of interest. Additionally, a note that pays interest at an objective rate may nonetheless qualify as a variable rate note if it provides for an initial fixed rate for a year or less, but only if the issuer of the note intends that the initial fixed rate approximate what the objective rate would have been if the objective rate were in effect for the initial period. We believe that the interest rate in effect for the Interest Accrual Periods prior to and including the Interest Accrual Period ending on June 27, 2008, do not approximate what the rate would have been for those periods had the rate applicable to the Interest Accrual Periods commencing on or after June 27, 2008 been in effect for those earlier periods. Accordingly, we do not believe that the notes qualify as variable rate notes.

The U.S. Treasury Regulations discussing the U.S. federal income tax treatment of contingent payment obligations require the issuer of such notes to provide the purchaser with the comparable yield of a hypothetical AIG debt instrument with terms similar to the notes, but without any contingent payments, and a projected payment schedule for payments on the notes. As discussed in the Prospectus Supplement, a purchaser of the notes will need this information to calculate its income on the notes. Solely for purposes of applying these regulations, we have determined that the comparable yield is 5.50%. Based on this comparable yield, and taking into account the first four initial fixed payments on the notes, the projected payment schedule for each payment period is set forth in the following table:

Accrual Period From	To	Coupon Payment	Accrual Period From	To	Coupon Payment
27-Jun-07	27-Sep-07	27.5000	27-Dec-14	27-Mar-15	10.9050
27-Sep-07	27-Dec-07	27.5000	27-Mar-15	27-Jun-15	10.2830
27-Dec-07	27-Mar-08	27.5000	27-Jun-15	27-Sep-15	9.7946
27-Mar-08	27-Jun-08	27.5000	27-Sep-15	27-Dec-15	9.2513
27-Jun-08	27-Sep-08	20.2312	27-Dec-15	27-Mar-16	8.8391
27-Sep-08	27-Dec-08	19.8882	27-Mar-16	27-Jun-16	8.4805
27-Dec-08	27-Mar-09	19.4993	27-Jun-16	27-Sep-16	8.0886
27-Mar-09	27-Jun-09	19.2135	27-Sep-16	27-Dec-16	7.5273
27-Jun-09	27-Sep-09	18.6647	27-Dec-16	27-Mar-17	7.0670
27-Sep-09	27-Dec-09	18.2511	27-Mar-17	27-Jun-17	6.6351
27-Dec-09	27-Mar-10	18.0317	27-Jun-17	27-Sep-17	6.3077
27-Mar-10	27-Jun-10	17.4340	27-Sep-17	27-Dec-17	6.2085
27-Jun-10	27-Sep-10	17.3603	27-Dec-17	27-Mar-18	6.1350
27-Sep-10	27-Dec-10	16.8858	27-Mar-18	27-Jun-18	5.9021
27-Dec-10	27-Mar-11	16.8183	27-Jun-18	27-Sep-18	5.8173
27-Mar-11	27-Jun-11	16.5193	27-Sep-18	27-Dec-18	5.7580
27-Jun-11	27-Sep-11	16.4896	27-Dec-18	27-Mar-19	5.6831
27-Sep-11	27-Dec-11	16.1564	27-Mar-19	27-Jun-19	5.4848
27-Dec-11	27-Mar-12	16.0903	27-Jun-19	27-Sep-19	5.4577
27-Mar-12	27-Jun-12	16.0238	27-Sep-19	27-Dec-19	5.4727
27-Jun-12	27-Sep-12	15.9341	27-Dec-19	27-Mar-20	5.3727
27-Sep-12	27-Dec-12	15.2825	27-Mar-20	27-Jun-20	5.7072

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27-Dec-12	27-Mar-13	14.9800	27-Jun-20	27-Sep-20	5.6273
27-Mar-13	27-Jun-13	14.3693	27-Sep-20	27-Dec-20	5.5703
27-Jun-13	27-Sep-13	13.9642	27-Dec-20	27-Mar-21	5.6202
27-Sep-13	27-Dec-13	13.5112	27-Mar-21	27-Jun-21	5.5285
27-Dec-13	27-Mar-14	13.1505	27-Jun-21	27-Sep-21	5.6156
27-Mar-14	27-Jun-14	12.7701	27-Sep-21	27-Dec-21	5.4775
27-Jun-14	27-Sep-14	12.2321	27-Dec-21	27-Mar-22	5.5536
27-Sep-14	27-Dec-14	11.5492	27-Mar-22	27-Jun-22	1005.3379

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As indicated in the Prospectus Supplement, the treatment of contingent payment obligations subject to optional redemption rights is uncertain. If the Internal Revenue Service were to require that we not take into account the probability of exercise of the call option for purposes of calculating the comparable yield and projected payment schedule, then the amount of income to be accrued would likely be different.

The comparable yield and projected payment schedule set forth above is being provided to you solely for the purpose of determining interest accruals in respect of your note, and none of AIG or its affiliates or agents is making any representation or prediction regarding the actual amount of interest (if any) that may be payable with respect to your note after June 27, 2008, or the likelihood of the notes being redeemed prior to the Stated Maturity Date.

GENERAL INFORMATION

The information in this Pricing Supplement, other than the information regarding the initial public offering price, the net proceeds to the issuer, the identities of the initial purchasers or agents, the information under Examples of Calculation of Interest Rate , Certain U.S. Federal Income Tax Consequences , ERISA Considerations and Risk Factors above, and the following two paragraphs, will be incorporated by reference into the Global Security representing all the Medium-Term Notes, Series AIG-FP.

We are offering notes on a continuing basis through AIG Financial Securities Corp., ABN AMRO Incorporated, Banca IMI S.p.A., Banc of America Securities LLC, Barclays Capital Inc., Bear, Stearns & Co. Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., BNY Capital Markets, Inc., Calyon Securities (USA) Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Daiwa Securities America Inc., Daiwa Securities SMBC Europe Limited, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Greenwich Capital Markets, Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities Inc., Lehman Brothers Inc., McDonald Investments Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities International plc, Morgan Stanley & Co. Incorporated, RBC Capital Markets Corporation, Santander Investment Securities Inc., Scotia Capital (USA) Inc., SG Americas Securities, LLC, TD Securities (USA) LLC, UBS Securities LLC, and Wachovia Capital Markets, LLC, as agents, each of which has agreed to use its best efforts to solicit offers to purchase notes. We may also accept offers to purchase notes through other agents. See Plan of Distribution in the accompanying prospectus supplement. To date, including the notes described by this pricing supplement, we have accepted offers to purchase approximately \$4 billion aggregate principal amount (or its equivalent in one or more foreign currencies) of notes described in the accompanying prospectus supplement, including \$352,817,000 aggregate principal amount (or its equivalent in one or more foreign currencies) of Series AIG-FP notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if the prospectus, the prospectus supplement or this pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.