AMERICAN INTERNATIONAL GROUP INC
Form DEF 14A
June 05, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

American International Group, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

AMERICAN INTERNATIONAL GROUP, INC.
70 Pine Street, New York, N.Y. 10270

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 30, 2009

June 5, 2009

To the Shareholders of
AMERICAN INTERNATIONAL GROUP, INC.:

The Annual Meeting of Shareholders of AMERICAN INTERNATIONAL GROUP, INC. (AIG) will be held at the offices of AIG at 72 Wall Street, Eighth Floor, New York, New York, on June 30, 2009, at 10:00 a.m., for the following purposes:

1. To elect the eleven nominees specified under Election of Directors as directors of AIG to hold office until the next annual election and until their successors are duly elected and qualified;

2. To vote upon a non-binding shareholder resolution to approve executive compensation;

3. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to increase the authorized shares of common stock from 5,000,000,000 shares to 9,225,000,000 shares;

4. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to effect a reverse stock split of AIG s outstanding common stock at a ratio of one-for-twenty;

5. To act upon a proposal to amend AIG s Restated Certificate of

Incorporation to increase the authorized shares of preferred stock from 6,000,000 shares to 100,000,000 shares;

6. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to (i) permit AIG s Board of Directors to issue series of preferred stock that are not of equal rank and (ii) cause the Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, the Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock and any other series of preferred stock subsequently issued to the United States Department of the Treasury to rank senior to all other series of preferred stock;

7. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to eliminate any restriction on the pledging of all or substantially all of the property or assets of AIG;

8. To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2009;

9. To act upon a shareholder proposal relating to executive

compensation retention upon termination of employment;

10. To act upon a shareholder proposal relating to special meetings of shareholders;

11. To act upon a shareholder proposal relating to reincorporation of AIG in North Dakota; and

12. To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on May 22, 2009 will be entitled to vote at the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on June 30, 2009. The Proxy Statement, Annual Report to Shareholders and other Soliciting Material are available in the Investor Information section of AIG s corporate website at *www.aigcorporate.com.*

By Order of the Board of Directors
KATHLEEN E. SHANNON
Secretary

If you plan on attending the meeting, please remember to bring photo identification with you. In addition, if you hold shares in street name and would like to attend the meeting, you should bring an account statement or other acceptable evidence of ownership of AIG common stock as of the close of business on May 22, 2009. If you cannot be present at the meeting, please sign the enclosed proxy card or voting instruction card and return it at once in the accompanying postage prepaid envelope or vote your shares by telephone or through the Internet.

AMERICAN INTERNATIONAL GROUP, INC.
70 Pine Street, New York, N.Y. 10270

PROXY STATEMENT

June 5, 2009

TIME AND DATE	10:00 a.m. on Wednesday, June 30, 2009.
PLACE	72 Wall Street, Eighth Floor, New York, New York 10270.
MAILING DATE	These materials are being mailed to shareholders of AIG commencing on or about June 5, 2009.
ITEMS OF BUSINESS	To elect the eleven nominees specified under Election of Directors as directors of AIG to hold office until the next annual election and until their successors are duly elected and qualified;
	To vote upon a non-binding shareholder resolution to approve executive compensation;
	To act upon a proposal to amend AIG s Restated Certificate of Incorporation to increase the authorized shares of common stock from 5,000,000,000 shares to 9,225,000,000 shares;
	To act upon a proposal to amend AIG s Restated Certificate of Incorporation to effect a reverse stock split of AIG s outstanding common stock at a ratio of one-for-twenty;
	To act upon a proposal to amend AIG s Restated Certificate of Incorporation to increase the authorized shares of preferred stock from 6,000,000 shares to 100,000,000 shares;
	To act upon a proposal to amend AIG s Restated Certificate of Incorporation to (i) permit AIG s Board of Directors to issue series of preferred stock that are not of equal rank and (ii) cause the Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, the Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock and any other series of preferred stock subsequently issued to the United States Department of the Treasury to rank senior to all other series of preferred stock;
	To act upon a proposal to amend AIG s Restated Certificate of Incorporation to eliminate any restriction on the pledging of all or substantially all of the property or assets of AIG;
	To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2009;
	To act upon a shareholder proposal relating to executive compensation retention upon termination of employment;

To act upon a shareholder proposal relating to special meetings of shareholders;

	To act upon a shareholder proposal relating to reincorporation of AIG in North Dakota; and
	To transact any other business that may properly come before the meeting.
RECORD DATE	You can vote if you were a shareholder of record at the close of business on May 22, 2009.
INSPECTION OF LIST OF SHAREHOLDERS OF RECORD	A list of the shareholders of record as of May 22, 2009 will be available for inspection during ordinary business hours during the ten days prior to the meeting at AIG s offices, 70 Pine Street, New York, New York 10270.
ADDITIONAL INFORMATION	Additional information regarding the matters to be acted on at the meeting is included in the accompanying proxy materials.
PROXY VOTING	PLEASE SUBMIT YOUR PROXY THROUGH THE INTERNET OR BY TELEPHONE OR MARK, SIGN, DATE AND RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE.

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VOTING INSTRUCTIONS AND INFORMATION

The enclosed proxy is solicited on behalf of the Board of Directors (Board of Directors or Board) of American International Group, Inc., a Delaware corporation (AIG), for use at the AIG Annual Meeting of Shareholders to be held on June 30, 2009, or at any adjournment thereof (Annual Meeting or 2009 Annual Meeting of Shareholders). These proxy materials are being mailed to shareholders of AIG commencing on or about June 5, 2009.

Who can vote at the Annual Meeting?

You are entitled to vote or direct the voting of your shares of AIG common stock, par value $2.50 per share (AIG Common Stock), if you were a shareholder of record or if you held AIG Common Stock in street name at the close of business on May 22, 2009. On that date, 2,691,865,452 shares of AIG Common Stock (exclusive of shares held by AIG and certain subsidiaries) were outstanding, held by 57,741 shareholders of record. You may cast one vote for each share of AIG Common Stock held by you on the record date.

Holders of Series C Perpetual, Convertible, Participating Preferred Stock (AIG Series C Preferred Stock) are also entitled to vote or direct the voting of their shares of AIG Series C Preferred Stock, if they were shareholders of record at the close of business on May 22, 2009. On that date, 100,000 shares of AIG Series C Preferred Stock were outstanding, held by one shareholder of record. Holders of AIG Series C Preferred Stock may cast approximately 106,422.58 votes for each share of AIG Series C Preferred Stock held by them on the record date (10,642,258,800 in the aggregate).

With respect to Proposal 5 and only with respect to Proposal 5, holders of the Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock (AIG Series E Preferred Stock) and Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock (AIG Series F Preferred Stock) are also entitled to vote or direct the voting of their shares of AIG Series E Preferred Stock or AIG Series F Preferred Stock, as applicable, if they were shareholders of record at the close of business on May 22, 2009. On that date, 400,000 shares of AIG Series E Preferred Stock were outstanding, held by one shareholder of record and 300,000 shares of AIG Series F Preferred Stock were outstanding, held by one shareholder of record. Holders of AIG Series E Preferred Stock may cast one vote for each share of AIG Series E Preferred Stock held by them on the record date. Holders of AIG Series F Preferred Stock may cast one vote for each share of AIG Series F Preferred Stock held by them on the record date.

Who is a shareholder of record?

During the ten days prior to the Annual Meeting, a list of the shareholders will be available for inspection at the offices of AIG at 70 Pine Street, New York, New York 10270.

If you hold AIG Common Stock, AIG Series C Preferred Stock, AIG Series E Preferred Stock or AIG Series F Preferred Stock that is registered in your name on the records of AIG maintained by AIG s transfer agent, Wells Fargo Shareowner Services, you are a shareholder of record.

If you hold AIG Common Stock indirectly through a broker, bank or similar institution, you are not a shareholder of record, but instead hold in street name.

If you are a shareholder of record, these proxy materials are being sent to you directly. If you hold shares in street name, these materials are being sent to you by the bank, broker or similar institution through which you hold your shares.

What proposals will be voted on at the Annual Meeting?

There are eight proposals from AIG to be considered and voted on at the Annual Meeting:

1. To elect the eleven nominees specified under Election of Directors as directors of AIG to hold office until the next annual election

and until their successors are duly elected and qualified;

2. To vote upon a non-binding shareholder resolution to approve executive compensation;

3. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to increase the authorized shares of AIG Common Stock from 5,000,000,000 shares to 9,225,000,000 shares;

4. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to effect a reverse stock split of the outstanding AIG Common Stock at a ratio of one-for-twenty;

5. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to increase the authorized shares of preferred stock of AIG (AIG Preferred Stock) from 6,000,000 shares to 100,000,000 shares.

6. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to (i) permit the Board to issue series of AIG Preferred Stock that are not of equal rank and (ii) cause the AIG Series E Preferred Stock, the AIG Series F Preferred Stock and any other series of AIG Preferred Stock subsequently issued to the United States Department of the Treasury to rank senior to all other series of AIG Preferred Stock;

7. To act upon a proposal to amend AIG s Restated Certificate of Incorporation to eliminate any restriction on the pledging of all or substantially all of the property or assets of AIG; and

8. To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2009.

In addition, there are three proposals from shareholders to be considered and voted on at the Annual Meeting:

9. To act upon a shareholder proposal relating to executive compensation retention upon termination of employment;

10. To act upon a shareholder proposal relating to special meetings of shareholders; and

11. To act upon a shareholder proposal relating to reincorporation of AIG in North Dakota.

You may also vote on any other business that properly comes before the Annual Meeting.

How does the Board of Directors recommend I vote?

AIG s Board of Directors unanimously recommends that you vote:

1. **FOR** each of the nominees to the Board of Directors.

2. **FOR** the approval of the non-binding shareholder resolution on executive compensation.

3. **FOR** the proposal to amend AIG s Restated Certificate of Incorporation to increase the authorized shares of AIG Common Stock from 5,000,000,000 shares to 9,225,000,000 shares.

4. **FOR** the proposal to amend AIG s Restated Certificate of Incorporation to effect a reverse stock split of the outstanding AIG Common Stock at a ratio of one-for-twenty.

5. **FOR** the proposal to amend AIG s Restated Certificate of Incorporation to increase the authorized shares of AIG Preferred Stock from 6,000,000 shares to 100,000,000 shares.

6. **FOR** the proposal to amend AIG s Restated Certificate of Incorporation to (i) permit the Board to issue series of AIG Preferred Stock that are not of equal rank and (ii) cause the AIG Series E Preferred Stock, the AIG Series F Preferred Stock and any other series of AIG Preferred Stock subsequently issued to the United States Department of the Treasury to rank senior to all other series of AIG Preferred Stock.

7. **FOR** the proposal to amend AIG s Restated Certificate of Incorporation to eliminate any restriction on the pledging of all or substantially all of the property or assets of AIG.

8. **FOR** the proposal to ratify the selection of

PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2009.

9. **AGAINST** the shareholder proposal relating to executive compensation retention upon termination of employment.

10. **AGAINST** the shareholder proposal relating to special meetings of shareholders.

11. **AGAINST** the shareholder proposal relating to reincorporation of AIG in North Dakota.

The Board of Directors is required by the terms of the Series C Perpetual, Convertible, Participating Preferred Stock Purchase Agreement, dated as of March 1, 2009 (the Series C Stock Purchase Agreement), entered into by AIG with the AIG Credit Facility Trust, to recommend that shareholders vote for proposals 6 and 7 and to solicit proxies in favor of those proposals. See Relationships with the Federal Reserve Bank of New York, the AIG Credit Facility Trust and the United States Department of the Treasury for more information on AIG s relationship with the U.S. government.

What do I need to attend the Annual Meeting?

If you plan on attending the Annual Meeting, please remember to bring photo identification with you, such as a driver s license. In addition, if you hold shares in street name and would like to attend the Annual Meeting, you should bring an account statement or other acceptable evidence of ownership of AIG Common Stock as of the close of business on May 22, 2009, the record date for voting. In order to vote at the Annual Meeting, you will also need a valid legal proxy , which you can obtain by contacting your account representative at the broker, bank or similar institution through which you hold your shares. See How do I vote? for four ways to cast your vote.

How do I vote?

You may cast your vote in one of four ways:

By Submitting a Proxy by Internet. Go to the following website: *www.eproxy.com/aig*. You may submit a proxy by Internet 24 hours a day. Enter the information requested on your computer screen and follow the simple instructions. If you choose to submit a proxy by Internet, then you do not need to return the proxy card. To be valid, your proxy by Internet must be received by 11:59 a.m., Eastern Daylight Saving Time, on June 29, 2009. Please have your proxy card and the last four digits of your Social Security number or tax identification number available.

By Submitting a Proxy by Telephone. To submit a proxy using the telephone (within the United States and Canada), call toll free

1-800-560-1965 in the United States or Canada any time on a touch tone telephone. You may submit a proxy by telephone 24 hours a day, 7 days a week. There is NO CHARGE to you for the call. Follow the simple instructions provided by the recorded message. If you choose to submit a proxy by telephone, then you do not need to return the proxy card. To be valid, your proxy by telephone must be received by 11:59 a.m., Eastern Daylight Saving Time, on June 29, 2009.

By Submitting a Proxy by Mail. Mark the enclosed proxy card, sign and date it, and return it in the pre-paid envelope that has been provided. To be valid, your proxy by mail must be received by 9:00 a.m., Eastern Daylight Saving Time, on June 30, 2009.

At the Annual Meeting. You can vote your shares in person at the Annual Meeting (see What do I need to attend the Annual Meeting?). If you are a shareholder of record, in order to vote at the Annual Meeting, you must present an acceptable form of identification, such as a driver s license. If you hold your shares in street name, you must obtain a legal proxy, as described above, under What do I need to attend the Annual Meeting? , and bring that proxy to the Annual Meeting.

How can I revoke my proxy or substitute a new proxy or change my vote?

You can revoke your proxy or substitute a new proxy by:

For a Proxy Submitted by Internet or Telephone

Subsequently submitting in a timely manner a new proxy through the Internet or by telephone; or

Executing and mailing a later-dated proxy card that is received by AIG prior to 9:00 a.m., Eastern Daylight Saving Time, on June 30, 2009; or

Voting in person at the Annual Meeting.

For a Proxy Submitted by Mail

Subsequently executing and

mailing another proxy card bearing a later date; or

Giving written notice of revocation to AIG s Secretary at 70 Pine Street, New York, New York 10270 that is received by AIG prior to 9:00 a.m., Eastern Daylight Saving Time, on June 30, 2009; or

Voting in person at the Annual Meeting.

If I submit a proxy by Internet, telephone or mail, how will my shares be voted?

If you properly submit your proxy by one of these methods, and you do not subsequently revoke your proxy, your shares will be voted in accordance with your instructions.

If you sign, date and return your proxy card but do not give voting instructions, your shares will be voted as follows: FOR the election of AIG s director nominees; FOR the approval of the non-binding shareholder resolution on executive compensation; FOR the amendment of AIG s Restated Certificate of Incorporation to increase the authorized shares of AIG Common Stock from 5,000,000,000 shares to 9,225,000,000 shares; FOR the amendment of AIG s Restated Certificate of Incorporation to effect a reverse stock split of the outstanding AIG Common Stock at a ratio of one-for-twenty; FOR the amendment of AIG s Restated Certificate of Incorporation to increase the authorized shares of AIG Preferred Stock from 6,000,000 shares to 100,000,000 shares; FOR the amendment of AIG s Restated Certificate of Incorporation to (i) permit the Board to issue series of AIG Preferred Stock that are not of equal rank and (ii) cause the AIG Series E Preferred Stock, the AIG Series F Preferred Stock and any other series of AIG Preferred Stock subsequently issued to the United States Department of the Treasury to rank senior to all other series of AIG Preferred Stock; FOR the amendment of AIG s Restated Certificate of Incorporation to eliminate any restriction on the pledging of all or substantially all of the property or assets of AIG; FOR the ratification of the appointment of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2009; AGAINST each of the shareholder proposals; and otherwise in accordance with the judgment of the persons voting the proxy on any other matter properly brought before the Annual Meeting.

If I hold my shares in street name and do not provide voting instructions, can my broker still vote my shares?

Under the rules of the New York Stock Exchange (NYSE), brokers that have not received voting instructions from their customers ten days prior to the Annual Meeting date may vote their customers shares in the brokers discretion on the proposals regarding the election of directors, the non-binding shareholder vote on executive compensation and the ratification of the appointment of independent auditors because these are considered discretionary under NYSE rules. If your broker is an affiliate of AIG, NYSE policy specifies that, in the absence of your specific voting instructions, your shares may only be voted in the same proportion as all other shares are voted with respect to each proposal.

Under NYSE rules, each other proposal is a non-discretionary item, which means that member brokers who have not received instructions from the beneficial owners of AIG Common Stock do not have discretion to vote the shares of AIG Common Stock held by those beneficial owners on any of those proposals.

How are votes counted?

Proposal 1 Election of Directors. AIG s By-laws provide that in uncontested elections, directors must receive a majority of the votes cast by the shareholders of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class. In other words, directors in an uncontested election must receive more votes for their election than against their election. Pursuant to AIG s Corporate Governance Guidelines, each nominee who is currently a director has submitted to the Board an irrevocable resignation from the Board that would become effective upon (1) the failure of such nominee to receive the required vote at the Annual Meeting and (2) Board acceptance of such resignation. In the event that a nominee who is currently a director fails to receive the required vote at the Annual Meeting, the Nominating and Corporate Governance Committee will then make a recommendation to the Board on the action to be taken with respect to the resignation. The Board will accept such resignation unless the Committee recommends and the Board determines that the best interests of AIG and its shareholders would not be served by doing so.

Proposal 2 Non-binding Shareholder Vote to Approve Executive Compensation. Adoption of the resolution of the non-binding shareholder vote to approve executive compensation requires a for vote of a majority of the voting power represented by the votes cast by the shareholders of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, which votes cast are either for or against the resolution.

Proposal 3 Amendment of AIG s Restated Certificate of Incorporation to Increase the Authorized Shares of AIG Common Stock. This amendment of the Restated Certificate of Incorporation requires a for vote of a majority of the voting power of the outstanding shares of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, plus a for vote of a majority of the outstanding shares of AIG Common Stock, voting as a separate class.

Proposal 4 Amendment of AIG s Restated Certificate of Incorporation to Effect a Reverse Stock Split of AIG s Outstanding Common Stock at a Ratio of One-for-Twenty. This amendment of the Restated Certificate of Incorporation requires a for vote of a majority of the voting power of the outstanding shares of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class.

Proposal 5 Amendment of AIG s Restated Certificate of Incorporation to increase the authorized shares of AIG Preferred Stock. This amendment of the Restated Certificate of Incorporation requires:

A for vote of a majority of the voting power of the outstanding shares of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class; plus

A for vote of a majority of the voting power of AIG Series C Preferred Stock, voting as a separate class; plus

A for vote of at least $66^2/_3$ percent of the outstanding shares of each of the AIG Series E Preferred Stock and the AIG Series F Preferred Stock, voting as separate classes.

Proposal 6 Amendment of AIG s Restated Certificate of Incorporation to (i) Permit AIG s Board of Directors to Issue Series of AIG Preferred Stock that Are Not of Equal Rank and (ii) Cause the AIG Series E Preferred Stock, the AIG Series F Preferred Stock and Any Other Series of AIG Preferred Stock Subsequently Issued to the United States Department of the Treasury to Rank Senior to All Other Series of AIG Preferred Stock. This amendment of the Restated Certificate of Incorporation requires:

A for vote of a majority of the voting power of the outstanding shares of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class; plus

A for vote of at least $66^2/_3$ percent of the outstanding shares of AIG Series C Preferred Stock, voting as a separate class.

Proposal 7 Amendment of AIG s Restated Certificate of Incorporation to Eliminate Any Restriction on the Pledging of All or Substantially All of the Property or Assets of AIG. This amendment of the Restated Certificate of Incorporation requires a for vote of a majority of the voting power of the outstanding shares of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class.

Proposal 8 Ratification of the Selection of PricewaterhouseCoopers LLP as AIG s Independent Registered Public Accounting Firm. Ratification of the selection of accountants requires a for vote of a majority of the voting power represented by the votes cast by the shareholders of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, which votes are cast for or against the ratification. Neither AIG s Restated Certificate of Incorporation nor AIG s By-laws require that the shareholders ratify the selection of PricewaterhouseCoopers LLP as its independent registered public accounting firm. AIG s Board is requesting shareholder ratification as a matter of good corporate practice. If the shareholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers LLP, but may still retain PricewaterhouseCoopers LLP. Even if the selection is ratified, the Audit Committee in its discretion may change the appointment at any time during the year if it determines that such change would be in the best interests of AIG and its shareholders.

Shareholder Proposals 9-11. Approval of each shareholder proposal requires a for vote by a majority of the voting power of the outstanding shares of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class.

Broker Non-Votes and Abstentions. Because directors are elected by a majority of the votes cast, an abstention or broker non-vote will have no effect on the election, although a director who receives more votes against than for his or her election will be required to resign, subject to the process described above under Proposal 1 Election of Directors.

In the case of the adoption of the non-binding resolution on executive compensation and ratification of the appointment of PricewaterhouseCoopers LLP, only votes cast for or against the ratification will be considered; abstentions, broker non-votes and withheld votes will not be treated as a vote for or against these proposals and therefore will have no effect on the vote. With respect to each other proposal, an abstention, broker non-vote or withheld vote will have the effect of a vote against such proposals.

How many votes are required to transact business at the Annual Meeting?

A quorum is required to transact business at the Annual Meeting. The holders of a majority of the combined voting power of AIG Common Stock and AIG Series C Preferred Stock, treated as a single class, will constitute a quorum.

Proxies marked as abstaining, and any proxies returned by brokers as non-votes on behalf of shares held in street name because beneficial owners discretion has been withheld as to one or more matters on the agenda for the Annual Meeting, will be treated as present for purposes of determining a quorum for the Annual Meeting.

How do I obtain more information about AIG?

A copy of AIG s 2008 Annual Report to Shareholders, which includes AIG s Annual Report on Form 10-K for the year ended December 31, 2008 (AIG s 2008 Annual Report on Form 10-K) filed with the U.S. Securities and Exchange Commission (SEC), has been previously delivered to shareholders. **You also may obtain, free of charge, a copy of the 2008 Annual Report to Shareholders and AIG s 2008 Annual Report on Form 10-K by writing to American International Group, Inc., 70 Pine Street, New York, New York 10270, Attention: Investor Relations.** These documents also are available in the Investor Information section of AIG s corporate website at *www.aigcorporate.com.*

Why was approval of the issuance of the AIG Series C Preferred Stock, which is convertible into more than 20 percent of AIG Common Stock, not sought?

Section 312.03 of the NYSE Listed Company Manual generally requires shareholder approval (the Shareholder Approval Policy) prior to the issuance by NYSE-listed companies of common stock, or securities convertible into or exercisable for common stock, in any transaction or series of transactions if:

The common stock to be issued has, or will have upon issuance, voting power equal to or in excess of 20 percent of the voting power outstanding before the issuance of such common stock or of securities convertible into or exercisable for common stock, or

The number of shares of common stock to be issued is, or will be upon issuance, equal to or in excess of 20 percent of the number of shares of common stock outstanding before the issuance of the common stock or of securities convertible into or exercisable for common stock.

There is an exception under Section 312.05 to the Shareholder Approval Policy when (1) the delay in securing shareholder approval would seriously jeopardize the financial viability of the listed company s enterprise and (2) reliance by the listed company on such exception is expressly approved by the Audit Committee of the Board of Directors.

The Audit Committee of AIG s Board of Directors determined that the issuance of the AIG Series C Preferred Stock was necessary to procure funds the delay of which would have seriously jeopardized the financial viability of AIG. Notice of such determination was sent to shareholders on September 26, 2008 in accordance with NYSE rules.

Who pays for the expenses of this proxy solicitation?

AIG will bear the cost of this solicitation of proxies. Proxies may be solicited by mail, email, personal interview, telephone and facsimile transmission by directors, their associates, and approximately eight officers and regular employees of AIG and its subsidiaries. In addition to the foregoing, AIG has retained D.F. King & Co., Inc. to assist in the solicitation of proxies for a fee of approximately $17,000 plus reasonable out-of-pocket expenses and disbursements of that firm. AIG will reimburse brokers and others holding AIG Common Stock in their names, or in the names of nominees, for forwarding proxy materials to their principals.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Proxy Statement and other publicly available documents may include, and AIG s officers and representatives may from time to time make, projections and statements which may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These projections and statements are not historical facts but instead represent only AIG s belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG s control. These projections and statements may address, among other things, the outcome of the proposed and completed transactions with the NY Fed and the Department of the Treasury, the number, size, terms, cost and timing of dispositions and their potential effect on AIG s businesses, financial condition, results of operations, cash flows and liquidity (and AIG at any time and from time to time may change its plans with respect to the sale of one or more businesses), AIG s exposures to subprime mortgages, monoline insurers and the residential and commercial real estate markets and AIG s strategy for growth, product development, market position, financial results and reserves. It is possible that AIG s actual results and financial condition will differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause AIG s actual results to differ, possibly materially, from those in the specific projections and statements include a failure of the completed transactions with the Department of the Treasury to achieve their desired objectives or a failure to complete the proposed transactions with the NY Fed, developments in global credit markets and such other factors as discussed throughout part II, Item 7. in Management s Discussion and Analysis of Financial Condition and Results of Operations and in Item 1A. Risk Factors, of AIG s 2008 Annual Report on Form 10-K and in part II, Item 1A. Risk Factors, of AIG s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009. AIG is not under any obligation (and expressly disclaims any obligations) to update or alter any projection or other statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

RELATIONSHIPS WITH THE FEDERAL RESERVE BANK OF NEW YORK, THE AIG CREDIT FACILITY TRUST AND THE UNITED STATES DEPARTMENT OF THE TREASURY

AIG has entered into several important transactions and relationships, as well as certain agreements in principle, with the Federal Reserve Bank of New York (NY Fed), the AIG Credit Facility Trust (the Trust) and the United States Department of the Treasury (the Department of the Treasury). These are summarized below and discussed in more detail in AIG s 2008 Annual Report on Form 10-K, and two Current Reports on Form 8-K, dated April 17, 2009.

Credit Facility with the NY Fed

AIG and the NY Fed entered into a revolving credit facility (as amended, the Fed Credit Agreement) and a Guarantee and Pledge Agreement on September 22, 2008.

AIG Series C Preferred Stock

As of March 4, 2009, the Trust, established for the sole benefit of the United States Treasury in connection with the Fed Credit Agreement and issuance of AIG Series C Preferred Stock, holds all of the outstanding 100,000 shares of AIG Series C Preferred Stock, which are, to the extent permitted by law, entitled to vote on all matters with the AIG Common Stock. As of the record date, the holders of the AIG Series C Preferred Stock are entitled to (i) approximately 79.81 percent of the voting power of AIG s shareholders entitled to vote on any particular matter and (ii) approximately 79.81 percent of the aggregate dividend rights of the outstanding AIG Common Stock and the AIG Series C Preferred Stock, in each case, on an as converted basis. As of the record date, the AIG Series C Preferred Stock was entitled to 10,696,060,566 votes, less

The shares of AIG Common Stock subject to the Warrants (as defined below);

Any shares of AIG Common Stock underlying any other instrument convertible into, exchangeable for or representing the right to receive AIG Common Stock owned by the Department of the Treasury; and

Any shares of AIG Common Stock otherwise directly owned by the Department of the Treasury.

This calculation is made as if the AIG Series C Preferred Stock had been converted into AIG Common Stock. Thus, as of the record date, the total AIG Series C Preferred Stock voting power of 10,696,060,566 shares was reduced by the 53,801,766 shares of AIG Common Stock subject to the Warrants (AIG understands that, as of the record date, the Department of the Treasury did not otherwise own any shares of AIG Common Stock or any other instrument convertible into, exchangeable for or representing the right to receive shares of AIG Common Stock.

The Series C Stock Purchase Agreement requires the Board of Directors to recommend to shareholders, and solicit proxies for, Proposals 6 and 7.

AIG Series E Preferred Stock, AIG Series F Preferred Stock and Warrants

The Department of the Treasury holds all the outstanding 400,000 shares of AIG Series E Preferred Stock, the 300,000 shares of AIG Series F Preferred Stock and two 10-year warrants (the Warrants) to purchase 53,801,766 shares of AIG Common Stock (the TARP Investment), as part of the Troubled Asset Relief Program (TARP) and the Systemically Significant Failing Institutions Program.

The terms of the TARP Investment, among other things:

Contain limitations on the payment of dividends on AIG Common Stock and on AIG s ability to repurchase AIG Common Stock; and

Subject AIG to the executive compensation limitations included in the Emergency

Economic Stabilization Act of 2008 (the EESA), including the provisions for Systemically Significant Failing Institutions. Each of AIG s senior executive officers (as defined under the EESA) and certain other senior employees executed waivers and entered into letter agreements relating to modifications to compensation or benefits necessary to comply with the executive compensation limitations included in the EESA and the terms of the TARP Investment during the period in which any obligation of AIG arising from financial assistance provided under the Troubled Asset Relief Program

remains
outstanding.

On April 17, 2009, AIG entered into an agreement with the Department of the Treasury to exchange all of the outstanding shares of Series D Fixed Rate Cumulative Perpetual Preferred Stock (AIG Series D Preferred Stock) for 400,000 shares of AIG Series E Preferred Stock, with a liquidation preference of $104,011.44 per share. The terms of the AIG Series E Preferred Stock are substantially the same as for the AIG Series D Preferred Stock, except that the dividends are not cumulative. In connection with the agreement, AIG agreed that, while any AIG obligations under TARP remain outstanding, other than under any warrant held by the Department of the Treasury, AIG would comply with Section 111 of the EESA, as amended, as implemented by any guidance or regulations issued and/or to be issued thereunder, including any amendments to the guidelines implementing the Systemically Significant Failing Institutions Program.

Resolution of Securities Lending Program

AIG and various U.S. life insurance company subsidiaries of AIG and AIG Securities Lending Corp. (the AIG Agent) entered into an Asset Purchase Agreement, dated as of December 12, 2008 (the Purchase Agreement), with Maiden Lane II LLC, whose sole member is the NY Fed. Pursuant to the Purchase Agreement, the life insurance subsidiaries sold to Maiden Lane II LLC all of their undivided interests in a pool of $39.3 billion face amount of residential mortgage-backed securities held by the AIG Agent as agent of the life insurance subsidiaries in connection with AIG s U.S. securities lending program.

Termination of Certain CDS

On November 25, 2008, AIG entered into a Master Investment and Credit Agreement (the ML III Agreement) with the NY Fed, Maiden Lane III LLC (ML III), and The Bank of New York Mellon, which established arrangements, through ML III, to fund the purchase of the multi-sector super senior collateralized debt obligations underlying or related to certain credit default swaps and other similar derivative instruments (CDS) written by AIG Financial Products Corp. in connection with the termination of such CDS transactions.

Equity Capital Commitment Facility

On April 17, 2009, the Department of the Treasury and AIG entered into a 5-year equity capital commitment facility of $29.835 billion. AIG has issued 300,000 shares of AIG Series F Preferred Stock to the Department of the Treasury, each share with a zero initial liquidation preference. The liquidation preference of the AIG Series F Preferred Stock will automatically increase, on a pro rata basis, by the amount of any drawdown on the commitment. The Department of the Treasury also received a warrant exercisable for 3,000 shares of AIG Common Stock, and, as described under AIG Series C Preferred Stock above, the voting power of the AIG Series C Preferred Stock was reduced by the number of shares of AIG Common Stock underlying the warrant.

Repayment of Borrowings under Fed Credit Agreement with Subsidiary Preferred Equity

On March 2, 2009, AIG announced its intent to enter into a transaction pursuant to which AIG will transfer to the NY Fed preferred equity interests in newly formed special purpose vehicles (SPVs). Each SPV will have (directly or indirectly) as its only asset 100 percent of the common stock of an AIG operating subsidiary (American International Assurance Company, Limited, together with American International Assurance Company (Bermuda) Limited, in one case and American Life Insurance Company in the other). AIG expects to own the common interests of each SPV and will initially have the right to appoint the entire board of directors of each SPV. In exchange for the preferred equity interests received by the NY Fed, there would be a concurrent substantial reduction in the outstanding balance and maximum available amount to be borrowed under the Fed Credit Agreement.

Securitization

On March 2, 2009, AIG announced its intent to enter into a transaction pursuant to which AIG will issue to the NY Fed senior certificates in one or more newly-formed SPVs backed by in-force blocks of life insurance policies in settlement of a portion of the outstanding balance under the Fed Credit Agreement.

Effect of Transactions with the NY Fed, the Trust and the Department of the Treasury

As a result of the arrangements described above, AIG is controlled by the Trust, which is established for the sole benefit of the United States Treasury. The interests of the Trust and the United States Treasury may not be the same as the interests of AIG s other shareholders. As a result of its ownership, the Trust is able, subject to the terms of the AIG Credit Facility Trust Agreement, dated as of January 16, 2009 (as it may be amended from time to time, the Trust Agreement), and AIG Series C Preferred Stock, to elect all of AIG s directors and can, to the extent permitted by law, control the vote on substantially all matters, including:

- Approval of mergers or other business combinations;
- A sale of all or substantially all of AIG s assets;
- Issuance of any additional shares of AIG Common Stock or other equity securities; and
- Other matters that might be favorable to the United States Treasury.

Moreover, the Trust may, subject to the terms of the Trust Agreement and applicable securities laws, transfer all, or a portion of, AIG Series C Preferred Stock to another person or entity and, in the event of such a transfer, that person or entity could become AIG s controlling shareholder.

ELECTION OF DIRECTORS

Eleven directors are to be elected at the Annual Meeting to hold office until the next annual election and until their successors are duly elected and qualified. It is the intention of the persons named in the accompanying form of proxy to vote for the election of the nominees listed below. Five of the nominees, other than Harvey Golub, Laurette T. Koellner, Christopher S. Lynch, Arthur C. Martinez, Robert S. Miller and Douglas M. Steenland, are currently members of AIG s Board of Directors. It is not expected that any of the nominees will become unavailable for election as a director, but if any should prior to the Annual Meeting, proxies will be voted for such persons as the persons named in the accompanying form of proxy may determine in their discretion. Directors will be elected by a majority of the votes cast by the shareholders of the AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, which votes are cast for or against election. Pursuant to AIG s By-laws and Corporate Governance Guidelines, each nominee who is currently a director of AIG has submitted to the Board an irrevocable resignation from the Board that would become effective upon (1) the failure of such nominee to receive the required vote at the shareholder meeting and (2) Board acceptance of such resignation. In the event that a nominee who is currently a director of AIG fails to receive the required vote, the Nominating and Corporate Governance Committee will then make a recommendation to the Board on the action to be taken with respect to the resignation. The Board will accept such resignation unless the Board determines (after consideration of the Nominating and Corporate Governance Committee s recommendation) that the best interests of AIG and its shareholders would not be served by doing so.

Ellen V. Futter, Richard C. Holbrooke, Fred H. Langhammer, Martin J. Sullivan and Robert B. Willumstad resigned from the Board of Directors during 2008 after the 2008 Annual Meeting of Shareholders. Virginia M. Rometty and Michael H. Sutton resigned from the Board of Directors on May 7, 2009. Stephen F. Bollenbach, Martin S. Feldstein and James F. Orr III informed AIG that they would not be standing for reelection at the 2009 Annual Meeting of Shareholders and Edmund Tse, after over 40 years of service, will retire from AIG and the Board of Directors at the 2009 Annual Meeting of Shareholders.

The nominees for director and certain information supplied by them to AIG are as follows:

DENNIS D. DAMMERMAN Elected November 12, 2008	**Former Vice Chairman of the Board, General Electric Company; Former Chairman of GE Capital Services** Age 63 *Director, BlackRock, Inc. Capmark Financial Group Inc.*
HARVEY GOLUB	**Former Chairman and Chief Executive Officer of**

	American Express Company Age 70 *Director, Campbell Soup Company The Reader s Digest Association, Inc.*
LAURETTE T. KOELLNER	**Former Senior Vice President of The Boeing Company; Former President, Boeing International** Age 54 *Director, Celestica Inc. Sara Lee Corporation*

EDWARD M. LIDDY Elected September 18, 2008	**Chairman and Chief Executive Officer, AIG** Age 63 *Director, 3M Company*
CHRISTOPHER S. LYNCH	**Former Partner, KPMG LLP** Age 51 *Director, Federal Home Loan Mortgage Corporation*
ARTHUR C. MARTINEZ	**Former Chairman of the Board, President and Chief Executive Officer, Sears, Roebuck and Co.** Age 69 *Director,* ABN AMRO Holding, N.V.* *HSN, Inc.* *IAC/InterActiveCorp* *International Flavors & Fragrances, Inc.* *Liz Claiborne, Inc.* *PepsiCo, Inc.* ** Mr. Martinez has made a commitment to AIG that, in accordance with AIG s Corporate Governance Guidelines, he will reduce the number of public company boards on which he serves as director (other than AIG) to no more than four within the next 12 months.*
GEORGE L. MILES, JR. Director since 2005	**President and Chief Executive Officer, WQED Multimedia** Age 67 *Director, EQT Corporation* *Harley-Davidson, Inc.*

	HFF, Inc. *WESCO International, Inc.*
ROBERT S. MILLER	**Executive Chairman, Delphi Corporation** Age 67 *Director, Symantec Corporation* *UAL Corporation*

SUZANNE NORA JOHNSON Elected July 16, 2008	**Former Vice Chairman, The Goldman Sachs Group, Inc.** Age 51 *Director, Intuit Inc.* *Pfizer Inc.* *Visa Inc.*
MORRIS W. OFFIT Director since 2005	**Chairman, Offit Capital Advisors LLC** *(a wealth management advisory firm);* **Founder and Former Chief Executive Officer, OFFITBANK** *(a private bank)* Age 72
DOUGLAS M. STEENLAND	**Former President and Chief Executive Officer, Northwest Airlines Corporation** Age 57 *Director, Delta Air Lines, Inc.* *Digital River, Inc.*

The principal occupation or affiliation of the nominees is shown above. Except as noted below, each director has occupied an executive position with the company or organization listed above for at least five years. Mr. Dammerman retired in 2005 as Vice Chairman of the Board and Executive Officer and a member of the Corporate Executive Office of GE. Prior to his retirement, he had served on the GE Board of Directors and as Chairman and Chief Executive Officer and a director of GE Capital Services, Inc. Ms. Koellner retired as President of Boeing International, a position she held from 2006 to 2008. Prior to that, she was President of Connexion by Boeing from 2004 to 2006, and Executive Vice President, Member of the Office of the Chairman and Chief Human Resources Officer and Chief Administrative Officer. Mr. Liddy joined the private equity firm of Clayton, Dubilier & Rice, Inc. in 2008 after serving as Chairman of The Allstate Corporation, the parent of the Allstate Insurance Company, since January 2007. Prior to that, he was Allstate Chairman and Chief Executive Officer from 1999 until 2006. Mr. Lynch is an independent consultant providing a variety of services to financial intermediaries, including risk management, strategy, governance, financial and regulatory reporting and troubled-asset management. Prior to retiring from KPMG

LLP in May 2007, Mr. Lynch held a variety of leadership positions at KPMG, including National Partner in Charge Financial Services. Mr. Martinez retired as Chairman of the Board, President and Chief Executive Officer of Sears, Roebuck and Co. in 2000. Mr. Miller was Chairman of Federal-Mogul Corporation from 2004 to 2005, prior to becoming Chairman and Chief Executive Officer of Delphi Corporation in 2005. Mr. Miller was Chairman and Chief Executive Officer of Delphi Corporation when it filed for Chapter 11 bankruptcy in October 2005. Ms. Nora Johnson retired as Vice Chairman of The Goldman Sachs Group, Inc. in 2007. Since 2003, she had held numerous roles at Goldman Sachs including Head of the Global Investment Research Division and Chairman of the Global Markets Institute. Mr. Offit served as Co-Chief Executive Officer of Offit Hall Capital Management LLC from 2002 until 2007. Mr. Steenland was President of Northwest Airlines from 2001 until 2004 and was President and Chief Executive Officer of Northwest Airlines from 2004 until 2008. Mr. Steenland was Chief Executive Officer of Northwest Airlines when it filed for Chapter 11 bankruptcy in September 2005.

Working with the Board, Edward M. Liddy, AIG s Chairman and Chief Executive Officer, has determined that coincident with the reconfiguration of the Board, the company should also initiate the necessary actions to install a more permanent leadership team and structure. Accordingly, he has informed the Board of his intention to resign from his positions with AIG, including his service as a director, once appropriate permanent replacements are appointed. The Board concurs with Mr. Liddy s recommendation that the roles of Chairman and Chief Executive Officer be separated going forward and intends to conduct a search to fill both positions. The search will include participation by both the reconstituted Board and the trustees of the Trust.

CORPORATE GOVERNANCE

GOVERNANCE

AIG s Board regularly reviews corporate governance developments and modifies its Corporate Governance Guidelines, charters and practices from time to time. AIG s Corporate Governance Guidelines are included as Appendix A. AIG s Corporate Governance Guidelines and the charters of the Nominating and Corporate Governance Committee, the Compensation and Management Resources Committee, the Finance and Risk Management Committee, the Audit Committee, and the Regulatory, Compliance and Public Policy Committee are available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com* or in print by writing to American International Group, Inc., 70 Pine Street, New York, New York 10270, Attention: Investor Relations.

AIG s Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics and a Code of Conduct for employees are available, without charge, in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com* or in print by writing to American International Group, Inc., 70 Pine Street, New York, New York 10270, Attention: Investor Relations. Any amendment to AIG s Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics and any waiver applicable to AIG s directors, executive officers or senior financial officers will be posted on AIG s website within the time period required by the SEC and the NYSE.

Using the current AIG Director Independence Standards that are included with the Corporate Governance Guidelines as Annex A thereto, the Board, on the recommendation of the Nominating and Corporate Governance Committee, determined that Ms. Nora Johnson, Ms. Koellner and Messrs. Bollenbach, Dammerman, Feldstein, Golub, Lynch, Martinez, Miles, Miller, Offit, Orr, and Steenland are independent under NYSE listing standards and AIG s Director Independence Standards. In addition, Ms. Futter and Ms. Rometty and Messrs. Holbrooke, Langhammer and Sutton, who also served on the Board during 2008, Mr. Willumstad, until he was appointed AIG s Chief Executive Officer in June 2008, and Marshall A. Cohen, Stephen L. Hammerman and Frank G. Zarb, who also served on the Board in 2008 before the 2008 Annual Meeting of Shareholders, were independent under NYSE listing standards and AIG s Director Independence Standards.

In making the independence determinations, the Nominating and Corporate Governance Committee considered relationships arising from: (1) contributions by AIG to charitable organizations with which Messrs. Bollenbach, Feldstein, Hammerman, Holbrooke, Langhammer, Offit and Willumstad and Ms. Futter and Ms. Nora Johnson or members of their immediate families are affiliated; (2) in the case of Ms. Rometty, transactions between AIG and IBM Corporation; and (3) in the case of certain directors, investments and insurance products provided to them by AIG in the ordinary course of business and on the same terms made available to third parties. Except as described in the following paragraph, none of these relationships exceeded the thresholds set forth in the AIG Director Independence Standards.

In 2008, AIG made payments totaling $410,000 to the Asia Society, of which Mr. Holbrooke was chairman of the board of directors, for membership fees, sponsorship costs and general contributions. Under AIG s Director Independence Standards that are used to assist the Board in making independence determinations, the Board must consider the materiality of any contributions for a calendar year made to a charitable organization with which a director is affiliated if the contributions exceed $200,000. The Board, on the recommendation of the Nominating and Corporate Governance Committee, considered the payments to the Asia Society and determined that they did not impair Mr. Holbrooke s independence. In making this determination, the Nominating and Corporate Governance Committee and the Board evaluated all facts they considered relevant, including that Mr. Holbrooke did not serve as an executive officer and did not receive compensation from the Asia Society, that he did not solicit the payments and that, given the significance of AIG s operations in Asia, the Board and AIG management believed that the payments to the Asia Society would enhance AIG s reputation and standing in Asia.

In 2007 and 2008, AIG made donations of $615,000 and $550,000, respectively, to Lincoln Center in New York City, of which Mr. Golub is a director. As described above, AIG s Board is required to consider the materiality of these contributions to Mr. Golub s independence. These contributions to Lincoln Center were made prior to Mr. Golub being considered as a candidate for election to the Board and were not solicited by Mr. Golub, and the Board, on the recommendation of the Nominating and Corporate Governance Committee, determined that these contributions did not impair Mr. Golub s independence.

There were 19 meetings of the Board during 2008. The non-management directors meet in executive session, without any management directors present, in conjunction with each regularly scheduled Board meeting. Mr. Willumstad presided at the executive sessions before he was appointed the Chief Executive Officer of AIG and Mr. Bollenbach, as Lead Independent Director, presided at the executive sessions thereafter. For 2008 and 2007, all of the directors attended at least 75 percent of the aggregate of all meetings of the Board and of the committees of the Board on which they served. Under AIG s Corporate Governance Guidelines, any director who, for two consecutive calendar years, attends fewer than 75 percent of the regular meetings of the Board and the meetings of all committees of which such director is a voting member will not be nominated for reelection at the annual meeting in the next succeeding calendar year, absent special circumstances that may be taken into account by the Board and the Nominating and Corporate Governance Committee in making its recommendations to the Board.

Directors are expected to attend the annual meetings of shareholders. All directors serving at the time of the 2008 Annual Meeting of Shareholders, except for former director Mr. Cohen, attended that meeting.

AIG has adopted policies on reporting of concerns regarding accounting and other matters and on communicating with non-management directors. These policies are available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com.* Interested parties may make their concerns known to the non-management members of AIG s Board of Directors as a group or the other members of the Board of Directors by writing in care of Special Counsel and Secretary to the Board, American International Group, Inc., 70 Pine Street, New York, New York 10270 or by email to: boardofdirectors@aig.com.

REPORT OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Overview

The role of the Nominating and Corporate Governance Committee is to identify individuals qualified to become Board members and recommend these individuals to the Board for nomination as members of the Board and its committees, to advise the Board on corporate governance matters and to oversee the evaluation of the Board and its committees.

Committee Organization

Committee Charter. The Committee s charter is available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com.*

Independence. The Board of Directors has determined that each member of the Committee is independent, as required by NYSE listing standards.

Conduct of meetings and governance process. During 2008, the Committee held five meetings. In discussing governance initiatives and in preparation for meetings, the Committee Chairman, the Chairman of the Board, the Lead Independent Director and the Special Counsel and Secretary to the Board of Directors met and consulted frequently with the other Committee and Board members.

Board Membership and Composition

Nomination and Election of Directors. Thirteen directors were elected at AIG s Annual Meeting of Shareholders in May 2008. During 2008, after the Annual Meeting of Shareholders, five directors resigned from the Board of Directors (Ms. Futter and Messrs. Holbrooke, Langhammer, Sullivan and Willumstad). In addition, Ms. Rometty and Mr. Sutton resigned on May 7, 2009, and Messrs. Bollenbach, Feldstein and Orr informed AIG in May 2009 that they would not be standing for reelection. Mr. Tse submitted his resignation in March 2009 to become effective at the 2009 Annual Meeting of Shareholders. On September 18, 2008, in connection with the transactions entered into between AIG and the NY Fed and the Department of the Treasury described above, the Board elected Edward M. Liddy as Chief Executive Officer and a director of AIG and appointed him as Chairman of the Board, succeeding Mr. Robert B. Willumstad, who had served as Chairman since November 1, 2006. In addition, the Committee nominated, and the Board elected, two new directors after the 2008 Annual Meeting of Shareholders, Dennis D. Dammerman and Suzanne Nora Johnson. Ms. Nora Johnson was brought to the Committee s attention by Heidrick & Struggles, an executive search firm that the Committee engaged to assist it in identifying potential director nominees. Mr. Liddy and Mr. Dammerman were identified for the Committee by members of the U.S. government in connection with the transactions entered into between AIG and the NY Fed and the Department of the Treasury. Ms. Koellner and Messrs. Golub, Lynch, Martinez and Miller were identified to the Committee by the trustees of the Trust. Their candidacies were considered in the same manner as any other director candidate brought by a shareholder to the attention of the Committee. In addition, the Committee, acting upon a referral provided by Paula Rosput Reynolds, Vice Chairman and Chief Restructuring Officer, identified Mr. Steenland to stand for election at the 2009 Annual Meeting of Shareholders. The Committee believes the depth of experience and breadth of expertise of these nominees complement the composition of the Board and provide the Board with a broader view of AIG s businesses.

On the recommendation of the Committee, the Board appointed Mr. Stephen F. Bollenbach as Lead Independent Director in connection with creation of that position in June 2008 at the time of Mr. Willumstad s appointment as Chief Executive Officer. As Lead Independent Director, Mr. Bollenbach became an *ex-officio* member of each committee of the Board of Directors of which he was not a member.

The Committee evaluated and recommended to the Board of Directors the eleven nominees standing for election at the 2009 Annual Meeting, based on the criteria set forth in AIG s Corporate Governance Guidelines. A description of the nominees recommended by the Committee is set forth above in Election of Directors. The process for identification of director nominees when standing for election for the first time is provided below in Committees Nominating and Corporate Governance Committee.

Independence. The Board of Directors, on the recommendation of the Committee, determined that each of AIG s seven non-management directors, and Messrs. Golub, Lynch, Martinez, Miller and Steenland and Ms. Koellner, is independent within the meaning of the NYSE listing standards. Mr. Liddy, who serves as Chief Executive Officer, and Mr. Tse (who has submitted his resignation to become effective at the 2009 Annual

Meeting of Shareholders), who serves as Senior Vice Chairman Life Insurance, are the only directors who held AIG management positions and, therefore, are not independent directors.

Corporate Governance Initiatives in 2008

Amendment of By-laws and Corporate Governance Guidelines. On the recommendation of the Committee, the Board amended the By-laws of AIG to provide for a Chairman of the Board of Directors, who may also serve as Chief Executive Officer, and to create the position of Lead Independent Director.

Conclusion

During 2008, the Committee performed its duties and responsibilities under the Nominating and Corporate Governance Committee charter.

Nominating and Corporate Governance Committee
American International Group, Inc.*

George L. Miles, Jr., Chairman
James F. Orr III
Stephen F. Bollenbach, *ex-officio*

* Ms. Rometty was a member of the Nominating and Corporate Governance Committee until she resigned from the Board on May 7, 2009.

COMMITTEES

The following table sets forth the current membership on each standing committee of the Board and the number of committee meetings held in 2008. Mr. Bollenbach became a member of the Board and the Audit Committee on January 16, 2008, a member of the Regulatory, Compliance and Legal Committee on May 14, 2008, and a member of the Compensation and Management Resources Committee on November 12, 2008. He has been an *ex-officio* member of the Nominating and Corporate Governance, the Finance and Risk Management and the Public Policy and Social Responsibility Committees since June 15, 2008. Mr. Liddy became a member of the Board and Chairman on September 18, 2008. Mr. Dammerman became a member of the Board and the Finance and Risk Management and the Compensation and Management Resources Committees on November 12, 2008. Ms. Nora Johnson became a member of the Board on July 16, 2008 and a member of the Compensation and Management Resources and the Finance and Risk Management Committees on January 14, 2009.

Director	**Audit Committee**	**Nominating and Corporate Governance Committee**	**Compensation and Management Resources Committee**	**Finance and Risk Management Committee(1)**	**Public Policy and Social Responsibility Committee(2)**	**Regulatory, Compliance and Legal Committee(2)**
Stephen F. Bollenbach	P	*	P	*	*	P (C)
Dennis D. Dammerman			P	P		
Martin S. Feldstein				P		P
Edward M. Liddy						
George L. Miles, Jr.	P	P (C)			P	
Suzanne Nora Johnson			P	P		
Morris W. Offit	P			P (C)	P	
James F. Orr III		P	P (C)			
Virginia M. Rometty**(3)**		P	P			
Michael H. Sutton**(3)**	P (C)					P

Edmund S.W. Tse						
Number of meetings	**15**	**5**	**11**	**12**	**3**	**5**

P = Member
C = Chair
* Mr. Bollenbach is an *ex-officio* member.

(1) On March 25, 2009, the Finance Committee was renamed the Finance and Risk Management Committee. Please see Other Committees below for further details.

(2) On March 25, 2009, the Public Policy and Social Responsibility Committee and the Regulatory, Compliance and Legal Committee were combined to form the Regulatory, Compliance and Public Policy Committee. Please see

Other Committees below for further details.

(3) Resigned from the Board on May 7, 2009.

Audit Committee

The Audit Committee, which held 15 meetings during 2008, assists the Board in its oversight of AIG s financial statements and compliance with legal and regulatory requirements, the qualifications and performance of AIG s independent registered public accounting firm and the performance of AIG s internal audit function. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of AIG s independent registered public accounting firm. In its oversight of AIG s internal audit function, the Audit Committee also is involved in performance reviews and determining compensation of AIG s chief internal auditor.

The Board has determined, on the recommendation of the Nominating and Corporate Governance Committee, that all members of the Audit Committee are independent under both NYSE listing standards and SEC rules. The Board has also determined, on the recommendation of the Nominating and Corporate Governance Committee, that all members of the Audit Committee are financially literate, as defined by NYSE listing standards, and that a majority of the members of the Committee are audit committee financial experts, as defined under SEC rules. In accordance with SEC rules, the Board of Directors designated, for purposes of AIG s 2008 financial statements, Mr. Sutton the named audit committee financial expert and, on the recommendation of the Nominating and Corporate Governance Committee, determined that Mr. Sutton had accounting or related financial management expertise, as defined by NYSE listing standards. Although designated as an audit committee financial expert, Mr. Sutton did not act as an accountant for AIG and, under SEC rules, is not an expert for purposes of the liability provisions of the Securities Act of 1933, as amended (the Securities Act), or for any other purpose. Under the Federal securities laws, Mr. Sutton did not have any responsibilities or obligations in addition to those of the other Audit Committee members; for these purposes, all Audit Committee members have identical duties and responsibilities.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee held 5 meetings in 2008. The Board has determined that all members of the Nominating and Corporate Governance Committee are independent under NYSE listing standards. The primary purposes of the Nominating and Corporate Governance Committee are to review and recommend individuals to the Board of Directors for nomination, election or appointment as members of the Board and its committees, to advise the Board on corporate governance and to oversee the evaluation of the Board and its committees.

The AIG Corporate Governance Guidelines include characteristics that the Nominating and Corporate Governance Committee considers important for nominees for director and information for shareholders with respect to director nominations. The Nominating and Corporate Governance Committee will consider director nominees recommended by shareholders and will evaluate shareholder nominees on the same basis as all other nominees. Shareholders who wish to submit nominees for director for consideration by the Nominating and Corporate Governance Committee for election at the 2010 Annual Meeting of Shareholders may do so by submitting in writing such nominees names, in compliance with the procedures described in Other Matters Shareholder Proposals for 2010 Annual Meeting in this Proxy Statement.

Compensation and Management Resources Committee

The Compensation and Management Resources Committee, which held 11 meetings during 2008, is responsible for reviewing and approving the compensation awarded to AIG s Chief Executive Officer (subject to ratification or approval by the Board) and to the other key employees under its purview, including the performance measures and goals relevant to that compensation. The Committee is also responsible for making recommendations to the Board with respect to AIG s compensation programs for key and other employees, for evaluating whether AIG s compensation programs encourage AIG s senior executives to take unnecessary and excessive risks that threaten the value of the firm and for oversight of AIG s management development and succession planning programs. These responsibilities, which may not be delegated to persons who are not members of the Compensation and Management Resources Committee, are set forth in the Committee s charter, which is available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com.*

Twenty-two key employees are currently under the purview of the Compensation and Management Resources Committee, including all of the executive officers named in the 2008 Summary Compensation Table. Mr. Liddy participates in meetings of the Compensation and Management Resources Committee and makes recommendations with respect to the annual compensation of employees under the Committee s purview other than himself. Pursuant to AIG s By-laws, the Board ratifies the determination of the Compensation and Management Resources Committee as to the compensation paid or to be paid to AIG s Chief Executive Officer.

The Compensation and Management Resources Committee does not determine the compensation of the Board of Directors. The compensation of directors is recommended by the Nominating and Corporate Governance Committee and is approved by the Board.

To provide independent advice, the Compensation and Management Resources Committee engaged Frederic W. Cook & Co. as a consultant and has used the services of the Cook firm since 2005. The Compensation and Management Resources Committee directly engaged the Cook firm to review and comment on AIG s executive compensation framework in relation to the objectives of the framework and market practices. A senior member of the Cook firm regularly participates in Committee meetings and provides information on compensation trends along with specific views on AIG s compensation programs.

The Cook firm has provided advice to the Nominating and Corporate Governance Committee on AIG director compensation and market practices with respect to director compensation. The Cook firm reports directly to the Chairman of the Compensation and Management Resources Committee and does not provide any services to AIG s management.

In June 2008, the Compensation and Management Resources Committee also considered materials presented by Watson Wyatt Worldwide, Inc., related to retention planning and possible changes to AIG s long-term incentive compensation programs. For more information on this engagement, see the Compensation Discussion and Analysis. Watson Wyatt has not otherwise presented materials to the Committee.

The Board has determined, on the recommendation of the Nominating and Corporate Governance Committee, that all members of the Compensation and Management Resources Committee are independent under NYSE listing standards.

Other Committees

On March 25, 2009, the Board approved amendments to the charter of the Finance Committee of AIG and the Committee was renamed the Finance and Risk Management Committee. The Finance and Risk Management Committee assists the Board in its oversight responsibilities by reviewing and making recommendations to the Board with respect to AIG s financial and investment policies, provides strategic guidance to management as to AIG s capital structure, the allocation of capital as to its businesses, methods of financing its businesses and other related strategic initiatives. The Committee also reports to and assists the Board in overseeing and reviewing information regarding AIG s enterprise risk management, including the significant policies, procedures, and practices employed to manage liquidity risk, credit risk, market risk, operational risk and insurance risk. Before the amendments to the charter, the Finance Committee had functions similar to those of the Finance and Risk Management Committee, but the amendments clarified the Committee s authority with respect to risk management. The Finance Committee held 12 meetings in 2008. The Finance and Risk Management Committee s charter is available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com.*

The Public Policy and Social Responsibility Committee was responsible for reviewing the position and policies of AIG relating to current and emerging corporate social responsibility and political and public policy issues. The Public Policy and Social Responsibility Committee held 3 meetings in 2008.

The Regulatory, Compliance and Legal Committee held 5 meetings during 2008. The principal purpose of the Regulatory, Compliance and Legal Committee was to assist the Board in its oversight of AIG s legal, regulatory and compliance matters.

On March 25, 2009, the Public Policy and Social Responsibility Committee and the Regulatory, Compliance and Legal Committee were combined to form the Regulatory, Compliance and Public Policy Committee. The Regulatory, Compliance and Public Policy Committee combines the roles of the two former Committees and eliminates the prior overlapping responsibilities between the Committees. The Regulatory, Compliance and Public Policy Committee assists the Board in its oversight of AIG s legal, regulatory and compliance matters and reviews AIG s position and policies that relate to current and emerging corporate social responsibility and political and public policy issues. The Committee s charter is available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com.*

COMPENSATION OF DIRECTORS

In 2008, each non-management director of AIG received a retainer of $75,000 per year. In lieu of committee annual retainers and meeting fees, Mr. Bollenbach, as Lead Independent Director and an *ex-officio* member of all standing committees of the Board of which he is not a member, received an additional annual retainer of $40,000. Mr. Willumstad, as non-executive Chairman of the Board in the first two quarters of 2008, had an additional annual retainer of $200,000 in lieu of committee annual retainers and meeting fees, and received $137,500 in total retainers before payments ceased when he became Chief Executive Officer. Other non-management directors received committee meeting attendance fees of $1,500 per meeting, which included attendance, upon request, at meetings of committees of which they are not members and attendance at meetings of AIG s International Advisory Board. The chairman of each committee received an annual committee retainer of $15,000, except the chairman of the Audit Committee, who received $25,000. For each other member of each committee, the annual committee retainer was $5,000. Retainers were paid in equal installments each quarter in advance of service, and meeting fees were paid each quarter for service in the prior quarter. See Committees for information on current committee memberships and committee memberships during 2008.

In 2008, non-management directors received an annual award of Deferred Stock Units (DSUs) with a grant date value of $125,000, with the number of units determined based on the closing price of AIG Common Stock on the date of grant (which was the date of the Annual Meeting of Shareholders). However, as described below, these DSUs lost most of their value in 2008.

In 2008, DSUs were granted under the Amended and Restated 2007 Stock Incentive Plan (2007 Stock Incentive Plan). Each DSU provides that one share of AIG Common Stock will be delivered when a director ceases to be a member of the Board. The annual retainer amounts, the committee retainer amounts and the meeting fee amounts for service may be deferred, at the election of the directors, into DSUs. DSUs include dividend equivalent rights that entitle the director to a quarterly payment, in the form of DSUs, equal to the amount of any regular quarterly dividend that would have been paid by AIG if the shares of AIG Common Stock that underlie the DSUs had been outstanding.

In March 2009, the Nominating and Corporate Governance Committee completed a review of non-management director compensation. Based on this review, the Nominating and Corporate Governance Committee recommended to the Board, and the Board approved, the retention of the following components of AIG s non-management director compensation:

Annual retainer of $75,000;

Lead Independent Director retainer of $40,000;

Annual committee chairman retainers of $15,000, except $25,000 for

- the chairman of the Audit Committee; and

- Annual committee member retainers of $5,000.

The following components of non-management director compensation were eliminated:

- Annual awards of DSUs;

- Committee meeting fees; and

- The right to defer annual retainers, the Lead Independent Director retainer, committee chair retainers and committee membership retainers into DSUs (with any such retainers for the remainder of 2009 that are required to be deferred being paid without interest upon termination of Board service).

Under director stock ownership guidelines, non-management directors should own at least 10,000 shares of AIG Common Stock (including deferred stock and DSUs).

To provide independent advice and guidance, certain of AIG s non-management directors also serve on the boards of directors of subsidiaries of AIG. These directorships do not pay retainer fees but instead pay a fee of $1,500 per meeting attended.

In response to a derivative action filed against AIG, which is described in AIG s 2008 Annual Report on Form 10-K, AIG s Board of Directors appointed a special litigation committee of independent directors to review the matters asserted in the complaint. The special litigation committee was established in 2005, and Messrs. Hammerman and Miles were the members until Mr. Hammerman s resignation from the special litigation committee effective on May 14, 2008, the date of the 2008 Annual Meeting of Shareholders. Mr. Miles is currently the only member of the special litigation committee. Fees for the special litigation committee are set by the Board and may be reviewed and adjusted by the Board if the amount of work is greater than originally anticipated.

Mr. Zarb, who retired from the Board on May 14, 2008, received fees of $40,000 (and reimbursement for out-of-pocket expenses) for his consulting services to the Nominating and Corporate Governance Committee of the Board from May to September 2008. At the time he retired from the Board, Mr. Zarb was leading several initiatives relating to AIG s corporate governance. The Nominating and Corporate Governance Committee of the Board asked Mr. Zarb to serve as a consultant with respect to those matters as the Committee and the Board brought them to conclusion.

Messrs. Liddy and Tse did not receive any compensation for their services as directors. Mr. Sullivan served on the Board until July 1, 2008 but did not receive any compensation for his service as a director. Mr. Willumstad served on the Board until September 18, 2008. From the time he was named Chief Executive Officer in June 2008 until he resigned in September, he did not receive any compensation for his services as a director. For information on Mr. Willumstad s compensation as non-executive Chairman of the Board in the first two quarters of 2008, see the 2008 Summary Compensation Table.

The following table contains information with respect to the compensation of the individuals other than Mr. Willumstad who served as non-management directors of AIG for all or part of 2008.

2008 Non-Management Director Compensation

Non-Management Members of the Board in 2008(1)	**Fees Earned or Paid in Cash(2)**	**Stock Awards(3)**	**All Other Compensation(4)**	**Total**
Stephen F. Bollenbach	$ 0	$ 381,086	$ 3,449	$ 384,535
Marshall A. Cohen	$ 16,500	$ 51,134	$ 761	$ 68,395
Dennis D. Dammerman	$ 0	$ 73,941	$ 0	$ 73,941
Martin S. Feldstein	$ 119,500	$ 124,985	$ 2,715	$ 247,200
Ellen V. Futter	$ 75,750	$ 124,985	$ 1,629	$ 202,364
Stephen L. Hammerman	$ 195,212	$ 0	$ 667	$ 195,879
Richard C. Holbrooke	$ 10,000	$ 198,390	$ 1,910	$ 210,300
Fred H. Langhammer	$ 0	$ 244,413	$ 3,505	$ 247,918
George L. Miles, Jr.	$ 284,500	$ 124,985	$ 2,715	$ 412,200
Suzanne Nora Johnson	$ 0	$ 163,978	$ 1,355	$ 165,333
Morris W. Offit	$ 146,500	$ 124,985	$ 2,715	$ 274,200
James F. Orr III	$ 0	$ 240,942	$ 3,552	$ 244,494
Virginia M. Rometty	$ 110,173	$ 124,985	$ 2,715	$ 237,873
Michael H. Sutton	$ 139,500	$ 124,985	$ 2,715	$ 267,200
Frank G. Zarb	$ 82,212	$ 0	$ 40,667	$ 122,879

(1) For information on Mr. Willumstad s compensation as non-executive Chairman of the Board in 2008, see the 2008 Summary Compensation Table.

(2) This column represents annual retainer fees, committee and committee chairman retainer fees and committee meeting attendance fees. The amounts also include the following amounts in meeting attendance fees for meetings of the boards of directors of subsidiaries of AIG, and retainer fees with respect to Mr. Holbrooke s membership on the Board of Directors of AIG Global Trade & Political Risk Insurance Company: Cohen $16,500; Feldstein $6,000; and Holbrooke $10,000 (including $2,500 earned in 2007 but paid in 2008). For Messrs. Hammerman and Miles, the amount also includes a fee of $150,000 paid in April 2008 for services rendered in 2005, 2006 and 2007 in connection with the special litigation committee established in 2005. Messrs. Hammerman and Miles each received fees in connection with such services of $50,000 and $25,000 in 2005 and 2006, respectively. No fees were paid in 2007 in connection with their service on the special litigation committee.

(3) This column represents the expense in accordance with FAS 123R of DSUs (other than dividend equivalent DSUs) granted in 2008 to directors, calculated using the assumptions described in Note 17 to the Consolidated Financial Statements included in AIG s 2008 Annual Report on Form 10-K.

Because of the decline in the value of AIG Common Stock in 2008, the amounts recognized in this column are not representative of the current value of AIG Common Stock underlying DSUs granted in 2008. If DSUs granted in 2008 had been expensed based on the market value of the underlying AIG Common Stock at year-end 2008, the amounts reported in this column would have been as follows:

Stock Awards

Name	Expense Reported in 2008 Director Compensation Table	Pro Forma Based on Market Value at December 31, 2008	Difference
Stephen F. Bollenbach	$ 381,086	$ 29,315	$ (351,771)
Marshall A. Cohen*	$ 51,134	$ 1,606	$ (49,528)
Dennis D. Dammerman	$ 73,941	$ 57,186	$ (16,755)
Martin S. Feldstein	$ 124,985	$ 4,975	$ (120,010)
Ellen V. Futter*	$ 124,985	$ 4,975	$ (120,010)

Stephen L. Hammerman*	$	0		N/A		N/A
Richard C. Holbrooke*	$	198,390	$	7,961	$	(190,429)
Fred H. Langhammer*	$	244,413	$	24,881	$	(219,532)
George L. Miles, Jr.	$	124,985	$	4,975	$	(120,010)
Suzanne Nora Johnson	$	163,978	$	17,741	$	(146,237)
Morris W. Offit	$	124,985	$	4,975	$	(120,010)
James F. Orr III	$	240,942	$	20,366	$	(220,576)
Virginia M. Rometty	$	124,985	$	4,975	$	(120,010)
Michael H. Sutton	$	124,985	$	4,975	$	(120,010)
Frank G. Zarb*	$	0		N/A		N/A

* For directors who retired or resigned in 2008, shares of AIG Common Stock underlying DSUs were delivered before year-end.

On May 14, 2008, AIG made annual grants of 3,169 DSUs each to the directors. Mr. Bollenbach received 2,158 DSUs, Ms. Nora Johnson received 5,369 DSUs and Mr. Dammerman received 30,788 DSUs upon their election to the Board on

January 16, July 16 and November 12 of 2008, respectively. In addition, directors received DSUs representing deferred director s fees at other dates throughout the year. In total, DSUs (other than dividend equivalent DSUs) were granted on January 2, January 16, April 1, May 14, July 1, July 16, October 1, October 28 and November 12 of 2008. The grant date fair values for the DSUs were calculated by multiplying the number of DSUs awarded by the closing price of AIG Common Stock on the date of grant. The number of DSUs granted to each director on each date, and the grant date fair value in accordance with FAS 123R per DSU granted on each date, were as follows:

Name	January 2 $56.30	January 16 $57.91	April 1 $47.00	May 14 $39.44	July 1 $26.73	July 16 $23.28	October 1 $3.95	October 28 $1.83	Novem 12 $2.03
Stephen F. Bollenbach	0	2,503	521	3,220	1,225	429	10,443	0	3
Marshall A. Cohen	421	0	488	114	0	0	0	0	
Dennis D. Dammerman	0	0	0	0	0	0	0	0	36,4
Martin S. Feldstein	0	0	0	3,169	0	0	0	0	
Ellen V. Futter	0	0	0	3,169	0	0	0	0	
Stephen L. Hammerman	0	0	0	0	0	0	0	0	
Richard C. Holbrooke	399	0	542	3,169	897	64	0	0	
Fred H. Langhammer	377	0	675	3,169	1,131	0	8,037	2,459	
George L. Miles	0	0	0	3,169	0	0	0	0	
Suzanne Nora Johnson	0	0	0	0	0	6,174	5,126	0	
Morris W. Offit	0	0	0	3,169	0	0	0	0	
James F. Orr III	377	0	675	3,220	1,169	0	7,531	0	
Virginia M. Rometty	0	0	0	3,169	0	0	0	0	
Michael H. Sutton	0	0	0	3,169	0	0	0	0	
Frank G. Zarb	0	0	0	0	0	0	0	0	

(4) This column represents DSUs

awarded as dividend equivalents. As described above, the grant date fair values of the DSUs awarded as dividend equivalents were calculated by multiplying the number of DSUs awarded by the closing price of AIG Common Stock on the date of the grant. Directors received DSUs representing dividend equivalents on January 2, April 1, July 1 and October 1 of 2008. The number of DSUs granted to each director on each of these respective dates was as follows: Bollenbach 0, 10, 46 and 443; Cohen 6, 9, 0 and 0; Feldstein 6, 7, 36 and 275; Futter 6, 7, 36 and 0; Hammerman 6, 7, 0 and 0; Holbrooke 6, 9, 43 and 0; Langhammer 6, 9, 44 and 397; Miles 6, 7, 36 and 275; Nora Johnson 0, 0, 0 and 343; Offit 6, 7, 36 and 275; Orr 6, 9, 45 and 402; Rometty 6, 7, 36 and 275; Sutton 6, 7, 36 and 275; and Zarb 6, 7, 0 and 0.

The grant date fair values in accordance with FAS 123R per DSU for the DSUs awarded as dividend equivalents on the relevant date are as indicated in the table in footnote 3.

For Mr. Zarb, the amount also includes $40,000 in consulting fees from May to September 2008.

The following table sets forth information with respect to the option and stock awards outstanding at December 31, 2008 for the non-management directors of AIG.

Stock and Option Awards Outstanding at December 31, 2008

Non-Management Members of the Board in 2008(1)	Option Awards(2)	Deferred Stock(3)	Deferred Stock Units(4)
Stephen F. Bollenbach	0	0	19,171
Marshall A. Cohen	20,500	0	0
Dennis D. Dammerman	0	0	36,424
Martin S. Feldstein	20,500	2,875	5,227
Ellen V. Futter	20,500	0	0
Stephen L. Hammerman	5,000	0	0
Richard C. Holbrooke	17,500	0	0
Fred H. Langhammer	5,000	0	0
George L. Miles, Jr.	5,000	1,875	5,227
Suzanne Nora Johnson	0	0	11,643
Morris W. Offit	5,000	1,875	5,227
James F. Orr III	2,500	1,000	15,168
Virginia M. Rometty	2,500	750	5,227
Michael H. Sutton	5,000	1,625	5,227
Frank G. Zarb	17,500	0	0

(1) For information on Mr. Willumstad s stock and option awards related to his service as a director and Chairman of the Board, see Executive Compensation Exercises and Holdings of

Previously Awarded Equity.

(2) Represents outstanding option awards made by AIG in 2006 and prior years. All options are exercisable, but have exercise prices far in excess of the value of AIG Common Stock at year-end 2008 ($1.57). The exercise price of the options ranges from $47.00 to $84.71.

(3) No deferred stock was awarded in 2008. Deferred stock shown was awarded in 2007 and prior years. Receipt of deferred stock is deferred until the director ceases to be a member of the Board.

(4) DSUs shown include DSUs awarded in 2008 and prior years, director s fees deferred into DSUs and DSUs awarded as dividend equivalents. Receipt of shares of AIG Common Stock underlying DSUs is deferred until the director ceases to be a member of the Board.

COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation and Management Resources Committee has served as an officer or employee of AIG at any time or has any relationship with AIG requiring disclosure as a related-party transaction. During 2008, none of AIG s executive officers served as a director of another entity, one of whose executive officers served on the Compensation and Management Resources Committee; and none of AIG s executive officers served as a member of the compensation committee of another entity, one of whose executive officers served as a member of the Board of Directors of AIG.

OWNERSHIP OF CERTAIN SECURITIES

Common Stock

The following table contains information regarding the only persons who, to the knowledge of AIG, beneficially own more than five percent of AIG Common Stock.

	Shares of Common Stock Beneficially Owned	
Name and Address	**Number**	**Percent(1)**
C.V. Starr & Co., Inc.; Edward E. Matthews; Maurice R. Greenberg; The Maurice R. and Corinne P. Greenberg Family Foundation, Inc.; Maurice R. and Corinne P. Greenberg Joint Tenancy Company, LLC; Starr International Company, Inc. (SICO); Universal Foundation, Inc.; C.V. Starr & Co., Inc. Trust (collectively, the Starr Group)(2) 399 Park Avenue 17th Floor New York, NY 10022(3)	269,019,475	9.9979 %

(1) Percentages calculated based on AIG Common Stock outstanding as set forth in the Schedule 13D described in note 2 below.

(2) Based on an amended Schedule 13D dated May 1, 2009 by each member of the Starr Group (Starr Group Schedule 13D), the members of the Starr Group do not affirm the existence of a group and disclaim

beneficial ownership of each other member of the group; provided, however, that Maurice R. Greenberg does not disclaim beneficial ownership of the shares of AIG Common Stock held by the Maurice R. and Corinne P. Greenberg Joint Tenancy Company, LLC and C.V. Starr & Co., Inc. does not disclaim beneficial ownership of the shares of AIG Common Stock held by the C.V. Starr & Co., Inc. Trust. Item 5 to the Starr Group Schedule 13D provides details as to the voting and investment power of each member of the Starr Group, as well as the right of each member of the Starr Group to acquire AIG Common Stock within 60 days. All information provided in Ownership of Certain

Securities with respect to the Starr Group is provided based solely on the information set forth in the Starr Group Schedule 13D. This information has not been updated to reflect changes in the ownership by the members of the Starr Group of AIG Common Stock that are disclosed in filings made by one or more members of the Starr Group under Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act). In each case, this information may not be accurate or complete and AIG takes no responsibility therefor and makes no representation as to its accuracy or completeness as of the date hereof or any subsequent date.

(3) This is the principal office for all individuals and entities in the Starr Group, other than Starr International Company, Inc., which has a principal office at 101 Baarerstrasse, CH 6300 Zug, Switzerland; the Universal Foundation, which has a principal office at Mercury House, 101 Front Street, Hamilton HM 12, Bermuda; and the Maurice R. and Corinne P. Greenberg Joint Tenancy Company, LLC, which has a principal office at 35 Ocean Reef Drive, Key Largo, Florida 33037.

The following table summarizes the ownership of AIG Common Stock by the current and nominee directors, by the current and former executive officers named in the 2008 Summary Compensation Table in 2008 Compensation and by the directors and current executive officers as a group. None of the shares of AIG Common Stock listed in the following table have been pledged as security.

	AIG Common Stock Owned Beneficially as of May 1, 2009(1)	
	Amount and Nature of Beneficial Ownership(2)(3)	**Percent of Class**
Steven J. Bensinger	126,767	**(4)**
Stephen F. Bollenbach	93,806	**(4)**
Dennis D. Dammerman	87,215	**(4)**
Martin S. Feldstein	86,931	**(4)**
Harvey Golub	0	**(4)**
David L. Herzog	183,909	.01
Laurette T. Koellner	0	**(4)**
Edward M. Liddy	0	**(4)**
Christopher S. Lynch	0	**(4)**
Arthur C. Martinez	0	**(4)**
George L. Miles, Jr.	12,102	**(4)**
Robert S. Miller	0	**(4)**
Kris P. Moor	307,660	.01
Win J. Neuger	365,348	.01
Suzanne Nora Johnson	61,850	**(4)**
Morris W. Offit	57,102	**(4)**
James F. Orr III	50,483	**(4)**
Martin J. Sullivan	470,337	.02
Douglas M. Steenland	0	**(4)**
Edmund S.W. Tse	1,702,560	.06
Robert B. Willumstad	5,000	**(4)**
All Directors and Executive Officers of AIG as a Group (32 individuals)	7,459,828	.26

(1) Amounts include shares as to which the individual shares voting and investment power as follows: Tse 1,045,416 shares with a corporation and Feldstein 23,727 shares with a corporation.

(2) Amount of equity securities shown includes shares of AIG Common Stock subject to options which may be exercised within 60 days as follows: Bensinger 124,942 shares, Feldstein 20,500 shares, Herzog 173,804 shares, Miles 5,000 shares, Moor 278,500 shares, Neuger 297,500 shares, Offit 5,000 shares, Orr 2,500 shares, Sullivan 425,282 shares, Tse 471,250 shares, Willumstad 5,000 shares and all directors and the former and current executive officers of AIG as a group 3,622,559 shares. The amount of equity securities shown also includes shares of AIG Common Stock underlying awards under AIG s 2005-2006 Deferred Compensation Profit Participation Plan (DCPPP) that vested on May 1, 2009 and were issued as of that date except for Messrs. Bensinger and Sullivan. Options and share-based awards for Messrs. Bensinger and Sullivan (including 16,000 shares and 32,000 shares, respectively, underlying DCPPP awards that would have vested and been delivered as of May 1, 2009) are considered outstanding for purposes of this table. The status of these options and share-based awards is part of AIG s ongoing review of arrangements for Messrs. Sullivan and Bensinger following termination of their employment in 2008. Under certain circumstances of termination of their employment, these options and share-based awards could have been forfeited as of year-end 2008. For more information, see 2008 Compensation Exercises and Holdings of Previously Awarded Equity Outstanding Equity Awards at December 31, 2008. For Mr. Tse, the amount of equity securities shown includes 90,224 shares of AIG Common Stock underlying share-based awards that he is entitled to receive promptly following his retirement at AIG s 2009 Annual Meeting of Shareholders. For non-management directors, the amount of equity securities shown also includes: (i) shares granted to each non-employee director with delivery deferred until the director ceases to be a member of the Board as follows: Feldstein 2,875 shares, Miles 1,875 shares, Offit 1,875 shares, Orr 1,000 shares; and (ii)

DSUs granted to each non- employee director with delivery of the underlying AIG Common Stock deferred until such director ceases to be a member of the Board as follows: Bollenbach 93,806 shares, Dammerman 87,215 shares, Feldstein 5,227 shares, Miles 5,227 shares, Nora Johnson 61,850 shares, Offit 5,227 shares and Orr 21,493 shares.

(3) Amount of equity securities shown also excludes the following securities owned by or held in trust for members of the named individual s immediate family as to which securities such individual has disclaimed beneficial ownership: Sullivan 424 shares and all directors and current executive officers of AIG as a group 27,678 shares. Amount of equity securities shown excludes shares with delivery deferred upon exercise of options as follows: Feldstein 38,109 shares.

(4) Less than .01 percent.

AIG Series C Preferred Stock

The Trust, c/o Kevin F. Barnard, Arnold & Porter LLP, 399 Park Avenue, New York, New York 10022, holds all of the outstanding 100,000 shares of AIG Series C Preferred Stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires directors, executive officers, and greater than ten percent holders of AIG Common Stock to file reports with respect to their ownership of AIG equity securities. Based solely on the review of the Forms 3, 4 and 5 and amendments thereto furnished to AIG and certain representations made to AIG, AIG believes that the only filing deficiencies under Section 16(a) by its directors, executive officers, and greater than ten percent holders during 2008 were one late report as a result of a broker error by Ms. Rometty, a director, reporting the disposition of 240 shares in March 2007; one late report as a result of a broker error by Mr. Langhammer, a director, reporting the purchase of 10,000 shares in May 2008; one late report by then-executive officer Robert B. Sandler reporting the retirement distribution of 233,198 shares from the deferred compensation plans established by SICO; one late report by each of the following executive officers reporting the number of shares underlying Restricted Stock Units (RSUs) granted under the DCPPP upon certification of performance on March 2, 2007: Mr. William Dooley, 25,600 RSUs; Mr. Jacob Frenkel, 25,600 RSUs; Mr. David Herzog, 10,800 RSUs; Mr. Robert Lewis, 19,200 RSUs; Mr. Rodney Martin, 19,200 RSUs; Mr. Moor, 56,000 RSUs; Mr. Neuger, 54,400 RSUs; Mr. Brian Schreiber, 27,200 RSUs; Mr. Tse, 64,000 RSUs; Mr. Nicholas Walsh, 28,000 RSUs, Mr. Jay Wintrob, 48,000 RSUs, and Mr. Frank Wisner, 10,800 RSUs; one additional late report by each of Messrs. Frenkel, Tse and Wisner reporting the grant of 5,120, 12,800 and 3,780, respectively, incremental RSUs under the DCPPP on February 26, 2008; and two late reports by individuals and entities in the Starr Group reflecting the disposition of an aggregate of 33,776 shares resulting from two transactions.

RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

Co-Investments with AIG

AIG has established employee investment funds to permit selected employees to participate alongside AIG s merchant banking, venture capital and similar funds. This fund has a fee structure that is generally more favorable than that offered by AIG to non-employees. Four of AIG s current executive officers have invested in this fund. There were no distributions from this fund in 2008. A current executive officer invested in a similar fund, the SunAmerica Venture

Fund 2000, LP, and received tax distributions related to such fund in 2008.

Other Transactions

Ada K.H. Tse, daughter of Mr. Tse, serves as President and CEO of AIG Global Investment Corp. (Asia) Ltd. For 2007 and 2006, Ms. Tse received approximately $1.4 million and $1.2 million, respectively, in total salary, bonus and equity-based compensation. For 2008, Ms. Tse received approximately $500,000 in salary and $400,000 in retention awards. In addition, Ms. Tse received $250,000 in respect of her year-end bonus for 2008 and is eligible to receive an additional amount that has not yet been approved. Ms. Tse will also be eligible for retention payments in 2009 in the amount of approximately $600,000.

Daniel Neuger, son of Mr. Neuger, serves as a Managing Director of AIG Global Investment Corp. and AIG Global Asset Management Holdings Corp. For 2008, 2007 and 2006, Mr. Daniel Neuger received approximately $365,000, $330,000 and $225,000, respectively, in total salary, bonus and equity- based compensation. For 2008, Mr. Daniel Neuger also received approximately $75,000 in retention awards. Mr. Daniel Neuger will be eligible for retention payments in 2009 in the amount of approximately $110,000.

For a discussion of Mr. Zarb s consulting services for the Nominating and Corporate Governance Committee, see Compensation of Directors.

Related-Party Transactions Approval Policy

The Board of AIG has adopted a related-party transaction approval policy. Under this written policy, any transaction that involves more than $120,000 and would be required to be disclosed in AIG s Proxy Statement, between AIG or any of its subsidiaries and any director or executive officer, or their related persons, must be approved by the Nominating and Corporate Governance Committee. In determining to approve a related-party transaction, the Nominating and Corporate Governance Committee will consider:

Whether the terms of the transaction are fair to AIG and on terms at least as favorable as would apply if the other party was not or did not have an affiliation with a director, executive officer or employee of AIG;

Whether there are demonstrable business reasons for AIG to enter into the transaction;

Whether the transaction would impair the independence of a director; and

Whether the transaction would present an improper conflict of interest for any director, executive officer or employee of AIG, taking into account the size of the transaction, the overall financial position of the director, executive officer or employee, the direct or indirect nature of the interest of the director, executive officer or employee in the transaction, the ongoing nature of any proposed relationship, and any other factors the Nominating and Corporate Governance Committee or its chairman deems relevant.

EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE

Overview

The role of the Compensation and Management Resources Committee includes reviewing and approving the compensation awarded to AIG s Chief Executive Officer (subject to ratification or approval by the Board) and to the other key employees under its purview, making recommendations to the Board with respect to AIG s compensation programs for key and other employees, overseeing AIG s management development and succession planning programs and producing this Report on annual compensation.

Risk Review

As part of AIG s participation in the TARP, the Committee also became responsible for evaluating whether AIG s compensation programs encourage AIG s senior executives to take unnecessary and excessive risks that threaten the value of AIG. In 2009, we reviewed (and will continue to review at least annually) the incentive compensation arrangements of AIG s most senior executives with AIG s senior risk officers.

Certification

The Compensation Discussion and Analysis that follows discusses the principles the Committee has been using to guide its compensation decisions for senior executives. The Compensation and Management Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Frederic W. Cook & Co. has also reviewed and discussed the Compensation Discussion and Analysis with management and outside counsel on behalf of the Compensation and Management Resources Committee. Based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and in AIG s 2008 Annual Report on Form 10-K. In addition, the Compensation and Management Resources Committee certifies that it has reviewed the incentive compensation arrangements of the executives whose compensation is disclosed in the 2008 Summary Compensation Table (other than the executives who departed from AIG prior to November 2008) and has made reasonable efforts to ensure that such arrangements do not encourage such executives to take unnecessary and excessive risks that threaten the value of AIG.

Compensation and Management Resources Committee
American International Group, Inc.

James F. Orr III, Chairman
Stephen F. Bollenbach
Dennis D. Dammerman
Suzanne Nora Johnson
Virginia M. Rometty*

* Ms. Rometty resigned from the Board on May 7, 2009.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis discusses the compensation of our Chief Executive Officer, our Chief Financial Officer and our three most highly paid other executives (as determined in accordance with SEC rules). It also discusses the compensation of three former executives who served as our Chief Executive Officer or Chief Financial Officer in 2008. We refer to these individuals as our named executives. However, the Compensation Discussion and Analysis does not cover the arrangements of AIG s other employees or the many compensation plans and programs in which our 116,000 employees participate around the world.

Compensation Outcomes for 2008

Last year, we introduced a table showing the amount of year-end performance-based compensation earned by each of the executives named in our 2007 Summary Compensation Table. The following is the identical table, providing 2008 amounts for our named executives for 2008 who remain at AIG. Each of these named executives is a member of AIG s seven-officer Leadership Group, which also includes Mr. Wintrob, our Executive Vice President Retirement Services, and Ms. Reynolds, our Chief Restructuring Officer.

Year-End Performance-Based Compensation Earned for 2008

Name	Year-End Variable Performance-Based Pay	Year-End Option Award	Performance-Based RSUs Earned	Senior Partner Units Earned	Total
Edward M. Liddy	$ 0	$ 0	$ 0	$ 0	$ 0
David L. Herzog	$ 0	$ 0	$ 0	$ 0	$ 0
Edmund S.W. Tse	$ 0	$ 0	$ 0	$ 0	$ 0
Win J. Neuger	$ 0	$ 0	$ 0	$ 0	$ 0
Kris P. Moor	$ 0	$ 0	$ 0	$ 0	$ 0

Legacy Compensation Principles. Since 2005, our senior management compensation philosophy, as disclosed in prior Proxy Statements, has been based on:

Emphasizing at risk elements of compensation that had value only if AIG produced strong financial performance and shareholder returns during current and subsequent performance periods;

- Fostering an owner/manager culture through a partnership compensation approach that ensured senior management accountability for a variety of company-wide strategic goals;

- Aligning the economic interests of key employees with those of shareholders by ensuring that a substantial portion of each key employee s compensation was represented by AIG Common Stock; and

- Centralizing administration and control over compensation.

2008 performance-based outcomes have essentially been predetermined since November of that year, the time the Department of the Treasury agreed to acquire the AIG Series D Preferred Stock, and are consistent with our previously articulated compensation framework. We used overlapping, formula- driven approaches to reward stable short-term and long-term performance and to provide little or no payout if goals were not achieved. We believe our programs responded appropriately to 2008 results:

- No member of our Leadership Group is receiving annual variable performance-based pay for 2008. Each volunteered not to be considered for such pay in 2008.

The options we granted at the end of 2007 are far out of the money, as are all of our outstanding options. We did not make an annual option grant in 2008.

Our previously granted long-term performance equity for 2007-2008 and 2008-2009 will pay nothing.

Our previously granted long-term performance cash awards for 2006-2008 will pay nothing. The 2007-2009 and 2008-2010 cycles were discontinued.

The long-term nature of our awards means that prior years compensation, even when earned based on performance, in large part remains at risk. At many other companies, the compensation represented by our unpaid long-term awards would already have been vested and delivered to employees. These long-term awards have historically had significant retentive effects, making it expensive for competitors to attempt to recruit AIG employees. However, the significant decline in the value of AIG shares has eliminated this retentive benefit.

The following chart shows the value of outstanding unvested share-based awards and in-the-money options at the end of each year held by the named executives for 2008 who remain at AIG.

Detail on Operation of Direct Compensation Components. For our most senior executives, direct compensation for 2008 was intended to consist of:

Base salary

Time-vested grants of equity in the form of stock options and RSUs

Long-term performance cash awards granted under the Senior Partners Plan, based on three-year growth in adjusted book value

Year-end variable performance-based pay
Performance RSUs granted under the Partners Plan, based on two-year growth in adjusted earnings per share

Base salary. Senior executives historically received a relatively small portion of their overall compensation as base salary. Mr. Liddy volunteered to receive a $1 salary when he joined AIG. For the other named executives, base salary has been set by our Compensation and Management Resources Committee at a reasonable range around the market median, based on demonstrated performance, responsibilities, tenure (including the individual s historic salary levels) and individual experience.

The Committee considered salary levels at year-end 2007. As we voluntarily disclosed last year, salary levels generally remained at 2007 levels other than for changes related to phasing out our historic quarterly cash bonus program and a $50,000 increase to Mr. Bensinger, our former Chief Financial Officer.

None of our named executives received a regular increase in annual salary for 2009, although Mr. Moor received a promotional increase of $150,000 per year in late 2008 when he assumed additional responsibilities for AIG s Domestic Personal Lines business in connection with the retirement of Mr. Sandler. Mr. Herzog, who had served as AIG s comptroller since 2005, declined an increase in annual base salary when he became our Chief Financial Officer in October 2008.

Annual cash variable performance-based pay. Annual cash variable performance-based pay is intended to reward overall AIG, business unit and individual performance during the year. All members of the Leadership Group agreed not to receive an annual cash bonus for 2008.

To establish the corporate pool for variable performance-based pay for participants outside of the Leadership Group, the Committee approved discretionary funding for annual awards by business unit at levels between 60 and 90 percent of target, depending on the business unit. For our executive officers (including our Leadership Group other than Mr. Liddy and Ms. Reynolds, who had no target performance-based pay for 2008), the levels approved represented approximately 56 percent of target, and for these officers and our Senior Partners together, levels approved represented approximately 63 percent of target. After our discussions with the Department of the Treasury, AIG determined to pay only one half of the previously approved levels (other than previously guaranteed awards for two executives) for our executive officers and Senior Partners in the first quarter of 2009, resulting in payments at approximately 34 percent of target. The remainder may be paid later in 2009, but only if AIG achieves sufficient performance under our restructuring plan as determined in the discretion of the Committee.

In addition to year-end performance-based pay, AIG has made quarterly cash payments to certain employees, including some members of the Leadership Group. At the end of 2007, AIG began to phase out these amounts by converting up to $100,000 into salary and offering employees the option to convert the remainder into time-vested RSUs (with a 25 percent premium based on AIG s share price on the date of grant). Messrs. Herzog and Tse elected this option and received RSUs, which have lost almost all of their value. For the members of the Leadership Group who were still receiving these amounts in 2008, the quarterly payments were suspended after the third quarter, when the initial financial assistance was received from the NY Fed. Amounts that appear in the Bonus column of the Summary Compensation Table for 2008 represent only these pre-assistance quarterly payments and not year- end performance-based pay. AIG has continued the suspension of quarterly payments and RSUs in lieu of quarterly payments for 2009 for the Leadership Group. To the extent the Committee establishes targets for annual variable performance-based pay for the Leadership Group for 2009, it intends to take the prior quarterly cash opportunity into account.

Time-vested grants of stock options. AIG historically provided long-term equity-based compensation in part through time-vested equity grants. Until 2008, at year-end, AIG generally granted time-vested option awards to employees participating in our Senior Partners Plan and time-vested RSUs to employees below the Senior Partner level. No year-end grants were made in 2008.

Performance RSUs granted under the Partners Plan. In 2006 and 2007, the Committee granted Performance RSUs each year under AIG s Partners Plan. The number of Performance RSUs earned by a participant depended on growth in AIG s adjusted net income (earnings) per share over a two-year performance period relative to pre-established goals and ranged from 0 to 150 percent of the target award, with no Performance RSUs earned for growth in AIG s adjusted net income per share of less than four percent over the performance period, and 100 percent of the target award earned only for growth of 10 percent or more. The Plan provided that earned Performance RSUs would generally vest and be delivered between the third and sixth anniversaries of the first day of the relevant performance period.

Because AIG did not meet earnings thresholds under the Partners Plan, none of the previously granted Performance RSUs were earned for the 2007-2008 performance period. In addition, based on 2008 performance, no Performance RSUs will be earned for the 2008-2009 performance period. (The awards for the 2008-2009 performance period were granted in late 2007, as a compensation opportunity for 2008 and 2009.) No grants of Performance RSUs were made in 2008, and none are expected for 2009.

Long-term performance cash awards granted under the Senior Partners Plan. Until 2008, the Committee granted participants in the Senior Partners Plan units (referred to as Senior Partner Units) that determined their share of an aggregate incentive pool. As of year-end 2008, 55 of AIG s senior executives, including the members of the Leadership Group other than Mr. Liddy and Ms. Reynolds, were participants in the Senior Partners Plan. The aggregate incentive pool for each year was based on a weighted average of the growth in AIG s adjusted book value over a three-year period. The Plan provided that earned Senior Partner Units would generally vest and be paid between the third and sixth anniversaries of the first day of the last year of the relevant performance period.

To provide tangible affirmation of the alignment among Senior Partners and Partners, no value could be earned under the Senior Partners Plan for any performance period ending in any year in which no Performance

RSUs under the Partners Plan were earned for the performance period ending in the same year. Consequently, no Senior Partner Units were earned for the 2006-2008 performance period under the Senior Partners Plan. In 2008, the Committee terminated the operation of the Senior Partners Plan for future performance periods.

Principles of the New Environment and New 2008 Initiatives

As a result of the transformation of AIG s ownership and financial situation, the senior executive compensation framework has changed. The following principles guided our actions as 2008 developed. Each is discussed in more detail in this section.

Principle 1: Embrace evolving standards of compensation governance.

Principle 2: Bring AIG s historic guiding principles into 2009.

Principle 3: Act, if necessary, to provide appropriate incentives to preserve value.

Principle 1: Embrace evolving standards of compensation governance. Over the past six months, circumstances and perspectives have changed. The recession has deepened and spread globally. Public concern regarding compensation and executive perquisites has been focused on a variety of publicized incidents. We recognize that there are some practices we must change.

We stand ready to make these changes as standards evolve, both with respect to our legacy compensation arrangements and the special steps we have taken since September 2008. Again, we expect our Leadership Group to make the biggest changes.

As an example, in connection with AIG s participation in the TARP in November 2008, we agreed to an additional set of compensation principles that would apply to the Leadership Group and Senior Partners and were designed to apply while financial assistance to AIG was in place. A number of these have been superseded by the adoption of the American Recovery and Reinvestment Act of 2009 (the ARRA), which occurred in February 2009, but they are important to an understanding of our 2008 compensation.

Chief Executive Officer and Chief

Restructuring Officer compensation. Mr. Liddy volunteered to receive only $1 in salary. He has received no cash incentive compensation and no equity-based compensation. Ms. Reynolds, our Chief Restructuring Officer, worked for us on a voluntary basis in 2008. It was expected that Mr. Liddy ultimately would be compensated through an equity grant. However, Mr. Liddy declined to move forward on work toward that arrangement as AIG addressed the immediate challenges facing it. Ms. Reynolds s compensation in 2009 was expected to be tied directly to the progress of restructuring efforts, although this initiative may be affected by the ARRA. (For 2009, Ms. Reynolds has a salary of $900,000, which was approved by the Committee with the input of Mr. Liddy and represents a reduction from her salary at her previous employer.)

No salary increases. AIG implemented a policy of no regular salary increases for the Leadership Group and other Senior Partners (other than in connection with promotions).

No use of government funds for executive variable performance-based pay and related limits. AIG agreed not to use government funds to pay Leadership Group or other Senior Partner performance-based pay. In addition, AIG agreed that the annual pool for performance-based pay for Senior Partners for each of 2008 and 2009 may not exceed the average of the annual pools for 2006 and 2007 (regardless of the performance achieved in those years). In connection with this agreement, each member of the Leadership Group volunteered not to receive annual variable performance-based pay for 2008.

Limits on termination payments and benefits. AIG s named executives have agreed that they may not receive any termination payments or benefits (other than fully vested, previously earned amounts). For Senior Partners, including other members of the Leadership Group, termination payments and benefits were limited to three times the individual s average historical annual compensation.

Separately, the members of the Leadership Group and other Senior Partners agreed to limit the total amount of 2009 variable performance-based pay, special retention awards and termination payments and benefits (if applicable) they may receive.

Clawback on incentive compensation. AIG s named executives have agreed that any incentive award earned during the Department of the Treasury s investment in AIG will be subject to recovery by AIG if it is determined to have been based on materially inaccurate financial results.

We believe that our senior employees, many of whom were not at AIG, were newly hired or were in different positions before September 2008, and all of our Senior Partners generally, have shown an appropriate willingness to restructure their compensation and give up entitlements for the benefit of AIG and its stakeholders.

Principle 2: Bring AIG s historic guiding principles into 2009. As we have faced the challenge of developing a new annual compensation framework, we have continued to be mindful of our historic compensation principles. We believe that we should continue to apply them, although we necessarily will implement these principles differently than we did before.

Principle 3: Act, if necessary, to provide appropriate incentives to preserve value. In the second half of 2008, AIG received unprecedented assistance from the NY Fed and immediately announced a repayment plan centered on the prompt sale of high-quality assets. As a result of this announcement, we needed to confront the fact that many of our employees, perhaps the majority, knew that their long-term future with us was limited, and our competitors knew that our key producers could perhaps be lured away. At the same time, we believed that our repayment plan depended on maintaining the value of the underlying assets that we intended to sell. Allowing departures to erode the strength of our businesses would have damaged our ability to repay taxpayers for their assistance.

In response to results in prior quarters and the performance of AIG Common Stock, a retention program had been under review by the Committee since June 2008. Promptly following the announcement of AIG s credit agreement with the NY Fed, the Committee acted to retain senior employees. We began identifying key employees based on work over several months, and Mr. Willumstad, AIG s Chief Executive Officer immediately before the receipt of NY Fed assistance, made initial recommendations as to participants.

Of the named executives, Messrs. Herzog and Moor were granted retention awards in amounts of $2,500,000 and $4,000,000, respectively, based on multiples of their base salaries. The awards were initially scheduled to be paid 60 percent on December 31, 2008, and 40 percent on December 31, 2009. This schedule was determined after consideration of the payment dates of other expected awards and the expected divestiture schedule.

AIG has not paid any retention award to Messrs. Herzog or Moor. In November 2008, all of AIG s executive officers, including Messrs. Herzog and Moor, voluntarily agreed to extend the period for earning the awards. This action was taken as part of the changes discussed above under Principle 1. For the first payment, the extension was from December 2008 to April 2009, doubling the original period for earning the first payment. For the second payment, the extension was until April 2010. In addition, all of AIG s Senior Partners, including Messrs. Herzog and Moor, gave up the right to receive unpaid retention awards in the case of involuntary termination.

AIG is working with the Department of the Treasury and NY Fed to establish a framework for further extending the period for earning retention awards and making them performance-based. The payments currently scheduled for 2010 also will be addressed, and payment of any scheduled retention award will be subject to compliance with any then-applicable regulations under the ARRA. See New TARP Compensation Limits and 2009 Framework. Once a framework has been established, we intend to seek the voluntary agreement of the affected executive officers, although each retains his or her pre-existing contractual rights at this time.

Arrangements with Former and Separating Executives

Arrangements with Mr. Sullivan. In June 2008, Mr. Sullivan resigned as President and Chief Executive Officer after nearly 37 years of service to AIG. From the time of his 2005 promotion to President and Chief Executive Officer, Mr. Sullivan s employment was governed by an agreement with AIG under which he was eligible to receive payments and benefits on certain terminations of his employment. These included an involuntary termination without Cause and a resignation for Good Reason. Mr. Sullivan styled his resignation as for Good Reason under his agreement. Consistent with a comprehensive assessment of expenses and compensation that it has undertaken, AIG is reviewing potential payments to Mr. Sullivan and has not made any such payments pending the completion of its assessment. For more information on AIG s arrangements with Mr. Sullivan, see 2008 Compensation and Potential Payments on Termination and Arrangements with Former Officers.

Arrangements with Mr. Willumstad. Mr. Sullivan was replaced as Chief Executive Officer by Mr. Willumstad, who previously served as our non-executive Chairman of the Board. When Mr. Willumstad succeeded Mr. Sullivan, he and AIG entered into a letter agreement providing for sign-on grants of restricted shares of AIG Common Stock and options, as well as for Mr. Willumstad s participation in AIG s Executive Severance Plan (ESP). For more information on Mr. Willumstad s sign-on grants, see 2008 Grants of Plan-Based Awards.

In September 2008, shortly after AIG announced that it would enter into a credit agreement with the NY Fed, Mr. Willumstad stepped down as Chairman and Chief Executive Officer as these positions were assumed by Mr. Liddy, whom the Department of the Treasury had recruited to lead AIG. In connection with Mr. Willumstad s resignation, which was treated as an involuntary termination without Cause, Mr. Willumstad voluntarily waived any severance payments to which he was entitled, waiving $22.5 million in payments under the ESP. Mr. Willumstad and AIG also agreed to rescind his special sign- on grant of restricted shares. Mr. Willumstad has continued to receive certain other benefits in connection with his service as Chairman and Chief Executive Officer of AIG. For more information on AIG s arrangements with Mr. Willumstad, see 2008 Compensation and Potential Payments on Termination and Arrangements with Former Officers.

Arrangements with Mr. Bensinger. In October 2008, Mr. Bensinger, our former Chief Financial Officer, resigned from AIG. Like Mr. Sullivan, Mr. Bensinger was party to an employment agreement with AIG that provided for certain termination payments and benefits. Mr. Bensinger also styled his resignation as for Good Reason under his agreement. AIG is reviewing potential payments to Mr. Bensinger and has not made any payments pending its assessment. For more information on AIG s arrangements with Mr. Bensinger, see 2008 Compensation and Potential Payments on Termination and Arrangements with Former Officers.

Arrangements with Mr. Tse. As we announced in March, Mr. Tse will retire both from our Board and from his position as Senior Vice Chairman Life Insurance at our 2009 Annual Meeting of Shareholders. Mr. Tse is retiring at age 71, having worked with AIG since 1961. Mr. Tse will not be entitled to any severance payments or special separation rights as a result of his retirement. Mr. Tse is entitled only to the retirement benefits that he has accrued under our retirement programs for his 48 years of service and awards previously earned for performance in prior years under our plans that require continuing long-term service. Under our share-based incentive plans, Mr. Tse is entitled to receive 90,224 shares of AIG Common Stock on retirement, and, under our Senior Partners Plan, Mr. Tse is entitled to receive $14,388,500 earned for years before 2008.

At our request, Mr. Tse has agreed to enter into a Service Agreement with American International Assurance Company, Limited (AIA), an insurance subsidiary of AIG based in Hong Kong, that will become effective upon his retirement from AIG. As part of that agreement, Mr. Tse agreed to serve as Honorary Chairman of AIA and Non-Executive Chairman of each of Nan Shan Life Insurance Company, Limited and The Philippine American Life and General Insurance Company for a one-year period, subject to future extensions as agreed between AIA and Mr. Tse. We requested this continuing service so that we would continue to benefit from Mr. Tse s expertise and relationships in Asia as we continue our restructuring and divestiture program.

As part of the agreement, Mr. Tse agreed to abide by certain restrictive covenants and to execute a release of claims in favor of AIG. Mr. Tse will receive an annual fee of U.S. $250,000 for his service. The agreement is terminable on 30 days notice by either party, in which case the fee would be prorated. In addition, Mr. Tse will be eligible to receive a transaction bonus in an amount to be determined by AIG in its sole discretion in the event of a sale or initial public offering of any of AIG s foreign life operations (subject to limitations imposed by any other agreement or arrangement to which we are subject).

New TARP Compensation Limits and 2009 Framework

As part of the ARRA, the Department of the Treasury will issue additional regulations with further restrictions on executive compensation by companies that have participated in the TARP. These regulations may include additional limitations that will require us to reconsider our compensation framework for members of the Leadership Group and other Senior Partners (especially with respect to incentive compensation). Any compensation that AIG awards to senior executives in 2009 and future years will need to comply with regulations under the ARRA and will be undertaken with a view toward our repayment goals and in consultation with our stakeholders.

The major additional limitations on executive compensation under the ARRA are likely to include:

Prohibition on bonuses to top 25. While it has assistance under the TARP, AIG will not be able to accrue or pay the named executives and our 20 most highly paid other employees any bonus, retention award or incentive compensation, other than long-term restricted stock that is not more than one third of total compensation and does not fully vest while assistance under the TARP remains outstanding.

Expanded limits on termination payments and benefits. In addition to the named executives, AIG s five most highly paid other employees will not be able to receive any termination payments or benefits (other than fully vested, previously earned amounts).

Expanded clawback on incentive compensation. The requirement that any incentive award earned during the Treasury Department s investment in AIG will be subject to recovery by AIG if it is determined to have been based on materially inaccurate financial results will be expanded beyond the named executives to include our 20 most highly paid other employees.

Indirect Compensation Components

Retirement Benefits. AIG provides a number of retirement benefits to eligible employees, including both traditional pension plans (called defined benefit plans) and defined contribution plans (such as 401(k) plans).

Defined benefit plans. AIG s defined benefit plans include a tax-qualified pension plan, the Excess Retirement Income Plan and the Supplemental Executive Retirement Plan (SERP). Each of these plans provides for a yearly benefit based on years of service and the employee s salary over a three-year period. The Excess Retirement Income Plan is designed to pay the portion of the benefit under the tax-qualified plan that is not payable under that plan due to restrictions imposed by the Internal Revenue Code (the Code). The SERP provides for a different, generally higher benefit to a small number of key employees selected by the Board, but this benefit is offset by payments under the tax-qualified plan and the Excess Retirement Income Plan. These plans and their benefits are described in greater detail in Post-Employment Compensation Pension Benefits. We believe that these plans have provided significant retention and competitive advantages. Mr. Liddy does not participate in these plans.

Defined contribution plans. Through 2008, AIG s defined contribution plans included a tax-qualified plan (401(k)), the Supplemental Incentive Savings Plan (SISP), the Executive Deferred Compensation Plan (EDCP) and other plans sponsored by AIG, including plans acquired through acquisitions. In November 2008, AIG terminated the SISP, the EDCP and certain other defined contribution plans, providing that no further deferrals would be made after December 31, 2008, and that plan balances would be paid in the first quarter of 2009 for current employees other than AIG s executive officers. These plans are described in greater detail in Post-Employment Compensation Nonqualified Deferred Compensation. AIG matched participants contributions to the 401(k) plan up to the annual maximum pre-tax contribution limit of $15,500 in 2008, but did not provide matching contributions to the SISP or the EDCP.

Mr. Tse participates in a different defined contribution plan in connection with his years of service in Hong Kong, as described in greater detail in Post-Employment Compensation Nonqualified Deferred Compensation.

Perquisites. To facilitate the performance of their management responsibilities, AIG provides certain employees with automobile allowances and parking and financial and tax planning. In addition, AIG also provided club memberships and recreational opportunities, but Mr. Liddy has not participated in these club memberships or recreational opportunities, and AIG has now largely eliminated payments for them.

Historically, AIG has provided its Chief Executive Officer with access to corporate aircraft for personal travel consistent with the recommendations of outside security reviews. However, since Mr. Liddy s election as Chairman and Chief Executive Officer, he has generally used commercial air travel to commute between his home in Chicago and AIG s headquarters in New York City at AIG s expense. In addition, AIG has provided an apartment for Mr. Liddy s use in New York City. These steps were necessary and directly related to Mr. Liddy s immediate service. However, AIG is disclosing the incremental cost of those items as a benefit to Mr. Liddy in the 2008 Summary Compensation Table in accordance with SEC requirements. The 2008 Summary Compensation Table also reflects payments made by AIG for work performed by Mr. Liddy s counsel in an effort to develop appropriate compensation structures for Mr. Liddy and other AIG senior employees in the current circumstances. (Although an equity arrangement for Mr. Liddy was substantially negotiated, Mr. Liddy has now stated that he does not think it would be appropriate to enter into the proposed arrangement and has declined to move forward with it, especially in light of changing business, regulatory and legislative considerations.) AIG also made additional payments to offset any tax obligation Mr. Liddy incurred in accordance with the preceding arrangements to avoid his effectively having to pay to work at AIG. AIG does not believe that any of the amounts described in this paragraph represents an actual compensation benefit for Mr. Liddy.

AIG pays a portion of Mr. Tse s living expenses, consistent with benefits AIG provides to certain other senior executives living in Hong Kong. In March 2008, and as previously noted in our 2008 Proxy Statement, AIG resolved certain foreign payroll tax obligations relating to amounts paid to employees by AIG and its affiliates in overseas jurisdictions prior to 2007. Under these arrangements, AIG made payments to the Hong Kong taxing authority relating to amounts paid by AIG and its affiliates to affected AIG employees based in Hong Kong, including Mr. Tse, as reflected in the 2008 Summary Compensation Table.

The Committee s review of AIG s practices with respect to perquisites is ongoing. In particular, the Committee expects to adopt a formal perquisites policy in response to the requirements of the ARRA.

Welfare and Other Indirect Benefits. AIG s senior executives generally participate in the same broad-based health, life and disability benefit programs as our other employees.

Termination Benefits and Policies. AIG took significant steps to limit termination benefits in 2008.

No severance for named executives. As discussed above under Principle 1, as part of AIG s agreements with the Department of the Treasury, severance benefits for the named executives have been eliminated. In addition, AIG limited severance benefits for all other Senior Partners.

Executive Severance Plan. In 2005, the Committee established a plan that provided severance payments and benefits to a select group of key executives. This plan was replaced by an expanded ESP in March 2008. The ESP generally extends to employees who participated in the Partners Plan, who would be eligible for severance payments and benefits if terminated by AIG without Cause. ESP participants who are Senior Vice Presidents or higher generally are also eligible for severance on a Good Reason termination by the participant. However, although the named executives other than Mr. Liddy have participated in the ESP in the past, as part of their agreement to eliminate their severance entitlements, they may not receive payments or benefits under the ESP on any termination while they are named executives. Mr. Liddy does not participate in the ESP.

In the event of a qualifying termination, subject to the restrictions on our named executives and Senior Partners described above, a participant is eligible to receive an annual amount equal to the sum of salary, annual quarterly bonuses and three-year-average performance-based bonuses for a severance period of up to two years that is based on the executive s seniority or length of service. In addition, unvested long-term awards that would have vested during the severance period will continue to vest, but other unvested awards generally will be forfeited (subject to discretionary reinstatement as described below). The ESP does not provide for tax gross-up payments. In addition, the ESP was amended in March 2009 to provide that, beginning in March 2010, any severance payments that would otherwise be payable under the ESP will be offset by any amounts due to the participant s subsequent employment by another employer.

Termination and retirement provisions in long-term awards. AIG s normal retirement age is 65. For employees who retire after reaching normal retirement age, time-vested equity-based awards will generally vest upon retirement.

Additionally, earned but unvested awards under the Senior Partners Plan and the Partners Plan (as well as the AIG and SICO predecessors to the Partners Plan) will generally vest and be delivered shortly thereafter. Historically, AIG has generally elected to reinstate equity-based and Senior Partners Plan awards for employees who retire before reaching normal retirement age, but whose combined age and years of service to AIG total 70 years or more (a rule of 70). In the case of reinstatements under the rule of 70, awards are not accelerated and will generally vest and be delivered at the normally scheduled time, subject to the employee s continued compliance with a release and restrictive covenant agreement.

No change-in-control benefits for named executives. None of AIG s compensation components in which the named executives participate has a change-in-control trigger. AIG s equity plans for the named executives and the Senior Partners Plan do not accelerate vesting on a change in control. The employment agreements with Messrs. Sullivan and Bensinger provided for tax gross-up payments upon termination of employment in certain circumstances. For more information, see Potential Payments on Termination and Arrangements with Former Officers.

Process for Compensation Decisions

The Committee determines the compensation of AIG s Chief Executive Officer, and the Board approves or ratifies the amounts to be awarded to him. After considering the recommendation of AIG s Chief Executive Officer, the Committee reviews and approves the compensation of approximately 20 other key employees under its purview, which includes all of the other named executives.

The Committee also makes recommendations to the Board with respect to AIG s compensation programs for key employees and oversees AIG s management development and succession planning programs.

Attendance at Committee meetings generally includes internal legal and human resources executives and their staff members (depending upon agenda items), outside counsel and the Committee s independent consultant. Following September 2008, attendance also regularly includes representatives of the NY Fed and their advisors.

Independent Consultant. To provide independent advice, the Committee has used the services of Frederic W. Cook & Co. since 2005. A senior consultant of the Cook firm regularly attends the Committee s meetings and is instructed to provide independent, analytical and evaluative advice about AIG s compensation programs for senior executives, including evaluation of compensation against business results, comparisons to industry peers and comparisons to best practices in general. The Cook firm responds on a regular basis to questions from the Committee and the Committee s other advisors, providing its opinions with respect to the design and implementation of current or proposed compensation programs. Frederic W. Cook & Co. does not provide any other services to AIG or its management except with respect to director compensation.

In June 2008, the Committee also considered materials presented by Watson Wyatt Worldwide, Inc., related to retention planning and possible changes to AIG s long-term incentive compensation programs. Watson Wyatt was engaged for this purpose by AIG to assist the human resources area in the consideration of AIG s compensation components and long-term vesting periods in the context of evolving pay practices and has not otherwise presented materials to the Committee.

Consideration of Competitive Compensation Levels. In reviewing compensation decisions over the year and in making decisions about the compensation of the named executives, the Committee is provided with competitive market information and information about AIG s business results. For these purposes, the Committee currently considers a competitor group of ten financial companies that is broader than the group of peer insurance companies used in AIG s Annual Report on Form 10-K. These companies are listed below:

Allstate
American Express
Bank of America
Citigroup
HSBC Holdings
JPMorgan Chase
MetLife
Prudential Financial
Travelers
Wells Fargo

Consideration of Prior Years Compensation. The cumulative amounts realizable from prior years equity-based and other long-term awards generally are not considered in determining the amount or the components of current year compensation. We believe that this approach is most consistent with the goal of motivating strong performance in each year. However, the grant of retention awards noted above was in part a response to the decline in AIG s share price.

Consideration of Risk Management. As part of AIG s participation in the TARP, the Committee reviewed (and will continue to review on an annual basis or more frequently as may be required by the ARRA) the incentive compensation arrangements of the named executives with AIG s senior risk officers to ensure that the compensation arrangements do not encourage the named executives to take unnecessary and excessive risks that could threaten the value of AIG. The Committee completed its initial review in February 2009. In addition, the Committee will apply the results of its review as it develops the ongoing compensation structure for AIG. However, this structure may require substantial modification in view of pending legal requirements. For the Committee s related certification, see the Report of the Compensation and Management Resources Committee.

Other Considerations

Deductibility of Executive Compensation. As a participant in the TARP, AIG is now subject to Section 162(m)(5) of the Code, which limits AIG s ability to take a federal income tax deduction for compensation paid to the named executives. Section 162(m)(5) generally lowers the cap on the deductibility of compensation paid to these individuals from $1,000,000 to $500,000 per year and removes the exemption for compensation determined to be performance-based under applicable tax regulations. Accordingly, any amounts over $500,000 paid to a named executive during this time will not be deductible for U.S. federal income tax purposes.

Until 2008, AIG s strategy for maximizing the deductibility of executive compensation was to structure the compensation of senior employees so that it would qualify as performance-based and not be subject to the deductibility cap. To this end, AIG adopted an Executive Incentive Plan that provided that an executive subject to the plan could be paid no more than 0.3 percent of AIG s adjusted net income in performance compensation for a given year (although the Committee reserved the right to make awards outside of the Plan). The retention awards and annual variable performance-based pay for executives (other than our Leadership Group, who received no annual variable performance-based pay for 2008) were made outside of the Executive Incentive Plan. Although the Committee is mindful of the deductibility of executive compensation and is committed to awarding compensation that it believes is in fact based on performance, deductibility is necessarily no longer a primary focus of compensation design.

Share Ownership Guidelines. In 2007, AIG adopted share ownership guidelines. These guidelines established levels of ownership of AIG Common Stock at five times salary for the Chief Executive Officer and three times salary for other officers at the level of Senior Vice President and above. Until the guidelines were met, such officers were required to retain 50 percent of the shares of AIG Common Stock received upon the exercise of stock options or upon the vesting of RSUs granted by AIG. Shares held for purposes of the guidelines include stock owned outright by the officer or his or her spouse and earned but unvested share-based awards.

Adjustment or Recovery of Awards. Both the Partners Plan and the Senior Partners Plan, which is the major source of outstanding cash awards expected to be paid to the named executives in the future, provide that the Committee can adjust outstanding awards for any restatement of financial results. The Senior Partners Plan specifically notes that adjustments may take into account the fact that prior vested awards may have been overpaid. No misconduct on the part of a participant is required for the Committee to exercise this authority. Because of the vesting periods applicable to the Senior Partners Plan, a significant amount of each Senior Partner s compensation is subject to these provisions.

AIG s compensation framework also provides the Committee with specific authority to cancel certain awards if an employee engages in misconduct. Additionally, as noted above, any future bonus or incentive payments made to the named executives will be subject to recovery by AIG if they are based on inaccurate financial results.

Conclusion

AIG continues to face extraordinary challenges that demand focus and difficult decisions in regard to the compensation of AIG s seniormost employees, including the Leadership Group. Using the guiding principles described above, AIG intends to face these challenges and strike the best possible balance between motivating its experienced, capable and technically proficient employees to achieve results that matter to American taxpayers and conserving scarce liquidity resources.

2008 COMPENSATION

Summary Compensation Table

The following tables contain information with respect to AIG s named executives. As required by SEC rules, AIG s named executives include the Chief Executive Officer, Chief Financial Officer and three other most highly paid executive officers, as well as three former executives who served as either Chief Executive Officer or Chief Financial Officer during 2008. The following presentation differs substantially from the manner in which AIG s Compensation and Management Resources Committee administers the compensation of key employees. Please see the Compensation Discussion and Analysis for additional detail regarding the Committee s compensation philosophy, practices and 2008 compensation decisions.

2008 Summary Compensation Table(1)

Name and Principal Position	Year	Salary	Bonus(2)	Stock Awards(3)	Option Awards(4)
Edward M. Liddy	2008	$ 1	$ 0	$ 0	$ 0
President and Chief					
Executive Officer					
David L. Herzog	2008	$ 675,000	$ 0	$ 430,329	$ 681,155
Executive Vice	2007	$ 526,923	$ 628,750	$ 133,158	$ 566,648
President and Chief	2006	$ 500,962	$ 578,750	$ 202,498	$ 482,226
Financial Officer					
Edmund S.W. Tse**(8)**	2008	$ 950,902	$ 0	$ 2,168,443	$ 982,027
Senior Vice	2007	$ 848,776	$ 1,863,963	$ (470,227)	$ 2,630,852
Chairman Life Insurance	2006	$ 848,776	$ 1,838,455	$ 3,729,295	$ 3,370,727
Win J. Neuger	2008	$ 1,000,000	$ 555,000	$ 2,549,374	$ 1,602,183
Executive Vice	2007	$ 942,000	$ 1,223,000	$ 1,223,230	$ 1,576,646
President and Chief	2006	$ 942,000	$ 1,613,000	$ 1,499,042	$ 1,519,533
Investment Officer					
Kris P. Moor	2008	$ 959,615	$ 561,563	$ 2,296,747	$ 1,428,522
Executive Vice	2007	$ 725,962	$ 1,823,750	$ 631,881	$ 1,379,472
President Property	2006	$ 700,962	$ 1,663,750	$ 861,355	$ 1,381,947
Casualty Group					
Separated During 2008					
Martin J. Sullivan	2008	$ 538,462	$ 562,500	$ 6,423,012 **(9)**	$ 8,094,376 **(9)**
President and	2007	$ 1,000,000	$ 3,625,000	$ 921,876	$ 2,461,946

Chief										
Executive Officer,	2006	$	1,000,000	$	10,125,000	$	1,265,689		$	1,917,216
January 1 through										
June 15, 2008										
Robert B. Willumstad	2008	$	269,231	$	0	$	24,626,614	**(10)**	$	12,000,000
President and Chief										
Executive Officer,										
June 15 through										
September 18, 2008										
Steven J. Bensinger	2008	$	726,923	$	487,500	$	2,418,664	**(9)**	$	2,073,593 **(9)**
Executive Vice	2007	$	751,923	$	1,450,000	$	598,408		$	864,801
President and Chief	2006	$	750,000	$	3,250,000	$	753,666		$	617,647
Financial Officer,										
January 1 through										
May 8, 2008; Vice										
Chairman and Acting										
Chief Financial										
Officer, May 8										
through										
October 9, 2008										

Footnotes to 2008 Summary Compensation Table

(1) **The footnotes to this table are important.** In some cases, the amounts presented in the table do not represent value actually received by the named executive, and in some cases, the amounts represent value specifically forfeited. The footnotes to this table provide important detail so that you can evaluate these amounts. For example:

Mr. Liddy s compensation consists almost wholly of items that are required to be disclosed as perquisites by SEC rules. This includes items that relate directly to Mr. Liddy s volunteering for immediate service in New York, notwithstanding that he and his family live in Chicago, and to Mr. Liddy s efforts to develop appropriate compensation arrangements for AIG executives in the current environment. This is discussed in footnote 7.

Mr. Willumstad s compensation reflects $24.5 million of accounting expense for an award of restricted shares that was rescinded by mutual agreement of AIG and Mr. Willumstad. Although Mr. Willumstad never realized any value from these shares, accounting and SEC rules require them to be reflected in full in this table. This is discussed in footnotes 3 and 10.

Compensation for Messrs. Sullivan and Bensinger includes termination payments and benefits that they have not received but for which they would be eligible if their resignations were for Good Reason under their respective employment agreements. AIG is reviewing their arrangements as part of a comprehensive assessment of expenses and compensation, and no payments will be made pending completion of the review. This is discussed in footnotes 6 and 9.

(2) AIG did not pay annual performance compensation to the named executives for 2008. For 2008, amounts in this column solely represent payments under AIG s quarterly bonus program for the first three quarters of 2008, after which payments were suspended for the members of AIG s Leadership Group. Mr. Liddy does not participate in AIG s quarterly bonus program.

(3) No stock-based awards were granted in 2008 to the named executives who remain at AIG. Stock-based awards were granted to Mr. Sullivan in March 2008 and to Mr. Willumstad for his services as a non-employee director and when he became Chief Executive Officer. This column represents the dollar amount recognized for financial statement reporting purposes (without regard to any estimate of forfeiture related to service-based vesting conditions) of outstanding stock-based awards under AIG s stock incentive plans, the Partners Plan, the DCPPP and the SICO plans, as well as DSUs granted to Mr. Willumstad prior to his election as Chief Executive Officer. The amount recognized for the awards granted by AIG was calculated using the assumptions described in Note 17 to the Consolidated Financial Statements included in AIG s 2008 Annual Report on Form 10-K (in the case of awards granted in 2008) and the assumptions described in Notes 17, 14 and 14 to the Consolidated Financial Statements included in AIG s Annual Report on Form 10-K or Form 10-K/A, as applicable, for the years ended December 31, 2007, 2006 and 2005, respectively (in the case of awards granted prior to 2008). The amount recognized for the awards granted by SICO was calculated using the fair value of the underlying shares of AIG Common Stock as of the date of grant recognized ratably over the vesting period, which generally begins in the first year of the plan performance period and ends in the year the executive reaches age 65. SICO has stated that it intends to settle awards in equity rather than cash, permitting AIG to record expense for these awards on a grant date fair value basis. For more information, see Note 14 to the Consolidated Financial Statements included in AIG s Annual Report on Form 10-K/A for the year ended December 31, 2005.

Footnotes to 2008 Summary Compensation Table, continued

Because of the decline in the value of AIG Common Stock in 2008, the amounts recognized in this column are not representative of the current value of outstanding stock-based awards. If the portions of the awards expensed in 2008 had been expensed based on the market value of AIG Common Stock at year-end 2008 instead of the value at grant, the amounts reported in this column for 2008 would have been as follows:

Stock Awards

Name	Expense Reported in 2008 Summary Compensation Table	Pro Forma Based on Market Value at December 31, 2008	Difference
Edward M. Liddy	$ 0	$ 0	$ 0
David L. Herzog	$ 430,239	$ 12,278	$ (417,961)
Edmund S.W. Tse	$ 2,168,443	$ 68,610	$ (2,099,833)
Win J. Neuger	$ 2,549,374	$ 71,486	$ (2,477,888)
Kris P. Moor	$ 2,296,747	$ 64,641	$ (2,232,106)
Separated During 2008			
Martin J. Sullivan	$ 6,423,012	$ 330,326	$ (6,092,686)
Robert B. Willumstad	$ 24,626,614	$ 5,052	$ (24,621,562)
Steven J. Bensinger	$ 2,418,664	$ 61,036	$ (2,357,628)

For more information on the amounts reported for Messrs. Sullivan and Bensinger, see footnote 9 below. For more information on the amount reported for Mr. Willumstad, see footnote 10 below.

The amounts in this column for 2006 are different from the amounts reported in AIG s prior

Summary Compensation Tables due to a correction in the dollar amount recognized for outstanding stock-based awards under the SICO plans in 2006.

(4) No options were granted in 2008 to the named executives who remain at AIG. Options were granted to Mr. Willumstad when he was named Chief Executive Officer. This column represents the dollar amount recognized for financial statement reporting purposes (without regard to any estimate of forfeiture related to service-based vesting conditions) of options granted to Mr. Willumstad in 2008 and to the other named executives other than Mr. Liddy from 2004 to 2007 under AIG s stock option and stock incentive plans.

The amount recognized for these awards was calculated based on AIG s binomial option-pricing model, using the assumptions described in Note 17 to the Consolidated Financial Statements included in AIG s 2008 Annual Report on Form 10-K (in the case of awards granted in 2008) and the assumptions described in Notes 17, 14 and 14 to the Consolidated Financial Statements included in AIG s Annual Report on Form 10-K or Form 10-K/A, as applicable, for the years ended December 31, 2007, 2006 and 2005, respectively (in the case of awards granted prior to 2008).

All outstanding options to purchase AIG Common Stock are far out of the money. Consequently, the amounts recognized in this column are not representative of the current value of outstanding options. If the portions of the awards expensed in 2008 had been expensed based on their value at year-end 2008 according to the same option-pricing model, the amounts reported in this column would have been as follows:

Option Awards

Name	Expense Reported in 2008 Summary Compensation Table	Pro Forma Based on Market Value at December 31, 2008	Difference
Edward M. Liddy	$ 0	$ 0	$ 0
David L. Herzog	$ 681,155	$ 14,730	$ (666,425)
Edmund S.W. Tse	$ 982,027	$ 17,285	$ (964,742)
Win J. Neuger	$ 1,602,183	$ 32,950	$ (1,569,233)
Kris P. Moor	$ 1,428,522	$ 29,905	$ (1,398,617)
Separated During 2008			
Martin J. Sullivan	$ 8,094,376	$ 197,821	$ (7,896,555)
Robert B. Willumstad	$ 12,000,000	$ 908,000	$ (11,092,000)
Steven J. Bensinger	$ 2,073,593	$ 49,448	$ (2,024,145)

Footnotes to 2008 Summary Compensation Table, continued

The amounts in this column for 2007 and 2006 are different from the amounts reported in AIG s prior Summary Compensation Tables due to a correction in the dollar amount recognized for option awards to exclude estimates of forfeitures due to service-based vesting conditions.

(5) No long-term performance cash awards were earned under the Senior Partners Plan for the performance period that ended in 2008. For 2008, amounts in this column solely represent quarterly cash payments related to previously earned (but unvested) Senior Partners Plan awards. Quarterly payments ceased when AIG ceased paying dividends on its Common Stock.

(6) The amounts in this column do not represent amounts that were paid to the named executives. Rather, the amounts represent the total change of the actuarial present value of the accumulated benefit under all of AIG s defined benefit (pension) plans. These plans are described in Post-Employment Compensation Pension Benefits.

Mr. Tse. The amount in this column for Mr. Tse for 2008 does not reflect the decline in Mr. Tse s total post-retirement benefits in 2008. The payments that Mr. Tse will be eligible to receive under AIG s pension plans will be offset by the company-contributed portion of his balance under the defined contribution plan in which he participates in Hong Kong. In previous years, Mr. Tse s Hong Kong plan balance fully offset his pension benefits. However, due to market losses in 2008, Mr. Tse s balance has declined so that it now provides only a partial offset. As a result, as required by SEC rules, the amount in this column for Mr. Tse for 2008 represents the actuarial increase resulting from the new eligibility to receive some pension benefits following retirement. By contrast, Mr. Tse s Hong Kong plan balance decreased by $1,841,972 in 2008. Therefore, on a present value basis, Mr. Tse s total post- retirement benefits under AIG s pension plans and the

Hong Kong plan decreased by $1,123,907 in 2008. For more information, see Post-Employment Compensation Pension Benefits and Nonqualified Deferred Compensation. The actual change in pension value for Mr. Tse for 2006 was a loss of $376,015, due to gains in the offsetting portion of Mr. Tse s Hong Kong plan balance in that year.