

AMERICAN INTERNATIONAL GROUP INC
Form DEF 14A
April 04, 2008

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)

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

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- (1) Amount Previously Paid:
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- (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 MAY 14, 2008**

April 4, 2008

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 May 14, 2008, at 11:00 a.m., for the following purposes:

1. To elect 13 directors of AIG to hold office until the next annual election and until their successors are duly elected and qualified;
2. To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG's independent registered public accounting firm for 2008;
3. To act upon a shareholder proposal relating to the human right to water;
4. To act upon a shareholder proposal relating to the reporting of political contributions; and
5. To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 28, 2008 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 May 14, 2008. 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. If you cannot be present at the meeting, please sign the enclosed proxy 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

April 4, 2008

TIME AND DATE	11:00 a.m. on Wednesday, May 14, 2008.
PLACE	72 Wall Street, Eighth Floor, New York, New York 10270
ITEMS OF BUSINESS	<p>To elect 13 directors of AIG to hold office until the next annual election and until their successors are duly elected and qualified.</p> <p>To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG's independent registered public accounting firm for 2008.</p> <p>To act upon a shareholder proposal relating to the human right to water.</p> <p>To act upon a shareholder proposal relating to the reporting of political contributions.</p> <p>To transact any other business that may properly come before the meeting.</p>
RECORD DATE	You can vote if you were a shareholder of record at the close of business on March 28, 2008.
MAILING DATE	These materials are being mailed to shareholders of AIG commencing on or about April 4, 2008.
INSPECTION OF LIST OF SHAREHOLDERS OF RECORD	A list of the shareholders of record as of March 28, 2008 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, to be held on May 14, 2008, or at any adjournment thereof (Annual Meeting). These proxy materials are being mailed to shareholders of AIG commencing on or about April 4, 2008.

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 at the close of business on March 28, 2008. On that date, 2,495,810,587 shares of AIG Common Stock (exclusive of shares held by AIG and certain subsidiaries) were outstanding, held by 55,886 shareholders of record. You may cast one vote for each share of AIG Common Stock held by you on the record date.

What proposals will be voted on at the Annual Meeting?

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

1. To elect 13 directors of AIG to hold office until the next annual election and until their successors are duly elected and qualified; and
2. To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG's independent registered public accounting firm for 2008.

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

3. To act upon a shareholder proposal relating to the human right to water; and
4. To act upon a shareholder proposal relating to the reporting of political contributions.

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** ratification of the selection of PricewaterhouseCoopers LLP as AIG's independent registered public accounting firm for 2008.
3. **AGAINST** the shareholder proposal relating to the human right to water.
4. **AGAINST** the shareholder proposal relating to the reporting of political contributions.

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 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 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 March 28, 2008, 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?

How do I vote?

You may cast your vote in one of four ways:

By Internet. Go to the following website:
www.eproxy.com/aig.
Internet voting is available 24 hours a day. Enter the information requested on your computer screen and follow the simple instructions. If you choose to vote by Internet, then you do not need to return the proxy card. To be valid, your vote by Internet must be received by 11:59 a.m., Eastern Daylight Saving Time, on May 13, 2008. Please have your proxy card and the last four digits of your Social Security number or tax identification number available.

By Telephone. To vote using the telephone (within U.S. and Canada), call toll free 1-800-560-1965 in the United States or Canada any time on a touch tone telephone. Telephone voting is available 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 vote by telephone, then you do not need to return the proxy card. To be valid, your vote by telephone must be received by 11:59 a.m., Eastern Daylight Saving Time, on May 13, 2008.

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 vote by mail must be received by 10:00 a.m., Eastern Daylight Saving Time, on May 14, 2008.

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 10:00 a.m., Eastern Daylight Saving Time, on May 14, 2008; 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, NY
10270 that is
received by
AIG prior to
10:00 a.m.,
Eastern
Daylight
Saving Time,
on May 14,
2008; 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 ratification of the appointment of PricewaterhouseCoopers LLP as AIG's independent registered public accounting firm for 2008, 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 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 of the shareholder proposals 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 such proposal.

How are votes counted?

Election of Directors. AIG's By-laws provide that in uncontested elections, directors must receive a majority of the votes cast. In other words, directors in an uncontested election must receive more votes for their election than against their election. In a contested election, a director will be elected by a plurality of the votes cast. Pursuant to AIG's Corporate Governance Guidelines, each nominee for 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 director nominee 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.

Ratification of the selection of PricewaterhouseCoopers LLP as AIG's Independent Registered Public Accounting Firm. Ratification of the selection of accountants requires that a majority of the votes cast vote for 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 Proposal. Approval of a shareholder proposal requires a for vote by a majority of the outstanding shares of AIG Common Stock.

Broker Non-Votes. 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 Election of Directors.

In the case of 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 the ratification and therefore will have no effect on the vote. Because the affirmative vote of a majority of the outstanding shares of AIG Common Stock is necessary to approve each shareholder proposal, an abstention, broker non-vote or withheld vote will have the effect of a vote against such proposal.

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 outstanding shares of AIG Common Stock 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 2007 Annual Report to Shareholders, which includes AIG's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the U.S. Securities and Exchange Commission (SEC), is enclosed with this Proxy Statement. **You also may obtain, free of charge, a copy of the 2007 Annual Report to Shareholders and Annual Report on Form 10-K for the year ended December 31, 2007 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*.

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 \$16,000 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.

ELECTION OF DIRECTORS

Thirteen 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. All of the nominees 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. Pursuant to AIG's Corporate Governance Guidelines, each nominee for 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 shareholder meeting and (2) Board acceptance of such resignation. In the event that a director nominee 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.

In accordance with AIG's Corporate Governance Guidelines that provides that directors will not stand for election as a director after reaching the age of 73, Messrs. Cohen and Zarb will retire from the Board of Directors effective at the time that the directors are elected at the Annual Meeting. In addition, Mr. Hammerman has notified AIG that he does not wish to stand for re-election as a director at the Annual Meeting.

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

STEPHEN F. BOLLENBACH Elected January 16, 2008	Former Co-Chairman and Chief Executive Officer, Hilton Hotels Corporation Age 65 <i>Director, KB Home Macy's, Inc. Time Warner Inc.</i>
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MARTIN S. FELDSTEIN Director since 1987	Professor of Economics, Harvard University; President and Chief Executive Officer, National Bureau of Economic Research <i>(a nonprofit economic research center)</i> Age 68
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ELLEN V. FUTTER Director since 1999	<i>Director, Eli Lilly and Company</i> President, American Museum of Natural History Age 58 <i>Director, Consolidated Edison, Inc. (also serves as Trustee of Consolidated Edison Company of New York, Inc.) JPMorgan Chase & Co.</i>
RICHARD C. HOLBROOKE Director since 2001	Vice Chairman, Perseus LLC (a merchant bank and private equity fund management company); Former United States Ambassador to the United Nations; Former Vice Chairman, Credit Suisse First Boston Age 66

FRED H. LANGHAMMER
Director since 2006
Chairman, Global Affairs and Former Chief Executive Officer, The Estée Lauder Companies Inc.
Age 64
Director, Shinsei Bank, Limited
The Walt Disney Company

GEORGE L. MILES, JR.
Director since 2005
President and Chief Executive Officer, WQED Multimedia
Age 66
Director, Equitable Resources, Inc.
Harley-Davidson, Inc.
HFF, Inc.
WESCO International, 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 71

JAMES F. ORR III
Director since 2006
Chairman of the Board of Trustees, The Rockefeller Foundation
Age 65

VIRGINIA M. ROMETTY
Director since 2006
Senior Vice President, Global Business Services, IBM Corporation
Age 50

MARTIN J. SULLIVAN
Director since 2002
President and Chief Executive Officer, AIG
Age 53

*Director,
International Lease
Finance
Corporation and
Transatlantic
Holdings, Inc.,
subsidiaries of AIG*

MICHAEL H. SUTTON
Director since 2005

**Independent
Consultant;
Former Chief
Accountant of
the United States
Securities and
Exchange
Commission**

Age 67
*Director,
Allegheny Energy,
Inc.
Krispy Kreme
Doughnuts, Inc.*

EDMUND S.W. TSE
Director since 1996

**Senior Vice
Chairman Life
Insurance, AIG**
Age 70

ROBERT B. WILLUMSTAD
Director and Chairman since 2006

**Founder and
Partner, Brysam
Global Partners
(a private equity
investment firm);
Former
President and
Chief Operating
Officer,
Citigroup Inc.**
Age 62

The principal occupation or affiliation of the nominees is shown above. Messrs. Sullivan and Tse have been executive officers of AIG for more than five years. Except as noted below, each other director has occupied an executive position with the company or organization listed above for at least five years. From 2004 until 2007, Mr. Bollenbach was Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation. Before that, he was Hilton Hotels Corporation's Chief Executive Officer and President. Mr. Offit served as Co-Chief Executive Officer of Offit Hall Capital Management LLC from 2002 until 2007. Mr. Willumstad served in executive positions with Citigroup Inc. for more than five years prior to his retirement in September 2005. Brysam Global Partners was established in November 2006.

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 Committee, the Audit Committee, the Public Policy and Social Responsibility Committee, and the Regulatory, Compliance and Legal Committee are available in the Corporate Governance section of AIG's corporate website at www.aigcorporate.com.

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 in the Corporate Governance Guidelines, the Board, on the recommendation of the Nominating and Corporate Governance Committee, determined that Ms. Futter, Ms. Rometty and Messrs. Bollenbach, Cohen, Feldstein, Hammerman, Holbrooke, Langhammer, Miles, Offit, Orr, Sutton, Willumstad and Zarb are 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, Cohen, Feldstein, Hammerman, Holbrooke, Langhammer and Offit, and Ms. Futter 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 2007, AIG made payments totaling \$527,500 to the Asia Society, of which Mr. Holbrooke is chairman of the board of directors, for membership fees, sponsorship costs and general contributions. In addition, to date in 2008, AIG has made a payment of \$50,000 for sponsorship costs. 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 do 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 does not serve as an executive officer and does 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 believe that the payments to the Asia Society will enhance AIG's reputation and standing in Asia.

There were nine meetings of the Board during 2007. The non-management directors meet in executive session, without any management directors present, in connection with each regularly scheduled Board meeting. Mr. Willumstad presided at these executive sessions. For 2007 and 2006, 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 2007 annual meeting of shareholders 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 care of Special Counsel and Secretary to the Board, American International Group, Inc., 70 Pine Street, New York, NY 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 and Operation

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 2007, the Committee held six meetings. In discussing governance initiatives and in preparation for meetings, the Committee Chairman and Mr. Eric N. Litzky, Vice President - Corporate Governance and Special Counsel and Secretary to the Board of Directors, met and consulted frequently with Mr. Willumstad and other Committee and Board members.

Board Membership and Composition

Nomination and Election of Directors. Fifteen directors were elected at AIG's annual meeting of shareholders in May 2007. In light of the pending retirement of Messrs. Cohen and Zarb, the Committee has been actively considering potential director candidates. As part of this search, Mr. Bollenbach was identified as a potential candidate by Heidrick & Struggles, an executive search firm. Mr. Bollenbach was nominated by the Committee and elected by the Board as a director in January 2008. Mr. Hammerman notified AIG in February 2008 that he did not wish to stand for re-election as a director. As a result, the Committee evaluated and recommended to the Board of Directors the 13 incumbent directors as nominees standing for election at the 2008 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 under the caption "Election of Directors." The process for identification of director nominees when standing for election for the first time is provided below under the caption "Committees' Nominating and Corporate Governance Committee."

Mr. Willumstad has served as Chairman since November 2006, and his election as Chairman was in accordance with the policy set forth in AIG's By-laws and Corporate Governance Guidelines that the position of Chairman should be separate from Chief Executive Officer and should be selected from the independent directors.

Independence. The Board of Directors, on the recommendation of the Committee, determined that each of AIG's 11 non-management directors is independent within the meaning of the NYSE listing standards. Mr. Sullivan, who serves as Chief Executive Officer, and Mr. Tse, who serves as Senior Vice Chairman - Life Insurance, are the only directors who hold AIG management positions and, therefore, are not independent directors.

Corporate Governance Initiatives in 2007

Director Compensation and Stock Ownership Guidelines. The Board reviewed and adopted recommendations of the Committee with respect to director compensation and stock ownership guidelines applicable to directors in 2007. Under the guidelines, directors should own at least 10,000 shares of AIG Common Stock (which includes deferred stock and Deferred Stock Units (DSUs)). Until such time as a director achieves beneficial ownership of AIG Common

Stock at the required level, such director is required to retain the shares of AIG Common Stock received upon the exercise of stock options, net of shares used to satisfy the exercise price and shares withheld or sold to satisfy tax withholding obligations.

Amendment of By-laws and Corporate Governance Guidelines. On the recommendation of the Committee, the Board adopted a majority vote by-law described under Election of Directors. The Committee completed a review of AIG's Corporate Governance Guidelines in 2007 and adopted several amendments, which were posted in the Corporate Governance section of AIG's corporate website at www.aigcorporate.com.

Conclusion

During 2007, the Committee has continued its efforts to strengthen the Board of Directors and its governance structure. The Committee plans to keep AIG in the forefront of good corporate governance in 2008 and beyond.

Nominating and Corporate Governance Committee
American International Group, Inc.

George L. Miles, Jr., Chairman
Marshall A. Cohen
Ellen V. Futter
James F. Orr III
Robert B. Willumstad, *ex-officio*
Frank G. Zarb, non-voting member

COMMITTEES

The following table sets forth the current membership on each standing committee of the Board and the number of committee meetings held in 2007. On January 17, 2007, Ms. Rometty became a member of the Compensation and Management Resources Committee, Mr. Langhammer became a member of the Finance Committee and Mr. Feldstein became a member of the Regulatory, Compliance and Legal Committee. Mr. Offit became a member of the Public Policy and Social Responsibility Committee on November 14, 2007. Mr. Bollenbach became a member of the Board and the Audit Committee on January 16, 2008.

Director	Audit Committee	Nominating and Corporate Governance Committee	Compensation and Management Resources Committee	Finance Committee	Public Policy and Social Responsibility Committee	Regulatory, Compliance and Legal Committee
Stephen F. Bollenbach	P					
Marshall A. Cohen		P	P (C)			
Martin S. Feldstein				P		P
Ellen V. Futter		P				P
Stephen L. Hammerman					P	P (C)
Richard C. Holbrooke					P (C)	
Fred H. Langhammer			P	P		
George L. Miles, Jr.	P	P (C)			P	
Morris W. Offit	P			P (C)	P	
James F. Orr III		P	P			
Virginia M. Rometty			P			

Martin J. Sullivan

P

Michael H.
Sutton

P (C)

P

Edmund S.W.
TseRobert B.
Willumstad

*

*

*

*

*

*

Frank G. Zarb

*

*

*

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*

*

**Number of
meetings****14****6****9****10****4****6**

P = Member; C = Chair

* Mr. Willumstad is an *ex-officio* member and Mr. Zarb is a non-voting member of each committee.**Audit Committee**

The Audit Committee, which held 14 meetings during 2007, assists in the Board's 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 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 by SEC rules. For purposes of SEC rules, the Board of Directors has designated Mr. Sutton the named audit committee financial expert and, on the recommendation of the Nominating and Corporate Governance Committee, has determined that Mr. Sutton has accounting or related financial management expertise, as defined by NYSE listing standards. Although designated as an audit committee financial expert, Mr. Sutton does 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 does 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 six meetings in 2007. 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 2009 annual meeting of shareholders may do so by submitting in writing such nominees' names, in compliance with the procedures described under "Other Matters - Shareholder Proposals for 2009 Annual Meeting" in this Proxy Statement.

Compensation and Management Resources Committee

The Compensation and Management Resources Committee, which held nine meetings during 2007, 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 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.

Nineteen key employees are currently under the purview of the Compensation and Management Resources Committee, including all of the executive officers named in the 2007 Summary Compensation Table. Mr. Sullivan 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 Mr. Sullivan in his capacity as 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 selected 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. Members of the Cook firm regularly participate in Committee meetings and provide information on compensation trends along with specific views on AIG's compensation programs.

The Cook firm has advised the Committee that the design and operation of AIG's executive compensation programs reflect a pay-for-performance compensation philosophy that is reasonable and competitive with companies in the financial services industry. The Cook firm has also 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.

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

The Finance 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, use of capital in its businesses, methods of financing its businesses and other related strategic initiatives. The Committee also assists the Board in its oversight responsibilities with respect to AIG's risk management processes insofar as they relate to matters considered by the Committee pursuant to its charter. The Committee also has the power to approve certain issuances, investments, dispositions and other transactions and matters. The Committee held 10 meetings in 2007. The 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 is responsible for reviewing the position and policies of AIG relating to current and emerging corporate social responsibility and political and public policy issues of significance to AIG, that may affect AIG's business operations, performance or corporate reputation. The 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 held four meetings in 2007.

The Regulatory, Compliance and Legal Committee held six meetings during 2007. The principal purpose of the Regulatory, Compliance and Legal Committee is to assist the Board in its oversight of AIG's legal, regulatory and compliance matters. The Committee's charter is available in the Corporate Governance section of AIG's corporate website at www.aigcorporate.com.

COMPENSATION OF DIRECTORS

Each non-management director of AIG receives a retainer of \$75,000 per year. In lieu of committee annual retainers and meetings fees, Mr. Willumstad, as Chairman of the Board and an *ex-officio* member of all standing committees of the Board, receives an additional annual retainer of \$200,000, and Mr. Zarb, as a non-voting member of all standing committees, receives an additional annual retainer of \$150,000. Other non-management directors receive committee meeting attendance fees of \$1,500 per meeting, which includes 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 receives an annual committee retainer of \$15,000, except the chairman of the Audit Committee, who receives \$25,000. For each other member of each committee, the annual committee retainer is \$5,000. Retainers are paid in equal installments each quarter in advance of service and meetings fees are paid each quarter for service in the prior quarter. See Committees for information on current committee memberships and committee memberships during 2007.

Prior to May 16, 2007, non-management directors received 1,000 shares of AIG Common Stock per year in equal quarterly grants, receipt of which is deferred until retirement from the Board, and 2,500 options on AIG Common Stock per year in an annual grant, which became exercisable after one year and will remain exercisable for nine years thereafter. The options were granted with an exercise price equal to the closing sale price of AIG Common Stock on the date of grant. The Board made two quarterly grants of shares of AIG Common Stock in 2007 under this compensation program, but did not grant any options.

On May 16, 2007, the Board, upon the recommendation of the Nominating and Corporate Governance Committee, approved changes to the compensation of non-management directors. Effective on that date, the non-management directors no longer receive 1,000 shares and 2,500 options per year and instead receive an annual award of DSUs with a value of \$125,000, with the number of units determined based on the closing price of AIG Common Stock on the date of grant. DSUs are 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. Beginning in 2008, the annual retainer amounts, the committee retainer amounts and the meeting fee amounts for service after that date 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.

Under director stock ownership guidelines adopted by the Board in 2007, non-management directors should own at least 10,000 shares of AIG Common Stock (including deferred stock and DSUs). Until such time as a non-management director achieves beneficial ownership of AIG Common Stock at the required level, such director is required to retain the shares of AIG Common Stock received upon the exercise of stock options granted, net of shares used to satisfy the exercise price and shares withheld or sold to satisfy tax withholding obligations.

To provide independent advice and guidance, certain of AIG's non-management directors also serve on the boards of directors of subsidiaries of AIG. With the exception of AIG Global Trade & Political Risk Insurance Company, which pays directors an annual retainer of \$10,000, these directorships do not pay retainer fees but instead pay a fee of \$1,500 per meeting attended.

In response to two unrelated derivative actions filed against AIG, which are described in AIG's Annual Report on Form 10-K for the year ended December 31, 2007, AIG's Board of Directors appointed special litigation committees of independent directors to review the matters asserted in the complaints. The first special litigation committee was established in 2002. Messrs. Cohen and Sutton are the current members, with Mr. Sutton joining in October 2005. The second special litigation committee was established in 2005, and Messrs. Hammerman and Miles were the members until Mr. Hammerman's resignation from the committee in February 2008. Mr. Miles is currently the only member of the special litigation committee established in 2005. Fees for these special litigation committees are set by the Board

and may be reviewed and adjusted by the Board if the amount of work is greater than originally anticipated.

There may be limited occasions when spouses of non-management directors of AIG travel with the directors on AIG aircraft. In these instances, AIG has been reimbursed by the directors for their spouses' travel in an amount equal to the cost of commercial first-class airfare.

The following table contains information with respect to the compensation of the individuals who served as non-management directors of AIG in 2007.

2007 Non-Management Director Compensation

Non-Management Members of the Board in 2007	Fees Earned or Paid in Cash(1)	Stock Awards(2)	All Other Compensation(3)	Total
Marshall A. Cohen	\$ 164,000	\$ 159,819	\$ 624	\$ 324,443
Martin S. Feldstein	\$ 113,750	\$ 159,819	\$ 624	\$ 274,193
Ellen V. Futter	\$ 103,000	\$ 159,819	\$ 624	\$ 263,443
Stephen L. Hammerman	\$ 114,500	\$ 159,819	\$ 624	\$ 274,943
Richard C. Holbrooke	\$ 107,500	\$ 159,819	\$ 624	\$ 267,943
Fred H. Langhammer	\$ 118,000	\$ 159,819	\$ 624	\$ 278,443
George L. Miles, Jr.	\$ 139,000	\$ 159,819	\$ 624	\$ 299,443
Morris W. Offit	\$ 140,000	\$ 159,819	\$ 624	\$ 300,443
James F. Orr III	\$ 109,000	\$ 159,819	\$ 624	\$ 269,443
Virginia M. Rometty	\$ 93,750	\$ 159,819	\$ 624	\$ 254,193
Michael H. Sutton	\$ 140,000	\$ 159,819	\$ 624	\$ 300,443
Robert B. Willumstad	\$ 275,000	\$ 159,819	\$ 624	\$ 435,443
Frank G. Zarb	\$ 225,000	\$ 159,819	\$ 624	\$ 385,443

- (1) This column represents annual retainer fees, committee and chairmanship 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 \$39,000;
Feldstein \$6,000;
Holbrooke \$10,000;
Offit \$4,500; and
Sutton \$1,500. For
Messrs.

Hammerman and
Miles, the amount
does not include 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 in
the special litigation
committee
established in 2005.

Messrs. Sullivan
and Tse serve on
the Board but do
not receive any
compensation for
their service as
directors. See the
2007 Summary
Compensation
Table in 2007
Compensation for
the compensation
awarded to Messrs.

Sullivan and Tse in 2007.

- (2) This column represents the expense in accordance with FAS 123R of stock-based awards granted by AIG in 2007, calculated using the assumptions described in Note 17 to the Consolidated Financial Statements included in AIG's Annual Report on Form 10-K. The grant date fair values for the deferred stock and DSUs were calculated by multiplying the number of shares or DSUs awarded by the closing price of AIG Common Stock on the date of grant. On each of January 3, 2007 and April 2, 2007, AIG made grants of deferred stock to non-management directors, consisting of 250 shares of AIG Common Stock each. On May 16, 2007, AIG made grants of DSUs representing 1,725 shares. On July 2, 2007 and October 1, 2007, each recipient of such DSUs received 4 and 5 DSUs, respectively,

representing dividends on the DSUs. The grant date fair values in accordance with FAS 123R of these stock-based awards are: for deferred stock, January 3, 2007 \$72.15 per share; and April 2, 2007 \$67.15 per share; and for DSUs, May 16, 2007 \$72.46 per share July 2, 2007 \$70.20 per share and October 1, 2007 \$68.59 per share. Receipt of deferred stock and shares underlying DSUs is deferred until the director ceases to be a member of the Board.

AIG did not grant options to non-management directors in 2007. However, in preparing its 2007 Proxy Statement, AIG determined that the expenses for 2006 option awards to non-management directors were not properly recognized in accordance with FAS 123R for financial statement reporting purposes in 2006, resulting in the under-recording of expense for these awards by approximately

\$250,000. AIG corrected its financial statements in 2007 for these awards. The amount recognized as expense for these awards in 2007 totalled: \$21,073 for each of Messrs. Cohen, Feldstein, Hammerman, Holbrooke, Miles, Offit, Orr, Sutton and Zarb and Ms. Futter; \$4,660 for each of Messrs. Langhammer and Willumstad; and \$40,069 for Ms. Rometty.

- (3) Represents DSUs awarded as dividend equivalents. As described above, the value of the DSUs awarded as dividend equivalents was calculated by multiplying the number of DSUs awarded by the closing price of AIG Common Stock on the date of grant.

The following table sets forth information with respect to the option and stock awards outstanding at December 31, 2007 for the non-management directors of AIG.

Stock and Option Awards Outstanding at December 31, 2007

Non-Management Members of the Board in 2007	Option Awards(1)	Deferred Stock(2)	Deferred Stock Units(3)
Marshall A. Cohen	20,500	2,875	1,734
Martin S. Feldstein	20,500	2,875	1,734
Ellen V. Futter	20,500	2,875	1,734
Stephen L. Hammerman	5,000	2,000	1,734
Richard C. Holbrooke	17,500	2,875	1,734
Fred H. Langhammer	5,000	1,500	1,734
George L. Miles, Jr.	5,000	1,875	1,734
Morris W. Offit	5,000	1,875	1,734
James F. Orr III	2,500	1,000	1,734
Virginia M. Rometty	2,500	750	1,734
Michael H. Sutton	5,000	1,625	1,734
Robert B. Willumstad	5,000	1,500	1,734
Frank G. Zarb	17,500	2,875	1,734

(1) These columns represent each director's outstanding option awards made by AIG in 2006 and prior years. All options are exercisable.

(2) Includes 500 shares of deferred stock awarded in 2007 and deferred

stock
awarded in
prior years.
Receipt of
deferred
stock is
deferred
until the
director
ceases to be
a member of
the Board.

- (3) Includes
1,725 DSUs
awarded in
2007 and 9
DSUs
awarded as
dividend
equivalents
thereon.
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 2007, 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

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.

Name and Address	Shares of Common Stock Beneficially Owned	
	Number	Percent(1)
FMR LLC and Edward C. Johnson 3d (collectively, the FMR Group)(2) 82 Devonshire Street Boston, MA 02109	144,915,088	5.714 %
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)(3) 399 Park Avenue 17th Floor New York, NY 10022(4)	354,987,261	13.6 %

(1) Percentages calculated based on AIG Common Stock outstanding as set forth in the Schedule 13G and the Schedule 13D described in notes 2 and 3 below.

(2) Based on a Schedule 13G filed February 14, 2008 by FMR LLC (FMR Schedule 13G). FMR LLC is the parent company of

various entities that provide investment advisory and management services to the Fidelity Group of mutual funds and is the beneficial owner of these shares. Item 7 of the FMR Schedule 13G provides details as to the voting and investment power of each member of the FMR Group, as well as the right of each member of the FMR Group to acquire AIG Common Stock within 60 days. It also provides information as to Fidelity International Limited, which operates as a separate entity from FMR LLC and beneficially owns 3,906,336 shares of AIG Common Stock. The FMR Schedule 13G states that FMR LLC and Fidelity

International
are of the view
that they are
not a group
and the shares
held by the
other do not
need to be
aggregated.

- (3) Based on an amended Schedule 13D dated March 20, 2007 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.

- (4) 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 equity securities of AIG by the directors, by the executive officers named in the 2007 Summary Compensation Table in 2007 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.

Equity Securities of AIG Owned Beneficially as of January 31, 2008(1)		
AIG Common Stock		
	Amount and Nature of Beneficial Ownership(2)(3)	Percent of Class
Steven J. Bensinger	78,395	(4)
Stephen F. Bollenbach	2,503	(4)
Marshall A. Cohen	75,538	(4)
Martin S. Feldstein	83,444	(4)
Ellen V. Futter	26,171	(4)
Stephen L. Hammerman	11,740	(4)
Richard C. Holbrooke	27,314	(4)
Fred H. Langhammer	48,617	(4)
George L. Miles, Jr.	8,615	(4)
Win J. Neuger	285,226	.01
Morris W. Offit	23,615	(4)
James F. Orr III	20,617	(4)
Virginia M. Rometty	5,310	(4)
Robert M. Sandler	520,878	.02
Martin J. Sullivan	353,467	.01
Michael H. Sutton	11,365	(4)
Edmund S.W. Tse	1,627,956	.06
Robert B. Willumstad	8,240	(4)
Jay S. Wintrob	2,098,389	.08
Frank G. Zarb	27,115	(4)
All Directors and Executive Officers of AIG as a Group (31 individuals)	7,268,342	.29

- (1) Amounts include shares as to which the individual shares voting and investment power

as follows:

Tse 1,118,661
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 76,670
shares,
Cohen 20,500
shares,
Feldstein 20,500
shares,
Futter 20,500
shares,
Hammerman 5,000
shares,
Holbrooke 17,500
shares,
Langhammer 5,000
shares, Miles 5,000
shares,
Neuger 234,296
shares, Offit 5,000
shares, Orr 2,500
shares,
Rometty 2,500
shares,
Sandler 200,000
shares,
Sullivan 308,412
shares, Sutton 5,000
shares, Tse 445,625
shares,
Willumstad 5,000
shares,
Wintrob 287,500
shares, Zarb 17,500
shares, and all
directors and
current executive
officers of AIG as

a group 3,442,762 shares. 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: Cohen 2,875 shares, Feldstein 2,875 shares, Futter 2,875 shares, Hammerman 2,000 shares, Holbrooke 2,875 shares, Langhammer 1,500 shares, Miles 1,875 shares, Offit 1,875 shares, Orr 1,000 shares, Rometty 750 shares, Sutton 1,625 shares, Willumstad 1,500 shares and Zarb 2,875 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 2,503 shares, Cohen 2,161 shares, Feldstein 1,740 shares, Futter 1,740 shares, Hammerman 1,740 shares,

Holbrooke 2,139
shares,
Langhammer 2,117
shares, Miles 1,740
shares, Offit 1,740
shares, Orr 2,117
shares,
Rometty 1,740
shares, Sutton 1,740
shares,
Willumstad 1,740
shares and
Zarb 1,740 shares.
Amount of equity
securities shown
excludes shares
with delivery
deferred upon
exercise of options
as follows:
Feldstein 38,109
shares and
Sandler 17,729
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,
Tse 3,555 shares,
Wintrob 4,008
shares, Zarb 6,245
shares, and all
directors and
current executive
officers of AIG as
a group 31,004
shares.

(4) Less than .01
percent.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires directors, executive officers, and 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 ten percent holders during 2007 were one late report by Mr. Orr, a director, reporting the purchase of 5,000 shares in November 2007; one late report by each of Messrs. Martin, Neuger, Sullivan, Tse and Wintrob, all executive officers, reflecting the purchase by each of them, through the Employee Stock Purchase Plan, of 177 shares on April 1, 2007; and one late report by each of Messrs. Frenkel, Herzog, Sandler and Tse reflecting the acquisition of 2,016 restricted stock units (RSUs), 630 RSUs, 15,311 RSUs and 22,404 RSUs, respectively, on December 13, 2007; and 19 late reports by individuals and entities in the Starr Group reflecting the acquisition of an aggregate of 3,852,038 shares and the disposition of an aggregate of 5,704,064 shares resulting from 61 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. Three of AIG's current executive officers have invested in this fund. There were no distributions from this fund in 2007. A named executive invested in a similar fund, the SunAmerica Venture Fund 2000, LP, and received tax distributions related to such fund in 2007. See the 2007 Summary Compensation Table, note 6 in 2007 Compensation .

Related-Party Transactions Approval Policy

The Board of AIG has adopted a related-party transaction approval policy. Under this 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

COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE REPORT

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 incorporated by reference into AIG's Annual Report on Form 10-K for the year ended December 31, 2007.

Compensation and Management Resources Committee
American International Group, Inc.

Marshall A. Cohen, Chairman
Fred H. Langhammer
James F. Orr III
Virginia M. Rometty
Robert B. Willumstad, *ex-officio*
Frank G. Zarb, non-voting member

COMPENSATION DISCUSSION AND ANALYSIS

AIG's compensation decisions for 2007 reflect the extraordinary market conditions in 2007 which significantly affected AIG's financial performance for the year. AIG's net income for 2007 was \$6.20 billion or \$2.39 per diluted share, compared to \$14.05 billion or \$5.36 per diluted share year for 2006. Included in 2007 net income were charges of approximately \$11.47 billion pretax (\$7.46 billion after tax) for a net unrealized market valuation loss related to the AIG Financial Products Corp. (AIGFP) super senior credit default swap portfolio. 2007 results also included significant net realized capital losses, primarily from other-than-temporary impairment charges.

The Committee determined that compensation should reflect these conditions on a graduated basis, with the performance compensation of more senior executives being more substantially affected. Accordingly, the Committee significantly reduced the annual cash bonuses for AIG's Chief Executive Officer, Chief Financial Officer and the senior executives with direct responsibility for Financial Services and Asset Management operations to reflect the impact on AIG of the results of those operations. In addition, the Committee negatively adjusted the Partners Plan earnout for the 2006-2007 performance period, with AIG's most senior executive team receiving a larger negative adjustment than other executives. As a general matter, however, the Committee determined that the AIGFP unrealized market valuation losses in 2007 (and future reversals of such losses) would not be taken into account in determining the financial metrics applicable to the general bonus pool for AIG's senior executives or the amounts earned under AIG's long-term compensation plans. The Committee determined that it was more consistent with AIG's expectations, and appropriate given the manner in which AIG's long-term compensation plans operate, to reflect any credit impairment losses on the AIGFP super senior credit default swap portfolio realized by AIGFP if and when they are incurred.

The Committee's decisions with respect to 2007 are discussed in more detail under the heading "Compensation Decisions for 2007" below.

Objectives and Design of Compensation Framework

AIG's compensation framework is designed to attract, motivate and retain key employees. The Committee's philosophy for achieving these goals was to:

Emphasize at risk elements of compensation

through the use of awards that will have value if AIG produces strong financial performance and shareholder returns during current and subsequent performance periods.

Foster an owner/management culture

through a partnership compensation approach that recognizes career milestones and ensures senior management accountability for a variety of company-wide strategic goals.

Align the long-term economic interests of key employees with those of shareholders

by ensuring that a substantial component of each key employee's compensation and net worth is represented by AIG Common Stock.

Centralize administration and control

over individual compensation components.

Multiple components reward balanced short-term and long-term performance. The nature of AIG's businesses requires its compensation programs to take a balanced approach to short-term and long-term performance and to different types of long-term performance. AIG's compensation framework for the executives named in the 2007 Summary Compensation Table in 2007 Compensation (named executives) uses four performance-based components to emphasize the mix of performance measures that AIG believes need to be addressed to deliver shareholder value: (1) annual cash bonuses, (2) time-vested equity awards, (3) performance-based restricted stock units (Performance RSUs) under the Partners Plan and (4) long-term performance cash awards under the Senior Partners Plan. The primary elements of performance rewarded by these components are:

Growth in adjusted net income and return on equity

are yearly financial metrics considered in setting the annual cash bonus pool for employees at

the Senior Partner level. The annual bonus pool is also affected by company performance against non-financial strategic and operational goals.

Growth in adjusted net income (earnings) per share is the performance measure used to determine the number of Performance RSUs earned under the Partners Plan and is measured over two-year periods.

Growth in adjusted book value per share is used to determine the value of long-term performance cash awards under the Senior Partners Plan and is measured over three-year periods.

***Growth in
market price
of AIG
Common
Stock***

determines
the value of
time-vested
equity awards
and affects
the value of
Performance
RSUs earned
under the
Partners Plan.

The three long-term components (time-vested equity awards, Partners Plan and Senior Partners Plan) provide a hierarchy of reward opportunities that match key points in career growth, with employees progressing on the basis of performance from participating in time-vested equity-based awards, to becoming a Partner in the management group and, for select key employees, advancing to a Senior Partner level. Approximately 8,000 of AIG's approximately 116,000 employees receive time-vested equity grants, approximately 700 participate in the Partners Plan and approximately 70 are Senior Partners. All of the named executives are Senior Partners.

The three long-term components were designed to utilize different weightings of financial performance and share price performance. The value of time-vested equity awards is entirely dependent on the market price of AIG Common Stock. The value ultimately realized from an award under the Partners Plan depends on both AIG's financial performance (which determines the number of Performance RSUs earned) and the market price of AIG Common Stock (which determines the value of each Performance RSU earned under the plan). Finally, the value of an award under the Senior Partners Plan is entirely dependent on AIG's financial performance (growth in adjusted book value per share) and is not affected by the market price of AIG Common Stock.

AIG's long-term compensation framework fulfills two principal objectives. First, it ensures that AIG, under the management of a group of Senior Partners, must achieve a variety of performance goals to realize the full value of long-term awards. Second, multiple performance goals provide a balance of financial and market incentives covering annual, mid-term and long-term measurement periods.

The Committee considers the value of annual compensation opportunities, long-term cash-based compensation opportunities and long-term equity-based compensation opportunities and compares these values to the similar opportunities that AIG's Senior Partners historically have received. This approach is reevaluated periodically to ensure that it is consistent with the objectives of AIG's compensation framework. In addition, the opportunities that Messrs. Sullivan and Bensinger were eligible to receive in 2007 were determined in part by the terms of their employment agreements.

Compensation Components

AIG divides compensation components into two general categories: direct compensation and indirect compensation. For employees at the Senior Partner level in 2007 (which includes all of the named executives), these components were:

Direct Compensation

Base salary

Annual cash
bonus

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

Performance
RSUs
granted
under the
Partners
Plan, based
on two-year
growth in
adjusted
earnings per
share

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

Indirect Compensation

Retirement
benefits

Perquisites

Welfare
benefits

Termination
benefits

Direct Compensation Components

Base salary. Senior Partners, including the named executives, receive a relatively small portion of their overall compensation as base salary. The Committee intends to pay base salary at a reasonable range around the market median, based on demonstrated performance, responsibilities, tenure (including historic salary levels) and individual experience. Base salaries are set at or below \$1 million in order to be tax-deductible.

Annual cash bonus. Annual cash bonuses are intended to reward overall AIG, business unit and individual performance during the year. The bonus paid to each participant in the executive bonus pool is generally based on an assessment of business unit performance and individual performance for the year, taking into account the individual's target bonus level for the year.

In addition, to provide the overall AIG performance element, the Committee establishes the annual executive bonus pool for participants (excluding the Chief Executive Officer) at the beginning of the year based on a total bonus level intended to be comparable to market competitors. The annual pool is adjusted by the Committee at year-end within a range of 0 to 150 percent based on AIG's overall results relative to the current year's performance objectives, the prior year's performance, market conditions and estimated performance of competitors. This adjusted pool amount acts as a ceiling for the total annual bonuses to participants and provides an overall AIG performance component.

Time-vested grants of stock options. AIG provides long-term equity-based compensation through time-vested equity grants. AIG generally grants time-vested RSUs to employees below the Senior Partner level and grants time-vested option awards to Senior Partners. The Committee has determined to grant options to Senior Partners because options have value only if market price appreciates, providing a significant performance component that is directly aligned with the market value of AIG's stock.

AIG options are granted with an exercise price equal to the closing sale price of AIG Common Stock on the NYSE on the date of grant. In 2007, the Committee followed its regular practice of making its yearly grant of time-vested equity-based awards at its December meeting. For 2008, the Committee plans to make its yearly grant of time-vested equity-based awards at a meeting during the first quarter of 2009 rather than in December 2008. For new hires, promotions and retention purposes, the Committee also granted equity-based awards, primarily time-vested RSUs, at its meetings throughout the year. The authority to grant equity-based awards to employees other than Senior Partners and executives under the purview of the Committee has been delegated to any two of the Chief Executive Officer, the Chief Financial Officer and the Chief Human Resources Officer, acting jointly.

Time-vested grants of RSUs. Historically, AIG paid quarterly cash bonuses to certain employees, including the named executives. These quarterly cash bonuses also included cash compensation opportunities previously provided by SICO and Starr. In November 2007, the Committee approved changes to the quarterly cash bonus program as part of a transition away from this component of compensation. As of January 1, 2008, salaries of participating employees other than Mr. Sullivan were adjusted to include up to \$100,000 of the amounts previously paid as quarterly cash bonuses. Those employees whose quarterly cash bonuses had been

in excess of \$100,000 per year were given the opportunity to elect to receive annual grants of time-vested RSUs with a value equal to 125 percent of the excess cash bonus amount. Once made, such election is irrevocable. Those employees not electing to receive RSUs will continue to receive quarterly cash bonuses of the amount in excess of \$100,000 and will have a yearly opportunity to make the election to receive RSUs instead. The Committee expects to periodically review this arrangement to determine whether employees will continue to receive quarterly cash bonuses in future years. While options continue to be the primary component of time-vested equity compensation for employees at the Senior Partner level, the use of time-vested RSUs provides an additional retention incentive and further aligns recipients of the grants with AIG's shareholders. Because these RSUs are not subject to the Executive Incentive Plan, they may not be tax-deductible. See Executive Incentive Plan.

Performance RSUs granted under the Partners Plan. The Committee grants Performance RSUs each year to participants in the Partners Plan. The number of Performance RSUs earned by a Partner will depend on growth in AIG's adjusted earnings per share over a two-year performance period relative to pre-established goals and will range from 0 to 150 percent of the Partner's target award. Grants of Performance RSUs under the Partners Plan do not guarantee that compensation will be earned. Performance RSUs will be forfeited, and no shares will be earned, if growth in AIG's adjusted earnings per share falls below a minimum or threshold level over a two-year performance period (unless the Committee uses the discretion provided by the Plan to adjust plan formulas). Twenty-five percent of Performance RSUs granted will be earned if performance is at the threshold level, 100 percent will be earned if performance is within a target corridor of performance and 150 percent will be earned if performance is at or above the maximum level, with amounts determined on a straight-line basis between threshold, target and maximum level.

In establishing performance goals for earning Performance RSUs for the 2008-2009 performance period (2008 Performance RSUs), AIG management recommended that target levels be long-term aspirational in nature, with the expectation that once established, such target levels would change infrequently rather than on a regular basis. The Committee established a threshold level of four percent growth in AIG's adjusted earnings per share, a target performance corridor of 10 percent to 12 percent growth in AIG's adjusted earnings per share and a maximum level of 16 percent growth in AIG's adjusted earnings per share for the 2008 Performance RSUs. These targets have been used for each of the performance periods applicable to the Partners Plan awards granted to date, have been disclosed in the limited context of AIG's compensation programs and should not be understood to be estimates of future results or other guidance. AIG specifically cautions investors not to apply these targets to other contexts. For a discussion of the Committee's assessment of management's performance in 2007 and the Performance RSUs earned for the 2006-2007 performance period, see Compensation Decisions for 2007 below.

Vesting. Performance RSUs earned under the Partners Plan for the two-year performance period ended December 31, 2007 (2006 Performance RSUs) were converted to time-vested RSUs and will vest in two equal installments promptly after the fourth and sixth anniversaries of the first day of the performance period. The same vesting schedule will apply to any Performance RSUs earned for the 2007-2008 performance period (2007 Performance RSUs). Beginning with the 2008 Performance RSUs, the Committee decided to shorten the vesting schedule so that the earned time-vested RSUs will vest promptly after the third and fourth anniversaries of the first day of the performance period. In establishing this new vesting schedule, the Committee believed that the vesting schedule would assist in recruitment efforts and in promoting Partner retention, given competitive market practice. Any unvested Performance RSUs generally will be forfeited if the participant ceases employment with AIG.

Long-term performance cash awards granted under the Senior Partners Plan. The Committee grants participants in the Senior Partners Plan units (referred to as Senior Partner Units) that determine their share of an aggregate incentive pool. The aggregate incentive pool for each year is based on a weighted average of the growth in AIG's adjusted book value over a three-year period, determined by multiplying the percentage growth in adjusted book value per share during each year by adjusted book value at the beginning of the year. Accordingly, the Senior Partners Plan provides long-term incentive compensation based on factors that are not share price-related.

Currently, up to 0.85 percent of the yearly growth in AIG's adjusted book value is available for the incentive pool under the Senior Partners Plan. This amount has been used for each of the performance periods for the Senior Partners Plan awards granted to date. A maximum of 30,000 Senior Partner Units are available for awards to Senior Partners each year. The value per Senior Partner Unit at the end of each year is determined by dividing 0.85 percent of the weighted-average growth in book value for the three-year period then ending by 30,000.

Senior Partners also participate in the Partners Plan and therefore are aligned with the Partners in achieving the performance targets of that plan. In addition, no value will be earned under the Senior Partners Plan for the performance period ending in any year in which no Performance RSUs are earned under the Partners Plan for the performance period ending that year. As a result, there will not be a year in which Senior Partners accrue compensation under the Senior Partners Plan, but Partners do not earn time-vested RSUs under the Partners Plan.

Continued participation in the Senior Partners Plan is evaluated by the Committee each year based on each Senior Partner's level of performance and accountability. The number of Senior Partner Units awarded each year is based on the participant's Senior Partner Units for the prior year. Significant year-to-year variability is not expected.

Vesting. For Senior Partners Plan performance periods ending through December 31, 2007, the value accrued in respect of each Senior Partner Unit was deferred and will be paid in cash in two equal installments promptly after the fourth and sixth anniversaries of the beginning of the final year of a performance period. The Committee decided to shorten the vesting schedule beginning with the 2006-2008 performance period, so that the earned Senior Partner Units will vest promptly after the third and fourth anniversaries of the first day of the beginning of the final year of the performance period. In establishing this vesting schedule, the Committee believed that the vesting schedule would assist in promoting retention of AIG's most senior executives, given competitor market practice. Any unvested Senior Partner Units generally will be forfeited if the participant ceases employment with AIG.

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 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 provide 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 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. AIG believes that these plans provide substantial retention and competitive advantages.

Mr. Sullivan also participated in AIG's United Kingdom pension plan during his years of service in the United Kingdom, as described in greater detail in Post-Employment Compensation Pension Benefits.

Defined contribution plans. AIG's defined contribution plans include a tax-qualified plan (401(k)), the Supplemental Incentive Savings Plan (SISP) and the Executive Deferred Compensation Plan (EDCP). The 401(k) plan and the SISP, which is designed to allow highly compensated employees to defer up to an additional \$11,500 of annual compensation on a basis that is not tax-qualified, allow participants to receive credited earnings based on the returns of externally managed mutual funds among which participants may choose. Designated key employees may also participate in the EDCP, under which participants may defer higher amounts and receive credited earnings based on the returns of a different, smaller set of externally managed mutual funds. These plans are described in greater detail in Post-Employment Compensation Nonqualified Deferred Compensation. AIG matches participants' contributions to the 401(k) plan up to the annual maximum contribution limit of \$15,750, but does not otherwise 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 key employees with automobile allowances and parking, financial and tax planning and club memberships and recreational opportunities.

As a result of recommendations in independent third-party security studies, AIG's Board policy requires Mr. Sullivan, his spouse and his children under the age of 18 to use corporate aircraft for personal travel. In addition, AIG's Board has determined to provide Mr. Sullivan with a dedicated automobile and driver and has provided security enhancements for Mr. Sullivan's home, both as the result of an outside security review. In addition, AIG

provides Mr. Tse with an automobile and driver and pays a portion of his living expenses, consistent with benefits AIG provides to certain other senior executives living in Hong Kong. In March 2008, 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 on behalf of affected AIG employees based in Hong Kong, including Mr. Tse.

AIG has not historically had a formal perquisite policy, although the Committee reviewed perquisites for AIG's key employees in 2007. AIG believes the perquisites are reasonable in comparison to those typically provided by peer companies and that perquisites constitute a small component of total compensation for each named executive. The Committee's review of AIG's practices with respect to perquisites is ongoing.

Welfare and other indirect benefits. AIG senior executives participate in the same broad-based health, life, and disability benefit programs as its other employees.

Termination benefits and policies. For the past three years, AIG has provided severance benefits to its senior executives, including the named executives. As previously noted, the Committee reviewed AIG's severance arrangements in light of their scheduled expiration in 2008. As a result of this review, the Committee determined in March 2008 to revise and extend these arrangements as described below.

Employment agreements and executive severance plan. In connection with the promotions of Messrs. Sullivan and Bensinger in March 2005, the Committee negotiated a three-year employment agreement with each executive. In March 2008, the Committee determined to extend the term of these employment agreements by one year, until March 13, 2009.

The agreements have a fixed term and provide for assurances as to position and responsibility, the structure of compensation for the term of the agreement and, in specified circumstances, severance payments. The agreements also contain non-competition and non-solicitation covenants that would apply on any separation during the term. The Committee believes the agreements are consistent with competitive market practice and determined that a one-year extension at this time was appropriate in light of the retention benefits the agreements provide and in light of the benefit that AIG receives from extension of the restrictive covenants.

In 2005, the Committee also established a plan that provided severance payments and benefits to a select group of AIG employees, including the other named executives. This plan was replaced by an expanded Executive Severance Plan (ESP) in March 2008. The ESP will continue in effect until it is terminated by the Committee, subject to 12 months notice and a minimum term of two years. The Committee believed that it was appropriate to establish a consistent level of severance benefits at this time to attract and retain talent.

The ESP extends to all U.S.-based participants in the Partners Plan, who would be eligible for severance payments and benefits if terminated by AIG without cause. ESP participants who are both Senior Vice Presidents or higher and are participants in the Senior Partners Plan are also eligible for termination payments and benefits on termination by the participant for good reason.

In the event of a qualifying termination, the participant will be eligible for a severance period that is based on the executive's seniority or length of service. All of the named executives would have a severance period of two years (which is the maximum for any current participant in the plan).

During the severance period, the executive is eligible to receive an annual amount equal to the sum of salary, annual quarterly bonuses and three-year-average performance-based bonuses. In addition, unvested long-term awards (including options, Performance RSUs earned under the Partners Plan for prior performance periods and earned amounts under the Senior Partners Plan) that would have vested during the severance period will vest as if the executive had continued to be employed during that time. The ESP does not provide for golden parachute or other tax

gross-up payments.

While their employment agreements are in effect, Messrs. Sullivan and Bensinger do not participate in the ESP. However, as part of the March 2008 extension of their respective employment agreements, each executive was made eligible for continued vesting of long-term awards upon termination of employment as if he participated in the ESP.

To receive post-employment benefits under any of the individual employment agreements, the prior severance plan or the ESP, employees must execute a release of claims and comply with non-competition and non-solicitation covenants.

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 (other than RSUs granted in lieu of quarterly cash bonuses) will generally vest upon retirement. Additionally, earned but unvested

SICO benefits and earned but unvested awards under the DCP, the Partners Plan and the Senior Partners Plan will generally vest and be delivered shortly thereafter. For employees who retire during a performance period under the Partners Plan or the Senior Partners Plan, a pro-rated portion of the award that is ultimately earned will vest at the end of the performance period. Additionally, a pro-rated portion of time-vested RSU awards may vest upon Committee-approved early retirement after reaching age 55 but before reaching age 65.

Other than as provided in the ESP and the employment agreements, no other severance protection applies to long-term compensation. With the approval of the Committee, outstanding vested options generally may be exercised for three months after a termination of employment, but only to the extent those options were exercisable as of the termination date.

No change-in-control benefits. None of AIG's compensation components has a change-in-control trigger. AIG's equity plans and the Senior Partners Plan do not accelerate vesting on a change-in-control, and the ESP does not provide for special severance or similar rights as a result of a change in control. However, payments owed to an employee on termination may be subject to an additional golden parachute excise tax under the Code if they follow a change-in-control of AIG. Mr. Sullivan's and Mr. Bensinger's employment agreements provide that, if any payments or benefits are subject to this excise tax, AIG will increase the payment or benefit so that the executive is not affected by the tax.

Compensation Decisions for 2007

As noted above, the Committee's decisions with respect to 2007 compensation for the named executives reflect the extraordinary market conditions in 2007 which significantly affected AIG's financial performance for the year. In reporting AIG's earnings, Mr. Sullivan characterized the results as clearly unsatisfactory and, as a consequence, the Committee reduced incentive compensation earned on a graduated basis.

The Committee believed that reductions should most significantly affect AIG's most senior executive team and the executives with direct responsibility for Financial Services and Asset Management operations and that a broader group of key employees also should be affected to a lesser extent. At the same time, the Committee's decision to use the discretion available to it under the Partners Plan and the Senior Partners Plan to allow Performance RSUs and Senior Partner Units to be earned under these plans, notwithstanding the effect of unrealized market valuation losses on AIG's 2007 financial results, was designed to acknowledge the efforts of key employees during 2007 and aid in retention while continuing management's alignment with shareholders.

The following supplemental table shows the changes from 2006 to 2007 in the amount of year-end performance-based compensation earned by each named executive.

Year-End Performance-Based Compensation Earned

Name	Year	Year-end Cash Bonus	Year-end Option Award (\$ Fair Value on Date of Grant)	Performance- based RSUs Earned(1) (\$ Value as of Year-end)	Senior Partners Plan(2) (\$ Earned)	Total
Martin J. Sullivan	2007	\$ 2,500,000	\$ 3,000,012	\$ 1,342,066	\$ 5,434,000	\$ 12,276,078
	2006	\$ 9,000,000	\$ 4,130,000	\$ 4,586,240	\$ 5,783,750	\$ 23,499,990

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Steven J. Bensinger	2007	\$ 700,000	\$ 1,255,200	\$ 671,033	\$ 2,717,000	\$ 5,343,233
	2006	\$ 2,500,000	\$ 1,215,400	\$ 2,293,120	\$ 2,065,625	\$ 8,074,145
Edmund S.W. Tse	2007	\$ 600,000	\$ 1,255,200	\$ 1,342,066	\$ 4,754,750	\$ 7,952,016
	2006	\$ 600,000	\$ 1,416,000	\$ 4,586,240	\$ 5,783,750	\$ 12,385,990
Robert M. Sandler	2007	\$ 175,000	\$ 732,200	\$ 943,760	\$ 3,056,625	\$ 4,907,585
	2006	\$ 190,000	\$ 826,000	\$ 2,866,400	\$ 3,718,125	\$ 7,600,525
Jay S. Wintrob	2007	\$ 1,000,000	\$ 1,255,200	\$ 1,006,550	\$ 2,717,000	\$ 5,978,750
	2006	\$ 1,000,000	\$ 1,416,000	\$ 3,439,680	\$ 2,478,750	\$ 8,334,430
Win J. Neuger	2007	\$ 425,000	\$ 1,255,200	\$ 1,140,756	\$ 2,377,375	\$ 5,198,331
	2006	\$ 815,000	\$ 1,416,000	\$ 3,898,304	\$ 2,891,875	\$ 9,021,179

(1) Amounts in this column change from year to year as a result of three factors: (1) change in value of AIG Common Stock at year-end, (2) change in the percentage of target awards earned and (3) change in grant

levels. In particular, Performance RSUs earned in 2007 represented the transition to annual grant cycles from the two-year cycle of the prior plans.

- (2) Amounts in this column change from year to year as a result of two factors: (1) change in the amount earned per Senior Partner Unit and (2) changes in the number of Senior Partner Units awarded to each named executive. In particular, Mr. Sullivan and Mr. Bensinger both were awarded additional Senior Partner Units for 2007.

Performance objectives. Based on recommendations from Mr. Sullivan, the Committee established annual performance objectives for 2007. The objectives pertained to financial performance (based on growth in adjusted net income and return on equity, both in absolute terms and relative to competitors); articulation of business strategy; improving internal controls and cost savings; diversity; and organization management. The Committee determined not to establish a particular formula for evaluating performance, and the objectives were not weighted. The Committee concluded that AIG would be best served with a discretionary approach in light of the fact that the long-term incentive components of its compensation program are formula-based.

The Committee evaluated the performance of AIG and its key employees against these objectives at its December 2007 meeting. At the meeting, the Committee granted Performance RSUs and Senior Partner Units for 2008 and options for 2007 and made preliminary year-end decisions on 2008 base salaries and 2007 annual bonuses for the named executives and other executives under its purview (other than Mr. Sullivan), subject to further review when AIG's 2007 financial results became available. The Committee deferred making 2008 Partners Plan and Senior Partners Plan grants to Mr. Sullivan until the March meeting, as part of its plan to begin granting all performance-based awards at that time of year. However, the Committee made Mr. Sullivan's year-end option grant at the same time options were granted to other Senior Partners so that the exercise price of the awards would be the same.

In March 2008, the Committee finalized its decisions with respect to the 2007 annual bonuses for the named executives and other executives under its purview. The Committee also made a final evaluation of Mr. Sullivan's performance based on an evaluation of actual 2007 results and made year-end decisions on Mr. Sullivan's 2007 annual bonus and 2008 Performance RSUs and Senior Partner Units at that time. Decisions regarding Mr. Sullivan's annual compensation were subject to ratification by the Board, which occurred at the Board's meeting on March 12, 2008.

Cash bonuses. In November 2007, the Committee approved 2007 bonus funding at 110% of target. Based on AIG's results for the year, the Committee awarded Mr. Sullivan a year-end cash bonus of \$2,500,000 and, based on his recommendation, awarded the other named executives the bonus amounts set forth in the preceding table.

Awards to Messrs. Sullivan and Bensinger took into account target performance-based compensation values set under their employment agreements. For 2007, Mr. Sullivan's target performance-based bonus was \$5,000,000. The Committee awarded Mr. Sullivan a year-end performance-based bonus of \$2,500,000. The Committee determined that Mr. Sullivan's bonus would reflect the unrealized market valuation losses related to AIGFP's portfolio of super senior credit default swaps and the related material weakness in internal control described in AIG's Annual Report on Form 10-K. The Committee considered and discussed AIG's belief that except to the extent of any credit impairment losses, the AIGFP unrealized market valuation losses will reverse over the life of the portfolio. The Committee discussed that, to the extent those losses are reversed into income in the future, the Committee would take such reversals into account with respect to Mr. Sullivan's bonus for the relevant year (which could result in a bonus above any maximum that would otherwise be applicable). Together with the \$1,125,000 in quarterly bonuses required by his employment agreement, Mr. Sullivan's 2007 bonuses totaled \$3,625,000.

For 2007, Mr. Bensinger's target performance-based bonus was \$1,400,000. After consideration of Mr. Sullivan's recommendation, the Committee awarded Mr. Bensinger a year-end performance-based bonus of \$700,000. As discussed above, the Committee determined that, like the award made to Mr. Sullivan, Mr. Bensinger's bonus would reflect the AIGFP unrealized market valuation losses and related material weakness as well as his contributions to AIG's financial and non-financial goals and his level of responsibility within AIG. The Committee discussed that, similarly to their thoughts with respect to Mr. Sullivan, future reverses of such losses into income will be taken into account with respect to Mr. Bensinger's bonus amounts for the relevant year. Together with \$750,000 in quarterly bonuses required by his employment agreement, Mr. Bensinger's 2007 bonuses totaled \$1,450,000.

The Committee determined that Mr. Neuger's bonus would reflect the effect on AIG's results of the realized and unrealized capital losses suffered by AIG's investment portfolios, as well as his contributions to AIG's

financial and non-financial goals, including, specifically, the performance of AIG's asset management operations. Following its assessment, the Committee awarded Mr. Neuger a year-end performance-based bonus of \$425,000, well below his target bonus. To the extent AIG's losses are recovered through investment income in future years, the Committee has indicated that it will take that factor into consideration in future years. Together with the \$798,000 paid to him in quarterly bonuses, Mr. Neuger's 2007 bonuses totaled \$1,223,000.

The year-end performance based bonuses paid to Messrs. Tse, Sandler and Wintrob were based upon their contributions to AIG's financial and non-financial goals, including, specifically for Mr. Tse, the performance of AIG's life insurance operations, specifically for Mr. Sandler, the performance of AIG's domestic personal lines operations, and specifically for Mr. Wintrob, the performance of AIG's retirement services operations, consistent with prior years. Additionally, see 2007 Grants of Plan-Based Awards for a description of time-vested RSUs granted to Messrs. Tse and Sandler in lieu of quarterly bonus payments.

Grants of time-vested stock options. For 2007, Mr. Sullivan received an option award of 143,404 shares compared to 175,000 shares in 2006. The 2006 option award had been increased to reflect AIG's strong performance that year and the fact that Mr. Sullivan had historically received small option awards. The Committee views the \$3 million value of the 2007 option award as a more customary amount.

Year-end option awards in 2007 for the other named executives were largely consistent with 2006 year-end option awards. However, upon the recommendation of Mr. Sullivan, Mr. Bensinger's year-end option award increased from 51,500 shares in 2006 to 60,000 shares in 2007 to bring his award level in line with that of other senior executives.

Performance RSUs earned under the Partners Plan. Performance RSUs for the 2006-2007 performance period were earned at 119.9 percent of target for members of AIG's Group Executive Committee, which is AIG's most senior management group, and at 134.9 percent of target for the other Partners Plan participants. The earned Performance RSUs will vest in two equal installments in 2010 and 2012.

In calculating AIG's adjusted earnings per share for purposes of the 2006-2007 performance period under the Partners Plan, the Committee used the discretion included in the plan to make adjustments in addition to those provided in the plan definitions. First, the Committee excluded extraordinary losses that were incurred in 2005 (including reserve and settlement charges) in determining adjusted earnings per share for the 2005 base year. These adjustments increased adjusted earnings per share for 2005, and thereby raised the performance requirement for 2006 and 2007. The Committee determined that limiting the effect of these items gave a more accurate picture of growth over this period.

Second, the Committee excluded the unrealized market valuation losses attributable to the AIGFP super senior credit default swap portfolio in determining adjusted earnings per share for 2007. The Committee determined that it was more appropriate to reflect any credit impairment losses relating to this AIGFP portfolio in the calculations under the plan for the years in which they are realized and not to reflect either the 2007 unrealized market valuation losses or any future reversals of those losses in the calculations. If all 2007 unrealized market valuation losses had been included, the Partners Plan would have been affected for multiple cycles because the losses would have eliminated growth in adjusted earnings per share for 2007 and significantly reduced average growth for the 2007-2008 performance period. Moreover, 2007 would have been an exceptionally low base year for the 2008-2009 performance period and any subsequent reversals of the 2007 unrealized market valuation losses could significantly increase adjusted earnings per share for that or any subsequent performance period. As a result, the number of Performance RSUs earned would be effectively disconnected from management performance for several performance periods.

Finally, in light of AIG's 2007 results, the Committee determined that it would be appropriate to reduce amounts earned after giving effect to the preceding two adjustments. Accordingly, the Committee reduced the amounts earned by members of AIG's Group Executive Committee by 20 percent and reduced the amounts earned by other participants by 10 percent. To determine 2007 adjusted earnings per share for purposes of determining amounts earned with respect to the 2007 and 2008 Performance RSUs, the Committee will use adjusted earnings per share as calculated

giving effect to the earnout at 134.9 percent of target.

The Committee believes that the effect of its actions was to provide an award reflective of AIG's overall financial results in 2007 and to ensure that Partners Plan participants will benefit from strong performance in future years.

Long-term performance cash awards earned under the Senior Partners Plan. In connection with the Committee's exercise of its discretion to make adjustments to the definitions under the Partners Plan, the Committee also exercised its discretion to adjust the definition of adjusted book value as used in the formula for

the Senior Partners Plan to exclude the effect of the AIGFP unrealized market valuation losses, although the effect of the unrealized decrease in value of the AIG investment portfolios was not excluded. As a result of the adjustments, the value of each Senior Partner Unit earned for the 2005-2007 performance period was \$2,717, compared to \$3,305 for each Senior Partner Unit earned for the 2004-2006 performance period. The Committee determined that the definition for adjusted book value for future performance periods would also be adjusted to assure that any income received from reversals of the AIGFP unrealized market losses is excluded, and that any credit impairment losses realized with respect to the AIGFP super senior credit default swap portfolio are included in the calculations.

Decisions regarding future compensation opportunities. The following supplemental table shows the compensation decisions the Committee has made regarding future compensation opportunities, comparing future compensation opportunities granted in 2006 with those granted in 2007. For 2007, salary increases were effective as of December 31, 2007, grants of Performance RSUs were for the 2008-2009 performance period and grants of Senior Partners Units were for the 2006-2008 performance period.

Compensation Opportunities Granted for Future Years

Name	Year	Year-end Salary Increase	Partners Plan	Senior Partners Plan
			(# of Performance RSUs Granted)	(# of Senior Partner Units Granted)
Martin J. Sullivan	2007	\$ 0	38,400	2,000
	2006	\$ 0	38,400	2,000
Steven J. Bensinger	2007	\$ 150,000	25,000	1,250
	2006	\$ 0	19,200	1,000
Edmund S.W. Tse	2007	\$ 100,000	38,400	1,750
	2006	\$ 0	38,400	1,750
Robert M. Sandler	2007	\$ 100,000	24,000	1,125
	2006	\$ 20,000	24,000	1,125
Jay S. Wintrob	2007	\$ 100,000	31,200	1,000
	2006	\$ 0	31,200	1,000
Win J. Neuger	2007	\$ 58,000	33,600	1,000
	2006	\$ 0	33,600	875

Base salaries. The Committee considered salary levels of the named executives at year-end, and salary levels generally remained at 2007 levels other than the increases in connection with the changes to the quarterly cash bonus program discussed above. In addition to a \$100,000 increase for such changes, Mr. Bensinger's salary was increased by \$50,000 to bring his salary more in line with other senior executives.

Performance RSUs granted under the Partners Plan. For the named executives other than Mr. Bensinger, grants of 2008 Performance RSUs were made at the same level as 2007 Performance RSUs. Mr. Bensinger's 2008 award increased from 19,200 Performance RSUs to 25,000 Performance RSUs to bring his award in line with other senior executives.

Long-term performance cash awards granted under the Senior Partners Plan. As described above, continued participation in the Senior Partners Plan is evaluated each year based on each Senior Partner's level of performance and accountability, but substantial year-to-year variability is not expected. The Committee considered participation for awards for 2008 (the 2006-2008 performance period) at the end of 2007. Mr. Sullivan's Senior Partner Units were 2,000, which is unchanged from 2007. Mr. Bensinger's Senior Partner Units were increased from 1,000 for 2007 to 1,250 for 2008 to bring his total compensation into line with his internal and external peers. Mr. Neuger's Senior Partner Units were increased from 875 to 1,000 for 2008 to bring him into line with his peer group within AIG.

Process for Compensation Decisions

The Compensation and Management Resources Committee determines the compensation of Mr. Sullivan, and the Board approves or ratifies the amounts to be awarded to him. Based on Mr. Sullivan's recommendation, the Committee reviews and approves the compensation of the other key employees under its purview, which includes all of the other named executives. Nineteen employees are currently under the Committee's purview. 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.

Mr. Sullivan's total compensation for 2007 is higher than that of the other named executives because the Committee has determined in its discretion that the amount awarded is commensurate with his greater responsibility for such management and oversight. There are no material differences in the compensation policies applicable to the named executives. The decisions made with respect to compensation of each named executive for 2007 were based on an individual assessment of the executive's level of responsibility for the oversight and management of AIG's businesses and the executive's contribution to AIG's performance. Furthermore, these decisions generally take the form of incremental increases and decreases in individual components of each named executive's compensation. As discussed above, the incremental changes in the annual cash bonuses for 2007 for Messrs. Sullivan, Bensinger and Neuger differed significantly from those of Messrs. Tse, Sandler and Wintrob.

Independent consultant. To provide independent advice, the Committee has used the services of Frederic W. Cook & Co. since 2005. Senior consultants of the Cook firm regularly attend the Committee's meetings and are instructed to provide independent, analytical and evaluative advice about AIG's compensation programs for senior executives, including 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 their opinions with respect to the design and implementation of current or proposed compensation programs. The Cook firm has advised the Committee that the design and operation of compensation programs reflect a pay-for-performance compensation philosophy that is reasonable and competitive with companies in the financial services industry. Frederic W. Cook & Co. does not provide any other services to AIG or its management except with respect to director compensation.

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. As a general matter, the Committee intends to position salary in a reasonable range around the market median. However, the Committee intends that total direct compensation opportunities, including Partners Plan and Senior Partners Plan awards, will be at or above the 75th percentile of the relevant market, based on achieved performance.

For compensation 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
St. Paul Travelers
Wells Fargo

The Committee believes that its current peer group provides an appropriate cross-section of industry and human-resource competitors with the global scope, market capitalization and operational complexity of AIG and with comparable compensation practices.

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. The Committee and AIG management believe that this approach is most consistent with the goal of motivating strong performance in each year by enabling key employees to continue to earn competitive compensation in exchange for achievement of annual and long-term financial and market goals.

Other Factors Affecting Compensation

Executive Incentive Plan. The Executive Incentive Plan (EIP), which AIG shareholders adopted in 2006, allows AIG to maximize the deductibility of compensation payments while allowing for the operation of annual bonuses, the Partners Plan and the Senior Partners Plan and for future compensation frameworks.

The EIP was adopted in response to Section 162(m) of the Internal Revenue Code (the Code), which prohibits companies from deducting more than \$1 million annually of the compensation paid to their chief executive officer and four most highly compensated executive officers unless specific requirements are met. The

EIP is designed to meet these requirements and should allow AIG to deduct the full amount of performance-based compensation paid to these executive officers.

Under the EIP, each participating employee's covered yearly maximum performance compensation is first determined based on AIG's adjusted net income for the year. The Committee may then reduce a participant's performance-based compensation to an amount that is less than the formula amount. Each year, the Committee designates a small group of key employees (fewer than 20) as participants in the EIP to ensure that the performance-based compensation ultimately paid to the named executives is covered. Each of AIG's named executives currently participates in the EIP.

The Committee has designated the annual cash bonus program, the Partners Plan and the Senior Partners Plan as the components of performance-based compensation authorized by the EIP. In other words, after the EIP formula amount is established, the authorized performance-based compensation for each participant will be delivered through annual cash bonuses, Performance RSUs earned under the Partners Plan and long-term performance cash awarded under the Senior Partners Plan. If the total amount earned under these plans is less than the EIP formula amount, the Committee expects to pay only the amount earned (by using its authority under the plan to reduce the formula amount). If the total amount that would otherwise be earned under the annual cash bonus plan, the Partners Plan and the Senior Partners Plan would be more than the EIP formula amount, the total would be reduced to the EIP formula amount.

Compensation attributable to the exercise of options is already deductible, so grants of options are not included under the EIP. The grant of RSUs in lieu of quarterly cash bonuses as described under *Direct Compensation Components* Time-vested grants of RSUs also is not included in the EIP formula and therefore may not be tax-deductible.

The EIP sets each participant's covered yearly maximum performance compensation at 0.3 percent of AIG's adjusted net income for the year (which is generally AIG's consolidated net income before FAS 133 gains and losses, realized gains or losses, changes in accounting treatment or tax laws and other extraordinary items). This level was established because AIG and the Committee believe that it will accommodate a wide range of future compensation decisions, including operation of the Partners Plan and the Senior Partners Plan, and therefore permit AIG to deduct the performance compensation it expects to pay to its named executives. The maximum amount of performance-based compensation that could be earned by each named executive under the EIP for 2007 was \$27.9 million.

Although the Committee does not currently intend to do so, it has reserved the right to award to participants in the EIP other performance-based compensation outside of the EIP. This compensation may not be deductible in whole or in part.

Share ownership guidelines. In 2007, AIG adopted share ownership guidelines. These guidelines establish 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 are met, such officers are 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, stock earned based on performance criteria or contingently allocated that, in each case, remains subject to time-vesting conditions and stock held in trust for the benefit of the officer or his or her immediate family members.

Adjustment or recovery of awards. AIG's compensation framework reserves discretion for the Committee to adjust earned compensation for a restatement of financial results. Both the Partners Plan and the Senior Partners Plan 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, a substantial 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. Outstanding RSUs, including Performance RSUs granted under the Partners Plan,

may be cancelled if an employee engages in any conduct detrimental to AIG, including any violation of applicable securities laws, any violation of any AIG policy concerning confidential or proprietary information and any disparagement of AIG.

Conclusion

AIG's compensation framework is designed to retain and motivate key employees and to reward them for both individual and AIG performance. AIG believes that the actions it has taken appropriately reflect the performance of its executive team during 2007 and provide a suitable basis for evaluating performance against the challenges of 2008.

2007 COMPENSATION**Summary Compensation Table**

The following tables contain information with respect to AIG's Chief Executive Officer, Chief Financial Officer and four other most highly paid executive officers. See note 2 to the table below for an explanation of why AIG has included more than the required number of named executives. This 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 2007 compensation decisions.

2007 Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	No Ince Comp
Martin J. Sullivan President and Chief Executive Officer	2007	\$ 1,000,000	\$ 3,625,000	\$ 921,876	\$ 2,448,490	\$
	2006	\$ 1,000,000	\$ 10,125,000	\$ 1,370,657	\$ 1,916,232	\$
Steven J. Bensinger Executive Vice President and Chief Financial Officer	2007	\$ 751,923	\$ 1,450,000	\$ 598,408	\$ 860,637	\$
	2006	\$ 750,000	\$ 3,250,000	\$ 757,690	\$ 617,358	\$
Edmund S.W. Tse(7) Senior Vice Chairman Life Insurance	2007	\$ 848,776	\$ 1,863,963	\$ (470,227)	\$ 2,597,852	\$
	2006	\$ 848,776	\$ 1,838,455	\$ 3,729,295	\$ 3,354,527	\$
Robert M. Sandler Executive Vice President Domestic Personal Lines	2007	\$ 480,000	\$ 973,750	\$ 3,182,880	\$ 2,216,572	\$
	2006	\$ 460,769	\$ 988,750	\$ 3,529,625	\$ 1,023,798	\$
Jay S. Wintrob Executive Vice President Retirement Services	2007	\$ 775,000	\$ 1,742,500	\$ 491,466	\$ 1,590,733	\$
	2006	\$ 775,000	\$ 1,742,500	\$ 820,751	\$ 1,716,783	\$
Win J. Neuger Executive Vice President and Chief Investment Officer	2007	\$ 942,000	\$ 1,223,000	\$ 1,223,230	\$ 1,571,908	\$
	2006	\$ 942,000	\$ 1,613,000	\$ 1,499,042	\$ 1,519,196	\$

(1) This column represents (1) annual performance cash

bonuses and (2) payments under AIG's quarterly bonus program.

- (2) 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 option and stock incentive plans, the Partners Plan, the DCPPP and the SICO plans. The amount recognized for these awards was calculated using the assumptions described in Note 17 to the Consolidated Financial Statements included in AIG's Annual Report on Form 10-K. In 2007, no compensation cost was recognized, and compensation cost recognized in 2006 was reversed, with respect to awards under the Partners Plan, because the performance threshold was not met. In March 2008, the Compensation Committee adjusted the Partners Plan definition of adjusted earnings

per share for 2007 resulting in a new grant of these awards for accounting purposes. Assuming no change in employment status, amounts recognized in 2008 with respect to the 2006 and 2007 Performance RSUs for the named executives will be as follows:

Sullivan \$434,288;
Bensinger \$217,144;
Tse \$1,202,329;
Sandler \$803,837;
Wintrob \$338,900;
and

Neuger \$374,418. AIG considers these amounts related to these Performance RSUs to be attributable to 2007 performance even though not expensed in 2007. If these amounts had been expensed in 2007, Mr. Neuger could have replaced Mr. Wintrob as the third most highly paid executive officer other than AIG's Chief Executive Officer and Chief Financial Officer. Compensation information is therefore presented for both Mr. Neuger and Mr. Wintrob throughout the compensation tables. See the Stock Awards table below for additional detail

regarding the amounts recognized in this column.

- (3) 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 from 2002 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 Annual Report on Form 10-K.

- (4) This column represents (1) long-term cash performance awards earned but unvested under the Senior Partners Plan and (2) quarterly cash payments under previously earned (but unvested) Senior Partners Plan awards.
- (5) This column represents the total change of the actuarial present value of the accumulated benefit under all of AIG's defined benefit and actuarial pension plans. These plans are described in Post-Employment Compensation Pension Benefits.
- (6) This column includes the incremental costs of perquisites and benefits, life insurance premiums paid by AIG for the benefit of the named executives and matching contributions by AIG under its 401(k) plan and the defined contribution plan in which Mr. Tse participates in Hong Kong. These matching contributions include the following amounts in 2007:
Sullivan \$15,750;
Bensinger \$4,500;
Tse \$105,911;
Sandler \$15,750;
Wintrob \$15,750; and
Neuger \$15,750. The

amount shown for Mr. Wintrob in this column also includes special tax distributions of \$56,623 in 2007 and \$27,795 in 2006 related to his investment in an employee co-investment fund, SunAmerica Venture Fund 2000, LP. See the Perquisites and Benefits table below and Nonqualified Deferred Compensation for additional detail regarding the amounts in this column.

- (7) Mr. Tse is based in AIG's Hong Kong office. The Committee determines the amounts of Mr. Tse's salary and bonuses in U.S. dollars. These amounts are paid to Mr. Tse in Hong Kong dollars based upon the prevailing exchange rate on the date of the relevant payment. In addition, AIG records expense for his company-provided benefits, including matching contributions, in Hong Kong dollars. The amount of this contribution included in All Other Compensation in the 2007 Summary Compensation Table for 2007 for Mr. Tse reflects conversion to U.S. dollars at a rate of

HK\$7.7984 per U.S.
dollar, the month-end
rate for December
2007.

Detail regarding amounts recognized for stock and option awards. The amounts recognized for stock and option awards in the Summary Compensation Table are aggregate amounts that relate to annual accruals for multiple stock-based and option-based awards to each named executive (as well as, in certain instances, reversals of prior accruals). Expenses recognized in 2007 relating to stock awards are detailed in the Stock Awards table below. In the case of option awards, AIG recognized expenses in 2007 relating to the named executives' outstanding unvested options granted by AIG in 2007 and prior years.

AIG's adjusted earnings per share as defined in the Partners Plan for the 2006-2007 performance period fell below the threshold level for that performance period. Therefore, for accounting purposes only, the 2006 Performance RSUs were forfeited and AIG reversed all prior expenses related to those awards in 2007. As described in the Compensation Discussion and Analysis, in March 2008, the Committee adjusted the Partners Plan definition of adjusted earnings per share for 2007 for purposes of 2006 and 2007 Performance RSUs. For accounting purposes only, this adjustment constitutes a modification and a new grant of the earned 2006 Performance RSUs. In addition, no expenses with respect to outstanding but unearned 2007 Performance RSUs were recorded in 2007. AIG will recognize the expense related to the 2006 Performance RSUs and 2007 Performance RSUs in 2008 and future years in accordance with the vesting schedules of the awards (and, in the case of the 2007 Performance RSUs, based on the number of Performance RSUs earned or projected to be earned).

The table that follows provides additional detail regarding the stock award amounts for 2007.

Stock Awards

Name	Partners Plan (2006-2007)(1)	DCPPP (2005-2006)	SICO plans (before 2005)	Time-Vested RSUs	Total
Martin J. Sullivan	\$ (131,128)	\$ 419,973	\$ 633,031	\$	\$ 921,876
Steven J. Bensinger	\$ (65,564)	\$ 202,120	\$ 58,073	\$ 403,779 (2)	\$ 598,408
Edmund S.W. Tse	\$ (567,195)	\$ 0	\$ 0	\$ 96,968 (3)	\$ (470,227)
Robert M. Sandler	\$ (235,434)	\$ 1,187,177	\$ 2,164,868	\$ 66,269 (3)	\$ 3,182,880
Jay S. Wintrob	\$ (98,346)	\$ 283,690	\$ 306,122	\$	\$ 491,466
Win J. Neuger	\$ (111,459)	\$ 437,256	\$ 897,433	\$	\$ 1,223,230

(1) Represents reversal of amounts expensed in

2006 for the
2006-2007
performance
period. No
expenses
were
recognized
in 2007 for
either the
2006-2007
or the
2007-2008
performance
period.

- (2) Represents expenses recognized in 2007 relating to 2006 grant.
- (3) Represents expenses recognized in 2007 relating to 2007 grant in lieu of quarterly cash bonus.

Perquisites, Benefits and Transactions with Officers. The following table details the incremental cost to AIG of perquisites received by each of the named executives.

Perquisites and Benefits

Name	Personal Use of Corporate Aircraft(1)	Personal Use of Car Service/Car Allowance/Parking(2)	Financial and Tax Planning(3)	Personal Use of Club Memberships and Recreational Opportunities	Housing, Home Security and Other Living Expenses(3)	Total(4)
Martin J. Sullivan	\$ 322,534	\$ 153,023	\$ 41,345	\$ 0 (5)	\$ 160,488	\$ 677,390
Steven J. Bensinger	\$ 10,166	\$ 5,868	\$ 13,750	\$ 0	\$ 0	\$ 29,784
Edmund S.W. Tse	\$ 0	\$ 50,437	\$ 5,481	\$ 7,295	\$ 26,327	\$ 89,540
Robert M. Sandler	\$ 0	\$ 5,868	\$ 11,250	\$ 0	\$ 0	\$ 17,118
Jay S. Wintrob	\$ 68,182	\$ 5,754	\$ 2,500	\$ 0	\$ 0	\$ 76,436
Win J. Neuger	\$ 20,215	\$ 5,868	\$ 13,750	\$ 0	\$ 0	\$ 39,833

- (1) The named executives personal use of corporate aircraft is calculated based on the aggregate incremental cost of the flight to AIG. Aggregate incremental cost is calculated based on a cost-per-flight-hour charge developed by a nationally recognized and independent service. The cost-per-flight-hour charge reflects the direct operating cost

of the aircraft, including fuel, additives and lubricants, airport fees and assessments, crew expenses and in-flight supplies and catering. In addition, the cost-per-flight-hour charge also reflects an allocable allowance for maintenance and engine restoration.

- (2) For Messrs. Sullivan and Tse, who are provided with a dedicated car and driver, car use reflects an allocated portion of the annual lease valuation of the assigned car, annual driver compensation, parking, fuel and maintenance. Although AIG provides this benefit to enhance the security and efficient travel of Messrs. Sullivan and Tse, SEC rules require that costs of commuting and other uses not directly and integrally related to AIG's business be disclosed as compensation to the executive. Because AIG does not track car use in this way, 100 percent of the preceding costs

have been allocated to compensation for days that Mr. Sullivan and Mr. Tse were locally based. For the other named executives, the incremental cost for car-related perquisites represents AIG's direct expenditures.

- (3) Incremental costs related to financial and tax planning and to housing, home security and other living expenses represent AIG's direct expenditures.
- (4) Excludes distributions to Mr. Wintrob relating to an employee co-investment fund. See also note 6 to the 2007 Summary Compensation Table.
- (5) AIG reimburses Mr. Sullivan for membership fees for a golf club used for business purposes. These costs are considered ordinary and necessary business expenses of AIG. Any personal benefit Mr. Sullivan may have derived from this club membership is regarded as incidental and no incremental cost related to any

personal benefit has
been incurred by
AIG.

In connection with the employment and relocation to New York of Mr. Frank G. Wisner, an executive officer, in 1997, AIG paid certain expenses involved with his purchase of a cooperative apartment and has provided (and continues to provide) credit support for his mortgage.

AIG maintains a policy of directors and officers liability insurance for itself, its directors and officers, its subsidiaries and their directors and officers. The premium for this policy for the year ending May 24, 2008 was approximately \$21.4 million.

2007 Grants of Plan-Based Awards

In 2007, AIG granted performance-based awards to the named executives under three plans: the 2007 Stock Incentive Plan, the Partners Plan and the Senior Partners Plan.

Options. AIG provides part of its long-term compensation through time-vested option grants. All options have an exercise price equal to the closing sale price of AIG Common Stock on the NYSE on the date of grant. Historically, option grants, including all options currently held by the named executives, had four-year pro rata vesting. Beginning in 2008, new grants of options will have three-year pro rata vesting. Option grants generally are limited to Senior Partners.

Restricted Stock Units. Historically, AIG has paid quarterly cash bonuses, including amounts to replace cash compensation opportunities previously provided by SICO and Starr. In November 2007, the Committee

approved certain changes to the quarterly cash bonus program described in the Compensation Discussion and Analysis. Among other changes, employees whose quarterly cash bonuses had totaled in excess of \$100,000 per year were given the opportunity to elect to receive annual grants of time-vested RSUs with a value equal to 125 percent of the excess cash bonus amount. Once made, such election is irrevocable. This election was made by Messrs. Tse and Sandler for 2007. The time-vested RSUs granted to Messrs. Tse and Sandler in 2007 were scheduled to vest on the third anniversary of the date of grant, with early vesting upon retirement after December 31, 2008 and pro rata vesting if retirement occurs prior to December 31, 2008.

Partners Plan. The Partners Plan operates for successive overlapping two-year performance periods. The first performance period was January 1, 2006 through December 31, 2007. Participants receive Performance RSUs that entitle them to earn shares of AIG Common Stock based on the average of the percentage increase of AIG's adjusted diluted earnings per share for the first year of the performance period over the prior year and the percentage increase of AIG's adjusted diluted earnings per share for the second year of the performance period over the first year relative to pre-established goals and ranges established by the Committee at the start of the period. The number of Performance RSUs that can be earned at the end of each period ranges from 0 to 150 percent of target.

In December 2007, AIG granted Partners Plan awards for the 2008-2009 performance period (2008 Performance RSUs) other than to Mr. Sullivan. The Committee deferred on making grants to Mr. Sullivan until its March 2008 meeting, as part of its move toward making all awards to the executives under its purview at that time of year. (However, the Committee made Mr. Sullivan's year-end option grant at the same time options were granted to other Senior Partners so that the exercise price of all awards would be the same.) The grant of 2008 Performance RSUs in 2007 does not affect the operation of the awards; performance and vesting operate in the same way as if the awards had been granted in 2008.

Beginning with the 2008 Performance RSUs, earned Performance RSUs vest in two equal installments promptly after the third and fourth anniversaries of the first day of the relevant performance period. Thus, the value of the 2008 Performance RSUs will be vested and the shares will be issued in 2011 and 2012 if the conditions to receipt are satisfied. Any unvested Performance RSUs generally will be forfeited if the participant ceases employment with AIG before reaching age 65, although the Committee has the discretion to reinstate unvested Performance RSUs. Performance RSUs pay no dividends.

Senior Partners Plan. The Senior Partners Plan operates for successive overlapping three-year performance periods. The first performance period was January 1, 2004 through December 31, 2006. Participants are granted Senior Partner Units that entitle them to receive deferred cash awards based on a weighted average of the annual growth in AIG's adjusted book value per share during the performance period. However, no awards will be earned under the Senior Partners Plan for a performance period if Partners Plan awards are not earned for the performance period ending in the same year.

In December 2007, AIG granted Senior Partner Units for the 2006-2008 performance period (2008 SPUs) to participants other than Mr. Sullivan. As with Mr. Sullivan's award of 2008 Performance RSUs, the Committee deferred making Mr. Sullivan's award of 2008 SPUs until its March 2008 meeting.

Beginning with the 2008 SPUs, earned Senior Partner Units vest and will be paid in two equal installments promptly after the third and fourth anniversaries of the first day of the final year of the performance period. Thus, the value of the 2008 SPUs will be paid out in 2011 and 2012 if the conditions to receipt are satisfied. Any unvested Senior Partner Units generally will be forfeited if the participant ceases employment with AIG before reaching age 65, although the Committee has the discretion to reinstate unvested Senior Partner Units. The plan also provides for a quarterly cash payment on previously earned (but unvested) amounts based upon a formula relating to the cash dividends paid on AIG Common Stock.

Executive Incentive Plan. The Partners Plan and Senior Partners Plan operate under AIG's Executive Incentive Plan, which establishes an overall formula for the maximum value of performance-based awards that can be earned by participants from all plans (other than option awards and time-vested RSUs). The EIP is described in the Compensation Discussion and Analysis and operates as an additional performance condition on awards under these plans.

Total 2007 Grants. The following table details all equity-based and non-equity plan-based awards granted to each of the named executives in 2007.

2007 Grants of Plan-Based Awards

Name	Grant Date	Plan Units	Estimated Future Payouts Under Non-equity Incentive Plan Awards(1)	Estimated Future Payouts Under Equity Incentive Plan Awards (# of AIG Shares)(2)			All Other Stock Awards (# of AIG Shares)
				Threshold	Target	Maximum	
Martin J. Sullivan							
2008 Performance RSUs	(4)						
Senior Partners Plan Grant	(4)						
2007 Options	12/13/07						
Steve J. Bensinger							
2008 Performance RSUs	12/13/07	25,000		6,250	25,000	37,500	
Senior Partners Plan Grant	12/13/07	1,250	\$ 3,380,000				
2007 Options	12/13/07						
Edmund S.W. Tse							
2008 Performance RSUs	12/13/07	38,400		9,600	38,400	57,600	
Senior Partners Plan Grant	12/13/07	1,750	\$ 4,732,000				
2007 Options	12/13/07						
2007 Time-vested RSUs	12/13/07						22,400
Robert M. Sandler							
2008 Performance RSUs	12/13/07	24,000		6,000	24,000	36,000	
Senior Partners Plan	12/13/07	1,125	\$ 3,042,000				

Grant

2007 Options	12/13/07					
2007 Time-vested RSUs	12/13/07					15,31
Jay S. Wintrob						
2008 Performance RSUs	12/13/07	31,200		7,800	31,200	46,800
Senior Partners Plan Grant	12/13/07	1,000	\$	2,704,000		
2007 Options	12/13/07					
Win J. Neuger						
2008 Performance RSUs	12/13/07	33,600		8,400	33,600	50,400
Senior Partners Plan Grant	12/13/07	1,000	\$	2,704,000		
2007 Options	12/13/07					

- (1) The amounts that will be earned under the Senior Partners Plan for performance periods ending in the future cannot be determined at this time. Amounts shown for the Senior Partners Plan Grant represent the amounts that would be earned for the 2006-2008 performance period if performance for 2007 were repeated for 2008

and the Committee made the same judgments with respect to the exclusion of AIGFP unrealized market valuation losses. These amounts are shown for purposes of illustration only.

- (2) Amounts shown represent the Performance RSUs that will be earned if growth in AIG's adjusted earnings per share meets the Partners Plan threshold, target and maximum performance goals, as indicated. The amount of Performance RSUs earned for performance between threshold and target levels and between target and maximum levels is determined on a straight-line basis.
- (3) Amounts shown represent the grant date fair values in accordance with FAS 123R of grants of Performance RSUs under the Partners Plan and time-vested

options and RSUs under the 2007 Stock Incentive Plan. With respect to the 2008 Performance RSUs, these values assume future payouts at the maximum level. The total grant date fair values of the 2008 Performance RSUs that are actually earned by the named executives may be lower depending on performance, and 2008 Performance RSUs will be forfeited if performance falls below the threshold level.

Performance RSUs granted under the Partners Plan do not pay dividends. The grant date fair values reported for 2008 Performance RSUs reflect a reduction for the expected value of dividend payments that are foregone during the portion of the vesting period before the named executive's 65th birthday (when participants in the Partners Plan become eligible to

receive earned but unvested Performance RSUs upon retirement).

Messrs. Tse and Sandler have reached age 65.

As a result, the grant date fair value per Performance RSU for 2008 is higher for these named executives. The grant date fair values per 2008 Performance RSU

for the named executives other than Mr. Sullivan for the 2008 Performance RSUs vesting in three years were: Bensinger \$54.77; Tse \$55.51; Sandler \$55.51; Wintrob \$54.77; and

Neuger \$54.77. The grant date fair values per share for the 2008

Performance RSUs vesting in four years were: Bensinger \$54.07; Tse \$55.51; Sandler \$55.51; Wintrob \$54.07; and Neuger \$54.07.

Time-vested options granted under the 2007 Stock Incentive Plan are valued using AIG's binomial option

pricing model.
The grant date fair
value per option
for 2007 options
granted to the
named executives
was \$20.92.

Time-vested RSUs granted under the 2007 Stock Incentive Plan do not pay dividends. The grant date fair value reported for time-vested RSUs reflects a reduction for the expected value of dividend payments that are foregone during the vesting period before the named executive becomes eligible to receive the relevant portion of the award upon retirement or early retirement.

The grant date fair value per time-vested RSU granted on December 13, 2007 was \$56.27.

- (4) As described above, Mr. Sullivan's 2008 Performance RSUs and 2008 SPUs were granted on March 12, 2008, and

therefore are not included in this table in accordance with SEC rules. Mr. Sullivan received a 2008 Performance RSU award under which he may earn 9,600, 38,400 or 57,600 Performance RSUs for performance at the threshold, target and maximum level, respectively, subject to the other terms of the Partners Plan described above. The grant date fair value per 2008 Performance RSU for Mr. Sullivan was \$41.32 for the 2008 Performance RSUs vesting in three years and \$40.60 for those vesting in four years. Mr. Sullivan also received an award of 2,000 SPUs, under which he would potentially earn \$5,408,000 if

performance
for 2007 were
repeated for
2008, subject
to the other
terms of the
Senior
Partners Plan
described
above.

Employment Agreements

Historically, AIG has provided only limited assurance as to yearly compensation. In March 2005, Mr. Sullivan was promoted to AIG President and Chief Executive Officer and Mr. Bensinger was promoted to AIG Executive Vice President and Chief Financial Officer. In connection with these promotions, the Committee negotiated an employment agreement with each executive for a three-year period ending on March 13, 2008. In March 2008, the Committee determined to extend the term of these agreements for an additional year. For more information, see the Compensation Discussion and Analysis.

The principal terms of the agreements are as follows:

Annual Base

Salary. The agreements established minimum annual base salaries of \$1,000,000 for Mr. Sullivan and \$750,000 for Mr. Bensinger. This salary rate is reflected in the 2007 Summary Compensation Table.

Additionally, as discussed in the Compensation Discussion and Analysis, as of the beginning of 2008, Mr. Bensinger's annual base salary has been increased to \$900,000.

***Annual
Non-Variable
Compensation.***

The agreements established minimum non-variable compensation of \$1,125,000 for Mr. Sullivan and \$750,000 for Mr. Bensinger for each year through 2007. This value generally was delivered in 2007 through AIG's quarterly bonus program. For Mr. Bensinger, this minimum has been reduced to \$650,000 for 2008 because \$100,000 of his historical quarterly bonus participation is now part of his annual base salary.

***2007 Target
Bonus,
Long-Term
Incentive and
Equity-Based
Compensation.***

The agreements provided that the total target value for each executive's aggregate 2007 annual cash bonus, long-term

incentive awards and equity-based compensation was \$12,875,000 for Mr. Sullivan and \$5,000,000 for Mr. Bensinger. AIG delivered this value through a combination of target cash performance bonuses, option grants, awards under the Partners Plan and awards under the Senior Partners Plan, which are detailed in the 2007 Grants of Plan-Based Awards table. For 2008, the agreements establish target annual cash bonuses of \$8,000,000 for Mr. Sullivan and \$2,000,000 for Mr. Bensinger and otherwise provide that the executives will participate in AIG's long-term incentive plans at levels previously established by the Committee.

EXERCISES AND HOLDINGS OF PREVIOUSLY AWARDED EQUITY

Outstanding Equity Awards at December 31, 2007

Equity-based awards held at the end of 2007 by each of the named executives, including awards under AIG's 2005-2006 Deferred Compensation Profit Participation Plan (DCPPP), were issued under AIG's stock option and stock incentive plans described above. Also included in these equity-based awards were grants historically made by SICO under a series of two-year Deferred Compensation Profit Participation Plans.

DCPPP. The DCPPP was modeled on plans previously provided by SICO described below, except that it is administered by AIG and its costs will be borne directly by AIG. Under the DCPPP, in 2007 participants were awarded time-vested RSUs based upon the number of plan units they had been granted. Each of the named executives was awarded the RSUs detailed in the following table. In March 2008, the Committee shortened the

vesting schedule of these time-vested RSUs so that they will vest in equal portions in 2009 and 2010. Any unvested RSUs generally will be forfeited if the participant ceases employment with AIG prior to normal retirement at age 65 unless the Committee determines otherwise.

SICO Plans. Key employees have participated in a series of two-year Deferred Compensation Profit Participation Plans that historically were provided by SICO. The original SICO Plan came into being in 1975 when the voting shareholders and Board of Directors of SICO, whose principal asset is AIG Common Stock, decided that a portion of the capital value of SICO should be used to provide an incentive plan for the current and succeeding management of all American International companies, including AIG. Participation in the SICO plans by any person, and the extent of such participation, has been at the sole discretion of SICO's Board of Directors. SICO is responsible for issuing cash or AIG Common Stock under the SICO plans when required; AIG has made no payments under these plans, although AIG records the expense attributable to these plans in its financial statements. In 2005, AIG took steps to protect the interests of AIG's current employees with respect to these benefits. AIG agreed, subject to conditions, to make any payment or delivery of AIG Common Stock that is not promptly made with respect to the benefits accrued by current employees of AIG and its subsidiaries under the SICO plans.

Shares that have been contingently allocated to the named executives under the SICO plans are identified in the Outstanding Equity Awards at December 31, 2007 table. They will not be paid until age 65 and are generally subject to forfeiture on earlier termination of employment. SICO's Board of Directors has the authority to reinstate a payout right and may permit early payout of shares, including dividends. Before earning the right to payout, a participant is not entitled to any equity interest with respect to the contingently allocated shares. Although SICO's Board of Directors has the authority to pay a participant cash in lieu of shares of AIG Common Stock, in December 2006, SICO's Board of Directors notified participants in the SICO plans that it will make payments in shares of AIG Common Stock that it owns rather than in cash.

Year-End Holdings. The following table sets forth outstanding equity-based awards held by each of the named executives as of December 31, 2007.

Outstanding Equity Awards at December 31, 2007

Name	Year Granted(1)	Option Awards		Exercise Price	Expiration Date	Plan(2)	Number	Market Value	Unvested (No Longer Subject to Performance Conditions)
		Number Exercisable	Number Unexercisable						
Martin J. Sullivan	2007	0	143,404	\$57.05	12/13/2017	2008 PP			
	2006	43,750	131,250	\$71.00	12/11/2016	2007 PP			
	2005	43,287	43,288	\$65.99	12/14/2015	2006 PP	23,020	\$ 1,342,066	
	2005	25,000	25,000	\$59.35	09/01/2015	DCPPP	76,800	\$ 4,477,440	
	2004	37,500	12,500	\$64.47	12/16/2014	SICO	218,432	\$ 12,734,586	
	2003	40,000		\$63.95	12/17/2013				

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	2003	40,000		\$47.00	02/10/2013	<i>Total</i>	318,252	\$	18,554,092
	2002	40,000		\$61.30	12/16/2012				
	2001	15,000		\$79.61	12/13/2011				
	2000	7,000		\$96.56	12/14/2010				
	1999	7,500		\$60.13	09/15/2009				
	1998	9,375		\$46.53	12/14/2008				
Steven J. Bensinger	2007	0	60,000	\$57.05	12/13/2017	2008 PP			
	2006	12,875	38,625	\$71.00	12/11/2016	2007 PP			
	2005	14,795	14,795	\$65.99	12/14/2015	2006 PP	11,510	\$	671,033
	2005	20,000	20,000	\$59.35	09/01/2015	RSUs	23,780	\$	1,386,374
	2004	9,000	3,000	\$64.47	12/16/2014	DCPPP	38,400	\$	2,238,720
	2003	10,000		\$63.95	12/17/2013	SICO	10,575	\$	616,523
	2003	5,000		\$47.00	02/10/2013				
	2002	5,000		\$63.67	11/13/2012	<i>Total</i>	84,265	\$	4,912,650
Edmund S.W. Tse	2007	0	60,000	\$57.05	12/13/2017	2008 PP			
	2006	15,000	45,000	\$71.00	12/11/2016	2007 PP			
	2005	30,000	30,000	\$65.99	12/14/2015	2006 PP	23,020	\$	1,342,066
	2005	27,500	27,500	\$59.35	09/01/2015	RSUs	22,404	\$	1,306,153
	2004	41,250	13,750	\$64.47	12/16/2014	DCPPP	76,800	\$	4,477,440

								Stock Award
Option Awards							Unvested (No Longer Subject to Performance Conditions)	
Name	Year Granted(1)	Number Exercisable	Number Unexercisable	Exercise Price	Expiration Date	Plan(2)	Number	Market Value
	2003	50,000		\$63.95	12/17/2013	SICO	76,800	\$ 4,477,440
	2003	50,000		\$47.00	02/10/2013			
	2002	50,000		\$61.30	12/16/2012	<i>Total</i>	199,024	\$ 11,603,099
	2001	50,000		\$79.61	12/13/2011			
	2000	40,000		\$96.56	12/14/2010			
	1999	45,000		\$60.13	09/15/2009			
	1998	46,875		\$46.53	12/14/2008			
Robert M. Sandler	2007	0	35,000	\$57.05	12/13/2017	2008 PP		
	2006	8,750	26,250	\$71.00	12/11/2016	2007 PP		
	2005	17,500	17,500	\$65.99	12/14/2015	2006 PP	16,188	\$ 943,760
	2005	15,000	15,000	\$59.35	09/01/2015	RSUs	15,311	\$ 892,631
	2004	22,500	7,500	\$64.47	12/16/2014	DCPPP	48,000	\$ 2,798,400
	2003	25,000		\$63.95	12/17/2013	SICO	363,588	\$ 21,197,180
	2003	20,000		\$47.00	02/10/2013			
	2002	20,000		\$61.30	12/16/2012	<i>Total</i>	443,087	\$ 25,831,971
	2001	15,000		\$79.61	12/13/2011			
	2000	15,000		\$96.56	12/14/2010			
	1999	22,500		\$60.13	09/15/2009			
	1998	18,750		\$46.53	12/14/2008			
Jay S. Wintrob	2007	0	60,000	\$57.05	12/13/2017	2008 PP		
	2006	15,000	45,000	\$71.00	12/11/2016	2007 PP		
	2005	30,000	30,000	\$65.99	12/14/2015	2006 PP	17,265	\$ 1,006,550
	2005	25,000	25,000	\$59.35	09/01/2015	DCPPP	57,600	\$ 3,358,080
	2004	37,500	12,500	\$64.47	12/16/2014	SICO	115,200	\$ 6,716,160
	2003	40,000		\$63.95	12/17/2013			
	2003	40,000		\$47.00	02/10/2013	<i>Total</i>	190,065	\$ 11,080,790
	2002	40,000		\$61.30	12/16/2012			

	2001	30,000		\$79.61	12/13/2011				
	2000	15,000		\$96.56	12/14/2010				
	1999	15,000		\$60.13	09/15/2009				
Win J. Neuger	2007	0	60,000	\$57.05	12/13/2017	2008 PP			
	2006	15,000	45,000	\$71.00	12/11/2016	2007 PP			
	2005	30,000	30,000	\$65.99	12/14/2015	2006 PP	19,567	\$	1,140,756
	2005	25,000	25,000	\$59.35	09/01/2015	DCPPP	65,280	\$	3,805,824
	2004	37,500	12,500	\$64.47	12/16/2014	SICO	256,121	\$	14,931,854
	2003	40,000		\$63.95	12/17/2013				
	2003	25,000		\$47.00	02/10/2013	<i>Total</i>	340,968	\$	19,878,434
	2002	25,000		\$61.30	12/16/2012				
	2001	15,000		\$79.61	12/13/2011				
	2000	7,500		\$96.56	12/14/2010				
	1999	7,500		\$60.13	09/15/2009				
	1998	6,796		\$46.53	12/14/2008				

- (1) All options granted have four-year pro rata vesting schedules and an exercise price equal to the closing sale price on the NYSE on the date of grant.
- (2) Outstanding earned 2006 Performance RSUs (2006 PP) will vest in equal installments promptly after the fourth and sixth anniversaries of the first

day of the performance period. Outstanding 2007 Performance RSUs (2007 PP) and 2008 Performance RSUs (2008 PP) are unearned. If earned, these awards will vest in equal installments promptly after the fourth and sixth anniversaries (2007 Performance RSUs) or third and fourth anniversaries (2008 Performance RSUs) of the first day of the performance period. Any unvested awards generally will be forfeited if the participant ceases employment with AIG. For more information, see 2007 Grants of Plan-Based Awards.

The number and market value of unearned awards under the Partners Plan is presented as if the relevant performance conditions have been satisfied at the maximum level. This assumption is for illustration only, and depending on future performance under the Partners Plan the conditions may be satisfied at a lower level or not at all.

The
outstanding
time-vested
RSU award
(RSUs) for
Mr.
Bensinger
consists of an
award
granted to
Mr.
Bensinger on
January 6,
2006, which
will vest and
shares will
be delivered
promptly
after the
fourth
anniversary
of the grant
date. The
outstanding
time-vested
RSU award
for each of
Messrs. Tse
and Sandler
consists of an
award
granted in
lieu of
quarterly
cash
bonuses,
which will
vest and
shares will
be delivered
in 2011 or
promptly
after the date
of retirement,
if earlier. For
more
information,
see 2007
Grants of
Plan-Based

Awards.

Under the DCPPP and certain of the SICO plans, if each of the named executives continues to be employed by AIG at the end of the eighth year after units were granted and has not yet reached age 65, he will be contingently allocated additional shares equal to 20 percent of the shares initially allocated.

Under the DCPPP, this contingent allocation will be made in 2009, and the RSUs contingently allocated will vest in 2012.

For the named executives other than Messrs. Tse and Sandler, the amounts in the column include these additional shares that will be

contingently allocated in future years based on continued service. Messrs. Tse and Sandler have reached age 65 and have been contingently allocated all additional shares. In addition, all SICO plan shares shown were delivered to Mr. Tse in the first quarter of 2008.

(3) Mr. Sullivan's 2008 Performance RSUs were granted on March 12, 2008. For more information, see 2007 Grants of Plan-Based Awards.

(4) Based on AIG's closing sale price on the NYSE on December 31, 2007 of \$58.30 per share. As of March 31, 2008, based on AIG's closing price on the NYSE

of \$43.25 on that date, both vested and unvested options had no value.

Option Exercises During 2007

The following table sets forth the amounts realized by each of the officers named executives as a result of the exercise of options in 2007. No stock awards made to the named executives vested in 2007.

2007 Option Exercises

Option Awards Exercised in 2007		
Name	Number of Shares	Value Realized(1)
Martin J. Sullivan	208	\$ 4,219
Steven J. Bensinger	0	\$ 0
Edmund S.W. Tse	56,250	\$ 1,513,873
Robert M. Sandler	19,687	\$ 453,868
Jay S. Wintrob	76,470	\$ 2,836,532
Win J. Neuger	5,858	\$ 106,225

(1) Represents the aggregate closing sale price of shares of AIG Common Stock underlying options exercised on the date of exercise less aggregate exercise price of options.

POST-EMPLOYMENT COMPENSATION

Pension Benefits

AIG maintains qualified and nonqualified defined benefit plans that provide retirement benefits. Employees of AIG and its subsidiaries who are citizens of the United States or non-citizens working in the United States are covered under the American International Group, Inc. Retirement Plan, a tax-qualified defined benefit retirement plan. Participants whose formula benefit is restricted from being fully paid from the tax-qualified retirement plan due to IRS limits on compensation and benefits are eligible to participate in the Excess Retirement Income Plan. Designated key employees, including the named executives other than Mr. Sandler, also participate in the Supplemental Executive Retirement Plan (SERP). In addition, Mr. Sullivan is covered under the AIG Pension Plan in the United Kingdom (the UK Pension Plan) in connection with his years of service in the United Kingdom.

Participants receive the tax-qualified retirement plan benefit, the Excess Retirement Income Plan benefit and any amount of the SERP benefit in excess of the Excess Retirement Income Plan benefit. Mr. Sullivan's SERP benefit will also be reduced by the amount of any payments received from the UK Pension Plan, and Mr. Tse's SERP benefit will be reduced by the annuity equivalent of payments received from the Provident Fund, described in Nonqualified Deferred Compensation below.

The Excess Retirement Income Plan provides a benefit equal to the portion of the benefit that is not permitted to be paid from the tax-qualified retirement plan due to IRS limits on compensation and benefits. Therefore, the plan formula is the same formula used in the tax-qualified retirement plan. The tax-qualified

retirement plan and Excess Retirement Income Plan formula varies depending on years of credited service and on average final salary. The formula ranges from 0.925 percent to 1.75 percent times average final salary for each year of credited service up to 44 years. For participants who retire after the normal retirement age of 65, the retirement benefit is equal to the greater of the benefit determined using the formula described above and the benefit that the participants could have received upon retirement at age 65, actuarially increased to reflect the later benefit commencement date.

The SERP provides a benefit equal to 2.4 percent times average final salary for each year of credited service up to 25 years, reduced by the monthly benefits actually payable from the Excess Retirement Income Plan, the tax-qualified retirement plan, any qualified pension plan of a prior employer and Social Security.

For purposes of all of the domestic retirement plans, average final salary is the average pensionable salary of a participant during those three consecutive years in the last ten years of credited service that afford the highest such average, or during all of the years of credited service if less than three years. Average final salary includes the regular salary paid by AIG and its subsidiaries and does not include amounts attributable to overtime pay, quarterly bonuses, annual cash bonuses or long-term incentive awards.

Early retirement benefits. Each of the domestic retirement plans provides for reduced early retirement benefits. These benefits are available to participants in the tax-qualified retirement plan who have reached age 55, participants in the Excess Retirement Income Plan who have reached age 60 and participants in the SERP who have reached age 55, in each case with 10 or more years of credited service. Early retirement under the Excess Retirement Income Plan or the SERP requires the approval of the Board.

In the case of approved early retirement, participants in the SERP who have reached age 60 and have 30 or more years of credited service will receive the SERP formula benefit reduced by 3 percent for each year that retirement precedes age 65; participants who have reached age 60 and have at least 25 but fewer than 30 years of credited service will receive a benefit reduced by 4 percent for each year that retirement precedes age 65; and all other participants will receive a benefit reduced by 5 percent for each year that retirement precedes age 65. Participants in the tax-qualified retirement plan and the Excess Retirement Income Plan will receive the plan formula benefit projected to normal retirement at age 65 (using average final salary as of the date of early retirement), but prorated based on years of actual service, then reduced by a further amount in the same manner described with respect to the SERP. Participants in the tax-qualified retirement plan with at least 10 years of continuous service to AIG have a reduced vested retirement allowance pursuant to which, in the case of termination of employment prior to reaching age 55, such participants may elect to receive the reduced early retirement benefit commencing at any date between age 55 and age 65 and reduced by an additional 1/15 for each of the first five years, and 1/30 for each of the next five years, by which such commencement precedes age 65. Participants in the domestic retirement plans may not choose to receive a lump sum payment upon normal or early retirement.

Mr. Sullivan would be eligible to receive a reduced vested retirement allowance under the tax-qualified retirement plan. Mr. Neuger would be eligible to receive a reduced early retirement benefit under the tax-qualified plan and under the SERP, in the latter case if the Board so elected.

Death and disability benefits. Each of the domestic retirement plans also provides for death and disability benefits. In the case of death, the SERP provides a participant with at least five years of credited service to AIG with a survivor annuity equal to 40 percent of the participant's accumulated benefit, reduced by the death benefits payable under the Excess Retirement Income Plan and the tax-qualified plan, and potentially further reduced based on the age of the surviving spouse. With regard to the named executives, the tax-qualified plan provides a death benefit to active employees who die before age 65 equal to 50 percent of the benefit the participant would have received if he had terminated employment on his date of death, survived until his earliest retirement date and elected a 50 percent joint and survivor annuity. If a participant dies while actively employed on or after age 65, the tax-qualified plan provides a death benefit equal to the amount that would have been paid if the participant had a 100 percent joint and survivor annuity in effect on his date of death. The Excess Retirement Income Plan provides death benefits equal to the death

benefits under the tax-qualified plan if such benefits were calculated without giving effect to the limitations imposed by the IRS, reduced by the death benefits actually payable under the tax-qualified plan.

In the case of permanent disability, a participant generally may receive a benefit based on average final salary and years of credited service that is payable after the participant ceases to receive payments under AIG's long-term disability plan at age 65. Under the tax-qualified retirement plan and the Excess Retirement Income Plan, participants continue to accrue years of credited service while receiving payments under AIG's long-term disability plan before reaching age 65. Under the SERP, participants do not accrue years of credited service during that time.

As with other retirement benefits, in the case of death and disability benefits, the formula benefit under the Excess Retirement Income Plan and the SERP is reduced by amounts payable under the tax-qualified retirement plan, and participants in both the SERP and the Excess Retirement Income Plan may receive the formula benefit from the SERP only to the extent that it exceeds the benefit payable from the Excess Retirement Income Plan and the tax-qualified plan.

UK Pension Plan. Mr. Sullivan participated in the UK Pension Plan from 1978 until 1996. The UK Pension Plan provides a benefit equal to 1.67 percent times final pensionable earnings for each year of service. Final pensionable earnings is defined as basic pay, excluding bonuses, overtime and other variable amounts, received in the 12 months before the date when the participant ceases pensionable service. After that date and before the participant becomes eligible to receive payments, the formula benefit is increased at the rate of inflation up to a maximum of 5 percent per year.

Under the UK Pension Plan, normal retirement age is 65. With the consent of the plan's trustees, an inactive participant in the UK Pension Plan may elect early retirement after reaching age 50 and receive a reduced benefit. Upon early retirement, a male participant in the UK Pension Plan would receive a benefit reduced by 1/3 percent per month before the participant's 60th birthday with respect to benefits earned under the UK Pension Plan between May 17, 1990 and September 1, 1991, and by 1/3 percent per month before the participant's 65th birthday with respect to benefits earned under the UK Pension Plan for other periods of time. As an inactive participant in the UK Pension Plan, Mr. Sullivan would be eligible to receive this reduced early retirement benefit with the consent of the plan's trustees. A participant who becomes disabled may take an early retirement pension at any age. If a participant dies prior to retirement, a pension equal to one-half of the participant's pension will be payable to a surviving spouse.

The normal form of payment from the UK Pension Plan is a monthly payment. Once in payment, a participant's pension benefit may be subject to discretionary increases from time to time. Participants in the UK Pension Plan may choose to receive part or all of their pension benefit in a lump sum payment upon retirement.

AIG has not granted extra years of credited service under the defined benefit plans described above to any of the named executives.

The following table details the accumulated benefits under the defined benefit plans in which each named executive participates.

2007 Pension Benefits

Name	Plan Name	Years of Credited Service(1)	Present Value of Accumulated Benefit(2)	Payments During 2007
Martin J. Sullivan	AIG Retirement Plan	11.333	\$ 148,433	\$ 0
	Excess Retirement Income Plan	11.333	\$ 637,070	\$ 0
	Supplemental Executive Retirement Plan	25	\$ 1,387,855	\$ 0
	UK Pension Plan	17.166	\$ 1,078,931	\$ 0
	Total		\$ 3,252,289	
Steven J. Bensinger	AIG Retirement Plan	4.75	\$ 60,284	\$ 0
	Excess Retirement Income Plan	4.75	\$ 171,378	\$ 0

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	Supplemental Executive Retirement Plan	5.25	\$	99,169	\$	0
	Total		\$	330,831		
Edmund S.W. Tse(3)	AIG Retirement Plan	0	\$	0	\$	0
	Excess Retirement Income Plan	0	\$	0	\$	0
	Supplemental Executive Retirement Plan	25	\$	0	\$	0
	Total		\$	0		
Robert M. Sandler	AIG Retirement Plan	35.667	\$	1,106,201	\$	0
	Excess Retirement Income Plan	35.667	\$	1,660,424	\$	0
	Supplemental Executive Retirement Plan	0	\$	0	\$	0
	Total		\$	2,766,625		
Jay S. Wintrob	AIG Retirement Plan	7.50	\$	83,044	\$	0
	Excess Retirement Income Plan	7.50	\$	237,279	\$	0
	Supplemental Executive Retirement Plan	7.50	\$	141,543	\$	0
	Total		\$	461,866		
Win J. Neuger	AIG Retirement Plan	12.333	\$	214,451	\$	0
	Excess Retirement Income Plan	12.333	\$	842,445	\$	0
	Supplemental Executive Retirement Plan	12.917	\$	711,661	\$	0
	Total		\$	1,768,557		

- (1) The named executives had the following years of service with AIG as of December 31, 2007:
- | | |
|-----------|----------|
| Sullivan | 36.417; |
| Bensinger | 5.25; |
| Tse | 46.5; |
| Sandler | 36.117; |
| Wintrob | 8.0; and |
| Neuger | 12.917. |
- Mr. Sullivan has fewer years of credited service than actual service under the tax-qualified retirement plan, the Excess Retirement Income Plan and the UK Pension Plan because of differences in eligibility to participate in these plans during Mr. Sullivan's years of service in the United Kingdom and the United States and the minimum age requirement for participating in the UK Pension Plan. Messrs. Sullivan and Tse have fewer years of credited

service than actual service under the SERP because 25 years is the maximum amount of credited service under the SERP. Messrs. Bensinger, Sandler, Wintrob and Neuger have fewer years of credited service than actual service under the tax-qualified retirement plan and the Excess Retirement Income Plan because participants must wait six months after commencing employment with AIG before enrolling in those plans. Mr. Tse does not participate in the tax-qualified retirement plan or the Excess Retirement Income Plan because he is employed outside the United States, and Mr. Sandler does not participate in the SERP.

- (2) The actuarial present values of the

accumulated benefits are based on service and earnings as of December 31, 2007 (the pension plan measurement date for purposes of AIG's financial statement reporting). The actuarial present values of the accumulated benefits under the tax-qualified retirement plan, the Excess Retirement Income Plan and the SERP are calculated based on payment of a life annuity beginning at age 65 (or the named executive's age at December 31, 2007, if greater) consistent with the assumptions described in Note 18 to the Consolidated Financial Statements included in AIG's Annual Report on Form 10-K. As described in that Note, the discount rate assumption is 6 percent, and mortality assumptions are

based on the Combined RP2000 Mortality Table projected to 2007, adjusted for white-collar employees. The actuarial present value of Mr. Sullivan's accumulated benefit under the UK Pension Plan is calculated based on payment of a 50 percent joint and survivor annuity beginning at age 65, consistent with a discount rate assumption of 5 percent and mortality assumptions based on the PA92 medium cohort mortality table at December 31, 2007. Additionally, the actuarial present value of Mr. Sullivan's accumulated benefit assumes that a 2.75 percent increase will be applied to a portion of Mr. Sullivan's formula benefit under the UK Pension Plan to reflect the rate of inflation.

(3)

Mr. Tse's
formula benefit
under the SERP
is wholly offset
by his benefit
under the
Provident Fund.
See
Nonqualified
Deferred
Compensation
below.

Nonqualified Deferred Compensation

AIG also maintains qualified and nonqualified defined contribution plans. Employees of AIG and its subsidiaries generally may elect to defer a portion of their annual compensation under AIG's 401(k) plan. Highly compensated employees as determined under the Code may also be eligible to defer compensation on a basis that is not tax-qualified under the Supplemental Incentive Savings Plan (SISP). Designated key employees may also participate in the Executive Deferred Compensation Plan (EDCP). Messrs. Sullivan, Bensinger and Neuger have participated in the SISP and Mr. Neuger participates in the EDCP. In addition, Mr. Tse participates in the American International Assurance Companies Staff Provident Fund (the Provident Fund) in connection with his years of service in Hong Kong.

Supplemental Incentive Savings Plan. Participants in the SISP may defer 10 percent of their annual cash compensation up to a maximum of \$11,500 per year. Amounts deferred under the SISP will be credited with earnings based on the returns of a number of mutual funds among which participants may choose. All funds available for selection under the SISP are also available for selection under AIG's tax-qualified 401(k) plan. Participants generally may change their investment elections at any time. Amounts deferred during each year, and earnings thereon, will be distributed in accordance with participants' annual decision to receive installments over a period of five or ten years following termination of employment after reaching age 60, or in a lump sum payment. Participants whose employment terminates before reaching age 60 must receive their account balances in a lump sum payment. In 2007, Messrs. Sullivan's, Bensinger's and Neuger's deferrals under the SISP were credited with earnings at a rate of 11.6 percent, 10.9 percent and 11.0 percent, respectively, based on the returns of a number of widely available, externally managed mutual funds investing in domestic and international equity and debt.

Executive Deferred Compensation Plan. Participants in the EDCP may defer 50 percent of their annual cash compensation (including amounts deferred or contributed to pre-tax health care or dependent reimbursement accounts) in excess of \$200,000, and 100 percent of their annual cash bonuses, up to a maximum of \$300,000 per year. Amounts deferred under the EDCP are credited with earnings based on the returns of a small number of mutual funds among which participants may choose. The rules under the EDCP for changing investment elections and receiving distributions are the same as under the SISP. In 2007, Messrs.

Wintrob's and Neuger's deferrals under the EDCP were credited with earnings at a rate of 5.1 percent and 4.5 percent, respectively, based on the returns of a number of widely available, externally managed mutual funds investing in domestic and international equity.

Hong Kong Staff Provident Fund. Mr. Tse participates in the Provident Fund, a defined contribution plan that is tax-qualified under Hong Kong law. The Provident Fund generally was open to AIG employees in Hong Kong but has been closed to new participants in Hong Kong since 2000. Under the Provident Fund, participants are required to contribute 5 percent of monthly salary into the plan, and AIG contributes between 10 and 15 percent of monthly salary. Amounts deferred under the Provident Fund are credited with earnings based on the returns of a small number of mutual funds, including several funds targeting investments based in East and Southeast Asia, among which participants may choose. Participants may change their investment elections up to two times per year. Amounts deferred during each year, and earnings thereon, will be distributed in a lump sum payment upon the participant's retirement after reaching age 65, or upon the participant's retirement after reaching age 55 with at least 15 years of credited service. Participant contributions to the Provident Fund, and earnings thereon, are fully vested. AIG contributions to the Plan, and earnings thereon, are vested after an employee has ten years of service. In 2007, Mr. Tse's deferrals under the Provident Fund were credited with earnings at a rate of approximately 18.9 percent based on the returns of a number of mutual funds, both externally managed and managed by AIG, investing in equity and debt. Mr. Tse is eligible to retire and receive distributions from the Provident Fund.

In addition, each of the named executives has awards that have been earned but are not yet vested under the Senior Partners Plan. These awards, as well as balances under the SISF, the EDCP and the Provident Fund, are detailed in the following table.

2007 AIG Nonqualified Elective Defined Contribution Plans and AIG Senior Partners Plan

Name	Elective Defined Contribution Plans(1)					Balance	Earned in 2007	Senior Partners Plan
	Executive Contributions	AIG Contributions	Aggregate Earnings	Distributions				
Martin J. Sullivan	\$ 11,500	\$ 0	\$ 3,854	\$ 0	\$ 39,229	\$ 5,434,000		
Steven J. Bensinger	\$ 0	\$ 0	\$ 1,306	\$ 0	\$ 13,340	\$ 2,717,000		
Edmund S.W. Tse(3)	\$ 42,364	\$ 105,911	\$ 1,124,578	\$ 0	\$ 7,220,168	\$ 4,754,750		
Robert M. Sandler	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,056,625		
Jay S. Wintrob(4)	\$ 0	\$ 0	\$ 1,400,692	\$ 0	\$ 28,245,028	\$ 2,717,000		
Win J. Neuger	\$ 234,100	\$ 0	\$ 24,532	\$ 0	\$ 648,558	\$ 2,377,375		

(1) Executive contributions to AIG's nonqualified elective

defined contribution plans in 2007 are included in the Salary column of the 2007 Summary Compensation Table. AIG's contributions to the Provident Fund for the benefit of Mr. Tse in 2007 are included in the All Other Compensation column of the 2007 Summary Compensation Table. Other than these amounts, the following amount of each named executive's total balance was previously reported in the 2006 Summary Compensation Table: Sullivan \$11,000; and Tse \$34,786.

- (2) The Senior Partner Units earned in 2007 generally vest and are paid in two equal installments promptly after the fourth and sixth anniversaries of the first day of the final year of the performance period. Additionally, the Senior Partners Plan provides for quarterly cash payments on previously earned (but unvested) amounts based upon a formula relating to the cash dividends paid on AIG Common Stock. Amounts earned in 2007, as well as quarterly cash payments on amounts earned in prior years,

are included in the Non-Equity Incentive Plan Compensation column of the 2007 Summary Compensation Table. Other than these amounts, the following amount of each named executive's Senior Partners Plan balance was previously reported in the 2006 Summary Compensation Table: Sullivan \$5,783,750; Bensinger \$2,065,625; Tse \$5,783,750; Sandler \$3,718,125; and Neuger \$2,891,875. See 2007 Grants of Plan-Based Awards for more information about the Senior Partners Plan.

- (3) Mr. Tse is based in AIG's Hong Kong office. AIG records expense for his company-provided benefits, including matching contributions, and credits his aggregate earnings under the Provident Fund in Hong Kong dollars. The amounts in this table for Mr. Tse reflects conversion to U.S. dollars at a rate of HK\$7.7984 per U.S. dollar, the month-end rate for December 2007.
- (4) Reflects Mr. Wintrob's elective defined

contribution plan
balance accrued under
deferred compensation
plans established by
SunAmerica Inc. and
its predecessor
companies and
deferrals of
compensation under
these plans, primarily
prior to AIG's
acquisition of
SunAmerica Inc. Mr.
Wintrob's deferrals
under these plans were
credited with earnings
at a rate of 5.2 percent
in 2007 based on the
return of the Vanguard
Prime Money Market
Fund.

POTENTIAL PAYMENTS ON TERMINATION

Employment Agreements. As previously discussed, the Committee negotiated an employment agreement with each of Messrs. Sullivan and Bensinger in connection with their promotions in March 2005. In light of the circumstances, the Committee also believed it was important to restrict the executives' ability to compete with AIG in the event of any separation.

Severance benefits in 2007. The two employment agreements provide for termination benefits if an executive's employment is terminated by AIG without Cause or by the executive for Good Reason during the term of the agreements. Cause generally means the executive's failure to perform duties, willful misconduct or violation of AIG's codes of conduct or conviction of a felony or any lesser crime involving dishonesty. Good Reason generally means any material adverse change to the executive's responsibilities or titles, any material breach by AIG of the executive's employment agreement or most relocations of the executive's primary office. In the case of Mr. Sullivan, Good Reason also includes any failure of AIG's shareholders to re-elect him to the Board of Directors and any failure of the Board of Directors to consult with him prior to appointing any new Chairman of the Board.

In those cases, subject to the executive's execution of a release of claims, the executive is entitled to the following:

A pro rata
portion of
the target
annual
bonus;

Severance of
three times
annual base
salary and
the prior
year's annual
cash
performance
bonus
(subject to
minimums of
\$15,000,000
for Mr.
Sullivan and
\$7,500,000
for Mr.
Bensinger)
payable over
12 months;

Three years
of continued
health and
life
insurance
coverage;

Three years
of service
and age
credit under
AIG's
pension
plans; and

Enhanced
eligibility for
retiree
medical and
life
insurance
benefits.

The payments will cease if, before the payment or benefit is due, the Board determines that grounds existed for AIG to terminate the executive's employment for Cause. Severance payments are not included in the calculation of any AIG pension benefit, and the executive is not entitled to receive any payment pursuant to any nonqualified AIG pension plan until the date the executive has ceased receiving severance payments.

In addition, if any amounts payable to the executive on termination are subject to an additional golden parachute excise tax under the Code, AIG will increase the amounts so that the executive is not affected by the tax.

The determination of the specified periods and formulas set forth in the employment agreements of Messrs. Sullivan and Bensinger, including those related to severance benefits, was the outcome of negotiations in early 2005 when AIG was addressing Chief Executive Officer and Chief Financial Officer succession and senior management retention generally. In its negotiations, AIG's Board of Directors considered the advice of advisors as to current market practice and best practices, but no single factor was dispositive.

Death and disability benefits. The employment agreements also provide for termination benefits on termination due to death or disability. In those cases, the executive is entitled to the following:

A pro rata
portion of the
target annual
bonus; and

In the case of
termination due
to disability,
continuation of
annual base
salary until the
earlier of two
years after
termination or
commencement
of eligibility for
benefits under

AIG's long-term disability policy.

Restrictive covenants. Except as noted, the following apply during employment and at all times following termination, regardless of the reason for termination:

Each executive is generally prohibited from (1) engaging in, being employed by, rendering services to or acquiring financial interests in businesses that are competitive with AIG, (2) interfering with AIG's business relationships with customers, suppliers or consultants and (3) soliciting or hiring certain key employees of AIG. This restriction applies for 12 months following any termination;

Each executive must cooperate with AIG in the defense of legal matters and with government

authorities
with respect to
any
investigation,
litigation or
administrative
proceeding
relating to
AIG; and

Each
executive may
not disclose
AIG's
confidential
information.

Executive Severance Plan. Messrs. Tse, Sandler, Wintrob and Neuger and other key employees are participants in AIG's Executive Severance Plan. The form of the Executive Severance Plan that was in effect on December 31, 2007, did not give effect to the changes that the Committee implemented in March 2008. For more information on these changes, see the Compensation Discussion and Analysis Indirect Compensation Components Termination Benefits and Policies.

Severance benefits in 2007. In 2007, the Executive Severance Plan provided for payments or benefits only if a participant's employment was terminated by AIG without Cause. Cause generally had the same meaning as under Messrs. Sullivan's and Bensinger's employment agreements. The Executive Severance Plan did not include the concept of a Good Reason termination in 2007.

In that case, subject to the participant's execution of a release of claims, the participant was entitled to the following:

For each full year of the participant's service with AIG or its subsidiaries (but no less than six nor more than 24 years), severance equal to one-twelfth of annual base salary and average annual and quarterly bonuses over the past three fiscal years;

Continued health and life insurance during the severance period; and

Additional service and age credit under AIG's pension plans equal to the length of the severance period.

Severance generally would be paid in installments over a number of months equal to the participant's full years of service with AIG or its subsidiaries (but not less than six months nor more than 24 months). Severance may also be paid in lump sum at the discretion of the Committee. The amount of severance payable would be reduced by any amount due under an individual employment agreement, other AIG severance plan or policy or regulatory severance plan or arrangement in a country outside the United States.

Severance payments are not included in the calculation of any AIG pension benefit, and no participant is entitled to receive any payment pursuant to any nonqualified AIG pension plan until the date the participant has ceased receiving severance payments.

In adopting the original Executive Severance Plan during the same time period in 2005 that the employment agreements of Messrs. Sullivan and Bensinger were being negotiated when AIG was addressing Chief Executive Officer and Chief Financial Officer succession and management retention generally, AIG's Board of Directors considered the terms of the employment agreements and similar advice regarding market practice and best practices.

Restrictive covenants. To receive severance, a participant must agree to the following, which, except as noted, apply at all times following termination:

Each participant is generally prohibited from (1) engaging in, being employed by, rendering services to or acquiring financial interests in businesses that are competitive with AIG, (2) interfering with AIG's business relationships with customers, suppliers, or consultants or (3) soliciting or hiring certain key employees of AIG. This

restriction
applies for
the earlier of
one year
after
termination
or the length
of the
severance
period; and

Each
participant
may not
disclose
AIG's
confidential
information.

Treatment of Long-Term Compensation. Although the Committee approved the employment agreements and Executive Severance Plan in 2005 to provide key employees with severance protection, no similar protection applied to long-term compensation through the end of 2007. As a result, unvested equity-based awards and unvested awards under AIG's DCP, Partners Plan and Senior Partners Plan generally would have been forfeited on termination of employment before the recipient reached age 65 (unless the Committee determined otherwise). Unvested awards under historical SICO plans also are generally forfeited, unless the Board of Directors of SICO determines otherwise. However, all unvested awards outstanding under each of these plans become vested on retirement at or after age 65 and on termination due to disability or death. In addition, a pro rata amount of Partners Plan awards will be paid after current performance periods are completed, and a pro rata amount of Senior Partners awards will be paid for the performance period ending within 12 months of retirement.

Unvested options outstanding become vested on retirement at or after age 65 and on termination due to disability or death. In these cases, options remain exercisable for the remainder of their original terms. In all other cases, all outstanding options (vested and unvested) generally cease to be exercisable on termination. Previously vested options may be exercised for a period of 90 days following termination with the consent of the Committee.

Quantification of Termination Payments and Benefits. The following table details the payments and benefits that each of the named executives would be provided if he had been terminated on December 31, 2007 under the circumstances indicated. These payments and benefits are different from those that each of the named executives would be eligible to receive if he had been terminated after March 2008. In particular, under the new terms of the Executive Severance Plan, all of the named executives would be eligible for continued vesting of long-term incentive awards (although Messrs. Sullivan and Bensinger do not otherwise participate in the plan); Messrs. Tse, Sandler, Wintrob and Neuger would be eligible for severance payments and benefits

upon a Good Reason termination; and Messrs. Wintrob and Neuger would have a severance period of 24 months instead of 20 months and 12 months, respectively. For more information, see the Compensation Discussion and Analysis.

Except where otherwise indicated, payment and benefits would be provided by AIG.

Termination Payments and Benefits as of December 31, 2007

Name	Target Annual Bonus(1)	Severance(2)	Medical and Life Insurance(3)	Pension Plan Credit (4)	Unvested Options(5)	Unvested Stock Awards(6)	Unvested Stock Awards(6)	Unvested Stock Awards(6)	Unvested Stock Awards(6)
Martin J. Sullivan									
By AIG for Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
By Executive w/o Good Reason	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
By Executive with Good Reason	\$ 5,000,000	\$ 30,000,000	\$ 32,316	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
By AIG without Cause	\$ 5,000,000	\$ 30,000,000	\$ 32,316	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death	\$ 5,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,673,452	\$ 19,673,452	\$ 19,673,452	\$ 19,673,452
Disability	\$								