AMERICAN INTERNATIONAL GROUP INC
Form DEF 14A
April 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

AMERICAN INTERNATIONAL GROUP, INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):
þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

American International Group, Inc.
70 Pine Street, New York, N.Y. 10270

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 12, 2010

April 12, 2010

To the Shareholders of
AMERICAN INTERNATIONAL GROUP, INC.:

The Annual Meeting of Shareholders of AMERICAN INTERNATIONAL GROUP, INC. (AIG) will be held at 180 Maiden Lane, 3rd Floor, New York, New York, on May 12, 2010, at 10:00 a.m., for the following purposes:

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

2. To elect the two nominees specified under Election of Series E and Series F Directors as directors of AIG;

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

4. To act upon a proposal to approve the American International Group, Inc. 2010 Stock Incentive Plan;

5. To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2010;

6. To act upon a shareholder proposal relating to cumulative voting;

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

8. To act upon a shareholder proposal relating to a shareholder advisory resolution to ratify AIG s political spending program; and

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

Shareholders of record at the close of business on March 19, 2010 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 12, 2010. The Proxy Statement, Annual Report to Shareholders and other Soliciting Material are available in the Investor Information section of AIG s corporate website at *www.aigcorporate.com.*

By Order of the Board of Directors
KATHLEEN E. SHANNON

Secretary

If you plan on attending the meeting, please remember to bring photo identification with you. In addition, if you hold shares in street name and would like to attend the meeting, you should bring an account statement or other acceptable evidence of ownership of AIG Common Stock as of the close of business on March 19, 2010. If you cannot be present at the meeting, please sign the enclosed proxy card or voting instruction card and return it at once in the accompanying postage prepaid envelope or vote your shares by telephone or through the Internet.

American International Group, Inc.
70 Pine Street, New York, N.Y. 10270

PROXY STATEMENT

April 12, 2010

TIME AND DATE	10:00 a.m. on Wednesday, May 12, 2010.
PLACE	180 Maiden Lane, 3rd floor, New York, New York 10038.
MAILING DATE	These materials are being mailed to shareholders of AIG commencing on or about April 12, 2010.
ITEMS OF BUSINESS	To elect the eleven nominees specified under Election of Directors as directors of AIG to hold office until the next annual election and until their successors are duly elected and qualified; To elect the two nominees specified under Election of Series E and Series F Directors as directors of AIG; To vote upon a non-binding shareholder resolution to approve executive compensation; To act upon a proposal to approve the American International Group, Inc. 2010 Stock Incentive Plan; To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2010; To act upon a shareholder proposal relating to cumulative voting; To act upon a shareholder proposal relating to executive compensation retention upon termination of employment; To act upon a shareholder proposal relating to a shareholder advisory resolution to ratify AIG s political spending program; and To transact any other business that may properly come before the meeting.
RECORD DATE	You can vote if you were a shareholder of record at the close of business on March 19, 2010.
INSPECTION OF LIST OF SHAREHOLDERS OF RECORD	A list of the shareholders of record as of March 19, 2010 will be available for inspection during ordinary business hours during the ten days prior to the meeting at AIG s offices, 70 Pine Street, New York, New York 10270.

ADDITIONAL INFORMATION	Additional information regarding the matters to be acted on at the meeting is included in the accompanying proxy materials.
PROXY VOTING	PLEASE SUBMIT YOUR PROXY THROUGH THE INTERNET OR BY TELEPHONE OR MARK, SIGN, DATE AND RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE.

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VOTING INSTRUCTIONS AND INFORMATION

The enclosed proxy is solicited on behalf of the Board of Directors (Board of Directors or Board) of American International Group, Inc., a Delaware corporation (AIG), for use at the AIG Annual Meeting of Shareholders to be held on May 12, 2010, or at any adjournment thereof (Annual Meeting or 2010 Annual Meeting of Shareholders). These proxy materials are being mailed to shareholders of AIG commencing on or about April 12, 2010.

All share numbers in this Proxy Statement reflect the one-for-twenty reverse split of AIG s common stock, par value $2.50 per share (AIG Common Stock), that occurred on June 30, 2009.

Who can vote at the Annual Meeting?

You are entitled to vote or direct the voting of your shares of AIG Common Stock if you were a shareholder of record or if you held AIG Common Stock in street name at the close of business on March 19, 2010. On that date, 134,944,891 shares of AIG Common Stock (exclusive of shares held by AIG and certain subsidiaries) were outstanding, held by 45,494 shareholders of record. Each share of AIG Common Stock held by you on the record date is entitled to one vote.

Holders of Series C Perpetual, Convertible, Participating Preferred Stock, par value $5.00 per share (AIG Series C Preferred Stock), are also entitled to vote or direct the voting of their shares of AIG Series C Preferred Stock, if they were shareholders of record at the close of business on March 19, 2010. On that date, 100,000 shares of AIG Series C Preferred Stock were outstanding and held by the trustees of the AIG Credit Facility Trust (the Trust), who may cast approximately 5,321.1294 votes for each share of AIG Series C Preferred Stock held by them on the record date (532,112,940 in the aggregate).

Holders of Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value $5.00 per share (AIG Series E Preferred Stock), and Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value $5.00 per share (AIG Series F Preferred Stock), are entitled to vote on the two nominees specified under Election of Series E and Series F Directors as directors of AIG. On March 19, 2010, 400,000 shares of AIG Series E Preferred Stock and 300,000 shares of AIG Series F Preferred Stock were outstanding, held by one shareholder of record, the United States Department of the Treasury (the Department of the Treasury).

Who is a shareholder of record?

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

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

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

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

What proposals will be voted on at the Annual Meeting?

Five proposals from AIG will be considered and voted on at the Annual Meeting:

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

2. To elect the two nominees specified under Election of Series E and Series F Directors as directors of AIG;

3. To vote upon a non-binding shareholder resolution on executive compensation;

4. To act upon a proposal to approve the American International Group, Inc. 2010 Stock Incentive Plan; and

5. To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2010.

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

6. To act upon a shareholder proposal relating to cumulative voting;

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

8. To act upon a shareholder proposal relating to a shareholder advisory resolution to ratify AIG s political spending program.

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 specified under Election of Directors to the Board of Directors.

2. The Board of Directors makes no recommendations as to nominees specified under Election of Series E and Series F Directors.

3. **FOR** the non-binding shareholder resolution on executive compensation.

4. **FOR** the American International Group, Inc. 2010 Stock Incentive Plan.

5. **FOR** the proposal to ratify the selection of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2010.

6. **AGAINST** the shareholder proposal relating to cumulative voting.

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

8. **AGAINST** the shareholder proposal relating to a shareholder advisory resolution to ratify AIG s political spending program.

Do I need to vote on the two nominees specified under Election of Series E and Series F Directors as directors of AIG?

If you are a holder of AIG Common Stock or AIG Series C Preferred Stock, you do not vote on the two nominees specified under Election of Series E and Series F Directors as directors of AIG. Only holders of AIG Series E Preferred Stock and AIG Series F Preferred Stock are permitted to vote on these two directors. As of the record date, the Department of the Treasury is the sole holder of record of all the outstanding shares of the AIG Series E Preferred Stock and AIG Series F Preferred Stock. Therefore, only the Department of the Treasury may vote on these nominees.

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 19, 2010, the record date for voting. In order to vote at the Annual Meeting, you will also need a valid legal proxy , which you can obtain by contacting your account representative at the broker, bank or similar institution through which you hold your shares. See How do I vote? for four ways to cast your vote.

How do I vote?

You may cast your vote in one of four ways:

By Submitting a Proxy by Internet. Go to the following website: *www.eproxy.com/aig*. You may submit a proxy by Internet 24 hours a day. Enter the information requested on your computer screen and follow the simple instructions. If you choose to submit a proxy by Internet, then you do not need to return the proxy card. To be valid, your proxy by Internet must be received by 11:59 a.m., Eastern Daylight Saving Time, on May 11, 2010. Please have your proxy card and the last four digits of your Social Security number or tax identification number available.

By Submitting a Proxy by Telephone. To submit a proxy using the telephone (within the United States and Canada), call toll free 1-800-560-1965 in the United States or Canada any time on a touch tone telephone. You may submit a proxy by telephone 24 hours a day, 7 days a week. There is NO CHARGE to you for the call in the United States or Canada. International calling charges apply outside the United States and Canada. Follow the simple instructions provided by the recorded message. If you choose to submit a proxy by telephone, then you do not need to return the proxy card. To be valid, your proxy by telephone must be received by 11:59 a.m., Eastern Daylight Saving Time, on May 11, 2010.

By Submitting a Proxy by Mail. Mark the enclosed proxy card, sign and date it, and return it in the prepaid envelope that has been provided. To be valid, your proxy by mail must be received by 9:00 a.m., Eastern Daylight Saving Time, on May 12, 2010.

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 photo identification, such as a driver s license. If you hold your shares in street name, you must obtain a legal proxy, as described above under What do I need to attend the Annual Meeting? , and bring that proxy to the Annual Meeting.

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

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

For a Proxy Submitted by Internet or Telephone

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

Executing and mailing a later-dated proxy card that is received by AIG prior to 9:00 a.m., Eastern Daylight Saving Time, on May 12, 2010; or

Voting in person at the Annual Meeting.

For a Proxy Submitted by Mail

Subsequently executing and mailing another proxy card bearing a later date; or

Giving written notice of revocation to AIG s Secretary at 70 Pine Street, New York, New York 10270 that is received by AIG prior to 9:00 a.m., Eastern Daylight Saving Time, on May 12, 2010; 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 specified under Election of Directors ; FOR the non-binding shareholder resolution on executive compensation; FOR the American International Group, Inc. 2010 Stock Incentive Plan; FOR the ratification of the appointment of PricewaterhouseCoopers LLP as AIG s independent registered public accounting firm for 2010; 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 non-binding shareholder resolution to approve executive compensation and the ratification of the appointment of independent auditors because these are considered discretionary under NYSE rules. If your broker is an affiliate of AIG, NYSE policy specifies that, in the absence of your specific voting instructions, your shares may only be voted in the same proportion as all other shares are voted with respect to each proposal.

Under NYSE rules, each other proposal is a non-discretionary item, which means that member brokers who have not received instructions from the beneficial owners of AIG Common Stock do not have discretion to vote the shares of AIG Common Stock held by those beneficial owners on any of those proposals. NYSE rules were amended this year so that the election of directors is now a non-discretionary matter. Shareholder proposals continue to be non-discretionary matters under the NYSE rules.

How are votes counted?

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

Proposal 2 Election of Series E and Series F Directors. The directors nominated by the holders of the AIG Series E Preferred Stock and AIG Series F Preferred Stock (the Preferred Directors and each a Preferred Director) must receive a majority of the votes cast by the holders of the AIG Series E Preferred Stock and AIG Series F Preferred Stock, voting together as a single class.

Proposal 3 Non-binding Shareholder Vote to Approve Executive Compensation. Adoption of the resolution of the non-binding shareholder vote to approve executive compensation requires a for vote of a majority of the voting power represented by the votes cast by the shareholders of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, which votes cast are either for or against the resolution.

Proposal 4 Approval of the American International Group, Inc. 2010 Stock Incentive Plan. Approval of the American International Group, Inc. 2010 Stock Incentive Plan requires a for vote of a majority of the voting power represented by the votes cast by the shareholders of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, which votes cast are either for or against the Plan.

Proposal 5 Ratification of the Selection of PricewaterhouseCoopers LLP as AIG s Independent Registered Public Accounting Firm. Ratification of the selection of accountants requires a for vote of a majority of the voting power represented by the votes cast by the shareholders of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, which votes are cast for or against the ratification. Neither AIG s Restated Certificate of Incorporation nor AIG s By-laws require that the shareholders ratify the selection of PricewaterhouseCoopers LLP as its independent registered public accounting firm. AIG s Board is requesting shareholder ratification as a matter of good corporate practice. If the shareholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers LLP, but may still retain PricewaterhouseCoopers LLP. Even if the selection is ratified, the Audit Committee in its discretion may change the appointment at any time during the year if it determines that such change would be in the best interests of AIG and its shareholders.

Shareholder Proposals 6-8. Approval of each shareholder proposal requires a for vote by a majority of the voting power of the outstanding shares of AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class.

Broker Non-Votes and Abstentions. Because directors (other than the Preferred Directors) are elected by a majority of the votes cast, an abstention will have no effect on the election, although a director who receives more votes against than for his or her election will be required to resign, subject to the process described above under Proposal 1 Election of Directors. In the case of the adoption of the non-binding shareholder resolution to approve executive compensation, the approval of the American International Group, Inc. 2010 Stock Incentive Plan and the ratification of the appointment of PricewaterhouseCoopers LLP, only votes cast for or against the ratification will be considered; abstentions, broker non-votes and withheld votes will not be treated as a vote for or against these proposals and therefore will have no effect on the vote. With respect to each other proposal, an abstention, broker non-vote or withheld vote will have the effect of a vote against such proposals.

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

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

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

How do I obtain more information about AIG?

A copy of AIG s 2009 Annual Report to Shareholders, which includes AIG s Annual Report on Form 10-K for the year ended December 31, 2009 (AIG s 2009 Annual Report on Form 10-K) filed with the

U.S. Securities and Exchange Commission (SEC), has been previously delivered to shareholders. **You also may obtain, free of charge, a copy of the 2009 Annual Report to Shareholders and AIG s 2009 Annual Report on Form 10-K by writing to American International Group, Inc., 70 Pine Street, New York, New York 10270, Attention: Investor Relations.** These documents also are available in the Investor Information section of AIG s corporate website at *www.aigcorporate.com.*

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 $18,500 plus reasonable out-of-pocket expenses and disbursements of that firm. AIG will reimburse brokers and others holding AIG Common Stock in their names, or in the names of nominees, for forwarding proxy materials to their principals.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement and other publicly available documents may include, and AIG s officers and representatives may from time to time make, projections and statements which may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These projections and statements are not historical facts but instead represent only AIG s belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG s control. These projections and statements may address, among other things:

- the outcome of the completed transactions with the Federal Reserve Bank of New York (FRBNY) and the Department of the Treasury;
- the number, size, terms, cost, proceeds and timing of dispositions and their potential effect on AIG s businesses, financial condition, results of operations, cash flows and liquidity (and AIG at any time and from time to time may change its plans with respect to the sale of one or more businesses);
- AIG s long-term business mix which will depend on the outcome of AIG s asset disposition program;
- AIG s exposures to subprime mortgages, monoline insurers and the residential and commercial real estate markets;
- the separation of AIG s businesses from AIG parent company;
- AIG s ability to retain and motivate its employees; and
- AIG s strategy for customer retention, growth, product development, market position, financial results and reserves.

It is possible that AIG s actual results and financial condition will differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause AIG s actual results to differ, possibly materially, from those in the specific projections and statements include:

- a failure to close transactions contemplated in AIG s restructuring plan;
- developments in global credit markets; and
- such other factors as discussed throughout the Management s Discussion and Analysis of Financial Condition and Results of Operations and in Item 1A. Risk Factors of AIG s 2009 Annual Report on Form 10-K.

AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projection or other statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

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

AIG has entered into several important transactions and relationships with the FRBNY, the Trust and the Department of the Treasury, which are summarized below and discussed in more detail in AIG s 2009 Annual Report on Form 10-K. As a result of these arrangements, AIG is controlled by the Trust.

Credit Facility with the FRBNY

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

AIG Series C Preferred Stock

As of March 19, 2010, the Trust, established for the sole benefit of the United States Treasury in connection with the FRBNY Credit Agreement and issuance of AIG Series C Preferred Stock, holds all of the outstanding 100,000 shares of AIG Series C Preferred Stock, which are, to the extent permitted by law, entitled to vote on all matters with the AIG Common Stock. As of the record date, the holders of the AIG Series C Preferred Stock are entitled to (i) approximately 79.77 percent of the voting power of AIG s shareholders entitled to vote on any particular matter and (ii) approximately 79.77 percent of the aggregate dividend rights of the outstanding AIG Common Stock and the AIG Series C Preferred Stock, in each case, on an as converted basis. As of the record date, the AIG Series C Preferred Stock was entitled to 534,803,028 votes, less

One vote for each share of AIG Common Stock subject to the Warrants (as defined below);

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

One vote for each share of AIG Common Stock otherwise directly owned by the Department of the Treasury.

This calculation is made as if the AIG Series C Preferred Stock had been converted into AIG Common Stock. Thus, as of the record date, the total AIG Series C Preferred Stock voting power of 534,803,028 shares was reduced by the 2,690,088 shares of AIG Common Stock subject to the Warrants. (AIG understands that, as of the record date, the Department of the Treasury did not otherwise own any shares of AIG Common Stock or any other instrument convertible into, exchangeable for or representing the right to receive shares of AIG Common Stock.)

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

The Department of the Treasury holds all the outstanding 400,000 shares of AIG Series E Preferred Stock, 300,000 shares of AIG Series F Preferred Stock, and two 10-year warrants (the Warrants) to purchase 2,690,088 shares of AIG Common Stock (the TARP Investment), as part of the Troubled Asset Relief Program (TARP) and the Program for Systemically Significant Failing Institutions.

The terms of the TARP Investment, among other things:

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

Permit the Department of the Treasury to elect the greater of two additional directors or up to 20 percent of the total number of AIG directors (rounded up, after giving effect to the election) upon a failure of AIG to make four quarterly dividend payments, whether or not consecutive. This right is currently in effect and has been exercised by the Department of the Treasury. Please see Election of Series E and Series F Directors for more information.

On April 17, 2009, AIG exchanged all of the outstanding shares of AIG s Series D Fixed Rate Cumulative Perpetual Preferred Stock (AIG Series D Preferred Stock) for 400,000 shares of AIG Series E Preferred Stock, with a liquidation preference of $104,011.44 per share.

Resolution of Securities Lending Program

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

Termination of Certain CDS

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

Equity Capital Commitment Facility

On April 17, 2009, the Department of the Treasury and AIG entered into a 5-year equity capital commitment facility of $29.835 billion. AIG has issued 300,000 shares of AIG Series F Preferred Stock to the Department of the Treasury, each share with a zero initial liquidation preference. The liquidation preference of the AIG Series F Preferred Stock will automatically increase, on a pro rata basis, by the amount of any drawdown on the commitment. Through February 28, 2010, AIG had drawn down approximately $7.54 billion on the Department of the Treasury Commitment. As a result, the liquidation preference of the AIG Series F Preferred Stock increased to $25,143.56 per share. The Department of the Treasury also received one of the two Warrants described above, exercisable for 150 shares of AIG Common Stock, and, as described under AIG Series C Preferred Stock above, the voting power of the AIG Series C Preferred Stock was reduced by the number of shares of AIG Common Stock underlying such Warrant.

Repayment of Borrowings under FRBNY Credit Agreement with Subsidiary Preferred Equity

On December 1, 2009, AIG closed previously announced transactions with the FRBNY in which AIG contributed the equity of two of its leading international life insurance franchises (American International Assurance Company, Limited (AIA) and American Life Insurance Company (ALICO)) to separate newly formed special purpose vehicles (SPVs). The FRBNY received preferred equity interests in the SPVs with a liquidation preference in the AIA SPV of $16 billion and the ALICO SPV of $9 billion. AIG holds all of the common equity of the SPVs. In exchange for the FRBNY s acquisition of the preferred equity interests in the SPVs, AIG s outstanding principal balance under the FRBNY Credit Agreement was reduced by $25 billion. In addition, the total amount available under the facility provided by the FRBNY pursuant to the FRBNY Credit Agreement was reduced from $60 billion to $35 billion.

Effect of Transactions with the FRBNY, the Trust and the Department of the Treasury

As a result of the arrangements described above, AIG is controlled by the Trust, which is established for the sole benefit of the United States Treasury. The interests of the Trust and the United States Treasury may not be the same as the interests of AIG s other shareholders. As a result of its ownership, the Trust is able, subject to the terms of the AIG Credit Facility Trust Agreement, dated as of January 16, 2009 (as it may be amended from time to time, the Trust Agreement), and the AIG Series C

Preferred Stock, to elect all of AIG s directors (other than the Preferred Directors) and can, to the extent permitted by law, control the vote on substantially all matters, including:

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

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

ELECTION OF DIRECTORS

Eleven directors are to be elected at the Annual Meeting to hold office until the next annual election and until their successors are duly elected and qualified. It is the intention of the persons named in the accompanying form of proxy to vote for the election of the nominees listed below. 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 (other than the Preferred Directors) will be elected by a majority of the votes cast by the shareholders of the AIG Common Stock and AIG Series C Preferred Stock, voting together as a single class, which votes are cast for or against election. Pursuant to AIG s By-laws and Corporate Governance Guidelines, each nominee who is currently a director of AIG has submitted to the Board an irrevocable resignation from the Board that would become effective upon (1) the failure of such nominee to receive the required vote at the shareholder meeting and (2) Board acceptance of such resignation. In the event that a nominee who is currently a director of AIG fails to receive the required vote, AIG s 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. Dennis D. Dammerman resigned from the Board of Directors as of February 28, 2010.

The principal occupation or affiliation of the nominees for director and any directorships held by such nominee during the past five years are set forth below.

ROBERT H. BENMOSCHE	**President and Chief Executive Officer, AIG**
Director since August 10, 2009	Age 65

Mr. Benmosche has been AIG s President and Chief Executive Officer since August 2009. Previously, he served as Chairman and Chief Executive Officer of MetLife, Inc. from September 1998 to March 2006. He served as President of MetLife, Inc. from September 1999 to June 2004, President and Chief Operating Officer from November 1997 to June 1998, and Executive Vice President from September 1995 to October 1997. He served as an Executive Vice President of PaineWebber Group Incorporated from 1989 to 1995. In the past five years, Mr. Benmosche has served as a director of MetLife, Inc. and Credit Suisse Group AG. In light of Mr. Benmosche s experience managing large, complex, international institutions and his professional experience across industries including insurance, financial services, and operations and technology, AIG s Board has concluded that Mr. Benmosche should be elected to the Board.

HARVEY GOLUB Director since 2009	**Former Chairman and Chief Executive Officer of American Express Company** Age 70

Mr. Golub is the former Chairman and Chief Executive Officer of American Express Company, serving from 1993 to 2001. He joined American Express Company in 1984 as the President and Chief Executive Officer of IDS Financial Services, now known as Ameriprise Financial. Prior to joining IDS Financial Services, Mr. Golub was a Senior Partner with McKinsey and Co., a global management consulting firm. Mr. Golub is Non-Executive Chairman of Ripplewood Holdings, L.L.C., a private equity firm. Mr. Golub is currently a director of Campbell Soup Company, where he served as Non-Executive Chairman from 2004 to 2009 and currently serves as a member of the Compensation and Organization Committee, and RHJ International (Belgium). In the past five years, Mr. Golub also served as Non-Executive Chairman and a director of The Reader s Digest Association, Inc. and Dow Jones & Company. He is a member of the Advisory Board of Miller Buckfire & Co., LLC and Marblegate Asset Management, LLC. In light of Mr. Golub s experience in managing large, complex, international institutions and in finance, as well as his professional experience in the financial services industry, AIG s Board has concluded that Mr. Golub should be re-elected to the Board.

LAURETTE T. KOELLNER Director since 2009	**Former Senior Vice President of The Boeing Company; Former President, Boeing International** Age 55

Ms. Koellner is the former President of Boeing International, a division of The Boeing Company, serving from 2006 to 2008. Prior to that, Ms. Koellner served as President of Connexion by Boeing from 2004 to 2006. She also served as Executive Vice President, Chief Administration and Human Resources Officer of Boeing from 2002 to 2004 and was a member of the Office of the Chairman from 2002 to 2003. She served as Senior Vice President and President of Shared Services Group of Boeing from 2001 to 2002. She served as Vice President and Corporate Controller of Boeing from 1999 to 2000. Ms. Koellner spent 19 years at McDonnell Douglas Corp. where she served as Division Director of Human Resources as well as Vice President of Internal Audit. Ms. Koellner is currently a director of Celestica Inc., where she is a member of the Audit, Nominating and Corporate Governance and Compensation Committees, and Sara Lee Corporation, where she is Chairman of the Audit Committee and a member of the Executive and Corporate Governance, Nominating and Policy Committees. In light of Ms. Koellner s experience in managing large, complex, international institutions, and in finance, accounting and risk management, as well as her professional experience in the aircraft and the operations and technology industries, AIG s Board has concluded that Ms. Koellner should be re-elected to the Board.

CHRISTOPHER S. LYNCH	**Former Partner, KPMG LLP**
Director since 2009	Age 52

Mr. Lynch has been an independent consultant since 2007, providing a variety of services to public and privately held financial intermediaries, including risk management, strategy, governance, financial accounting and regulatory reporting and troubled-asset management. Mr. Lynch is the former National Partner in Charge of KPMG LLP s Financial Services Line of Business and Banking and Finance Practice. He held a variety of positions with KPMG from 1979 to 2007, including chairing KPMG s Americas Financial Services Leadership team and being a member of the Global Financial Services Leadership and the U.S. Industries Leadership teams. He also served as a Partner in KPMG s Department of Professional Practice and as a Practice Fellow at the Financial Accounting Standards Board. Mr. Lynch is currently a director of the Federal Home Loan Mortgage Corporation, where he is Chairman of the Audit Committee and a member of the Compensation Committee. In light of Mr. Lynch s experience in finance, accounting and risk management and restructuring, as well as his professional experience across the financial services industry, AIG s Board has concluded that Mr. Lynch should be re-elected to the Board.

ARTHUR C. MARTINEZ	**Former Chairman of the Board, President and Chief Executive Officer, Sears,**
Director since 2009	**Roebuck and Co.**
	Age 70

Mr. Martinez is the former Chairman of the Board, President and Chief Executive Officer of Sears, Roebuck and Co., serving from 1995 to 2000. Mr. Martinez was Chairman and Chief Executive Officer of the former Sears Merchandise Group from 1992 to 1995. He served as Chief Financial Officer of Saks Fifth Avenue from 1980 to 1984, as Executive Vice President from 1984 to 1987 and then as Vice Chairman from 1990 to 1992. Mr. Martinez also served as Chairman of the Board of the Federal Reserve Bank of Chicago from 2000 to 2002. Mr. Martinez is currently a director of HSN, Inc., where he is Non-Executive Chairman and Chairman of the Governance and Nominating Committee, IAC/InterActiveCorp, where he is Chairman of the Compensation and Human Resources Committee, International Flavors & Fragrances Inc., where he is the Lead Director and a member of the Audit and the Nominating and Governance Committees, Liz Claiborne, Inc., where he is Chairman of the Compensation Committee and a member of the Audit Committee, and PepsiCo, Inc., where he is Chairman of the Compensation Committee and a member of the Nominating and Corporate Governance Committee. In the past five years, Mr. Martinez has also served as a director of ABN AMRO Holding N.V. since 2002 and was also Chairman from 2006 until 2010. Shortly after joining the Board in 2009, Mr. Martinez committed to AIG that, in accordance with AIG s Corporate Governance Guidelines, he would reduce the number of public company boards on which he serves as director (other than AIG) to no more than four within the following 12 months. Since then, Mr. Martinez has reduced his board memberships by one and his commitment to further reduce his board memberships has been extended, with Board approval. In light of Mr. Martinez s experience in finance and restructuring, AIG s Board has concluded that Mr. Martinez should be re-elected to the Board.

GEORGE L. MILES, JR.	**President and Chief Executive Officer, WQED Multimedia**
Director since 2005	Age 68

Mr. Miles has served as the President and Chief Executive Officer of WQED Multimedia since 1994. Mr. Miles served as an Executive Vice President and Chief Operating Officer of WNET/Thirteen from 1984 to 1994. Prior to WNET/Thirteen, he was Business Manager and Controller of KDKA-TV and KDKA Radio in Pittsburgh; Controller and Station Manager of WPCQ in Charlotte; Vice President and Controller of Westinghouse Broadcasting Television Group in New York; and Station Manager of WBZ-TV in Boston. Mr. Miles is currently a director of HFF, Inc., where he is Lead Director, Chairman of the Audit Committee and serves on the Compensation Committee, Harley-Davidson, Inc., where he serves on the Audit and Nominating and Corporate Governance Committees, WESCO International, Inc., where he serves on the Nominating and Corporate Governance Committee, and EQT Corporation, where he serves as Chairman of the Corporate Governance Committee. In the past five years, Mr. Miles has also served as a director of Citizens Financial Corporation and Westwood One, Inc. Mr. Miles is a Certified Public Accountant. In light of Mr. Miles experience in accounting as well as his professional experience across the operations and technology industry, AIG s Board has concluded that Mr. Miles should be re-elected to the Board.

HENRY S. MILLER	**Chairman and Managing Director, Miller Buckfire & Co., LLC; Chairman and Chief Executive Officer, Marblegate Asset Management**
Director since April 7, 2010	Age 64

Mr. Miller has served as the Chairman and a Managing Director of Miller Buckfire & Co., LLC, an investment bank, since 2002 and as Chief Executive Officer until December 31, 2009 and as the Chairman and Chief Executive Officer of Marblegate Asset Management, an affiliate of Miller Buckfire & Co., LLC, since February 2009. Prior to founding Miller Buckfire & Co., LLC, Mr. Miller was Vice Chairman and a Managing Director at Dresdner Kleinwort Wasserstein and its predecessor company Wasserstein Perella & Co., where he served as the global head of the firm s financial restructuring group. Prior to that, Mr. Miller was a Managing Director and Head of both the Restructuring Group and Transportation Industry Group of Salomon Brothers Inc. From 1989 to 1992 Mr. Miller was a managing director and from 1990 to 1992 co-head of investment banking at Prudential Securities. In light of Mr. Miller s experience in restructuring as well as his professional experience across the financial services industry, AIG s Board has concluded that Mr. Miller should be elected to the Board.

ROBERT S. MILLER	**Former Executive Chairman, Delphi Corporation**
Director since 2009	Age 68

Mr. Miller has been Chairman of MidOcean Partners, a leading middle market private equity firm, since December 2009. Mr. Miller also served as the Executive Chairman of the Delphi Corporation from 2007 to 2009. He was previously Chairman and Chief Executive Officer of Delphi Corporation from 2005 to 2007. Prior to joining Delphi Corporation, Mr. Miller served in a number of corporate restructuring situations, including as Chairman and Chief Executive Officer of Bethlehem Steel Corporation, Chairman and Chief Executive Officer of Federal Mogul Corporation, Chairman and Chief Executive Officer of Waste Management, Inc., and Executive Chairman of Morrison Knudsen Corporation. He has also served as Vice Chairman and Chief Financial Officer of Chrysler Corporation. Mr. Miller is currently a director of Symantec Corporation, where he is a member of the Audit and Nominating and Governance Committees, and UAL Corporation, where he is a member of the Audit and Public Responsibility Committees. In the past five years, Mr. Miller has also served as a director of Delphi Corporation, Waste Management, Inc., Federal Mogul Corporation and Reynolds American, Inc. Mr. Miller was Chairman and Chief Executive Officer of Delphi Corporation when it filed for Chapter 11 bankruptcy in October 2005 and Chairman and Chief Executive Officer of Bethlehem Steel Corporation when it filed for Chapter 11 bankruptcy in 2001. In light of Mr. Miller s experience in managing large, complex, international institutions, his experience in finance, accounting and risk management and restructuring, as well as his professional experience across the financial services industry, AIG s Board has concluded that Mr. Miller should be re-elected to the Board.

SUZANNE NORA JOHNSON	**Former Vice Chairman, The Goldman Sachs Group, Inc.**
Director since 2008	Age 52

Ms. Nora Johnson is a former Vice Chairman of The Goldman Sachs Group, Inc., serving from 2004 to 2007. She joined Goldman Sachs in 1985 and became a partner in 1992. During her 21 years at Goldman Sachs, she also served as the Chairman of the Global Markets Institute, Head of the Global Investment Research Division and Head of the Global Healthcare Business. Ms. Nora Johnson is currently a director of Intuit Inc., where she serves on the Acquisitions and Audit and Risk Committees, Pfizer Inc., where she serves on the Audit, Compensation and Science and Technology Committees, and Visa Inc., where she serves on the Compensation Committee and chairs the Nominating and Corporate Governance Committee. In light of Ms. Nora Johnson s experience in managing large, complex, international institutions, her experience in finance as well as her professional experience across the financial services industry, AIG s Board has concluded that Ms. Nora Johnson should be re-elected to the Board.

MORRIS W. OFFIT Director since 2005	**Chairman, Offit Capital Advisors LLC; Founder and Former Chief Executive Officer, OFFITBANK** **Age 73**

Mr. Offit is the Chairman of Offit Capital Advisors LLC, a wealth management advisory firm, and served as the Co-Chief Executive Officer of Offit Hall Capital Management LLC from 2002 to 2007. He was the founder and former Chief Executive Officer of OFFITBANK, a private bank, from 1990 to 2001. Prior to that, he was President of Julius Baer Securities, a General Partner at Salomon Brothers, an adjunct professor at Columbia Business School and Head of Stock Research at Mercantile Safe Deposit and Trust Co. In light of Mr. Offit s experience in accounting and risk management as well as his professional experience across the financial services industry, AIG s Board has concluded that Mr. Offit should be re-elected to the Board.

DOUGLAS M. STEENLAND Director since 2009	**Former President and Chief Executive Officer, Northwest Airlines Corporation** Age 58

Mr. Steenland is the former Chief Executive Officer of Northwest Airlines Corporation, serving from 2004 to 2008, and President, serving from 2001 to 2004. Prior to that, he served in a number of Northwest Airlines Executive positions after joining Northwest Airlines in 1991, including Executive Vice President, Chief Corporate Officer and Senior Vice President and General Counsel. Mr. Steenland retired from Northwest Airlines upon its merger with Delta Air Lines, Inc. Prior to joining Northwest Airlines, Mr. Steenland was a senior partner at a Washington, D.C. law firm that is now part of DLA Piper. Mr. Steenland is currently a director of Delta Air Lines, Inc., where he serves on the Finance Committee, Digital River, Inc. and International Lease Finance Corporation, an AIG subsidiary. In the past five years, Mr. Steenland has also served as a director of Northwest Airlines Corporation. Mr. Steenland was President and Chief Executive Officer of Northwest Airlines Corporation when it filed for Chapter 11 bankruptcy in 2005. In light of Mr. Steenland s experience in managing large, complex, international institutions and his experience in restructuring as well as his professional experience in the airline industry, AIG s Board has concluded that Mr. Steenland should be re-elected to the Board.

All of these nominees have lengthy direct experience in the oversight of public companies as a result of their service on AIG s Board and/or those of other public companies and their involvement in the other organizations described above. This diverse and complementary set of skills, experience and backgrounds creates a highly qualified and independent Board of Directors.

Election of Series E and Series F Directors

The terms of the TARP Investment permit the Department of the Treasury to elect the greater of two additional directors or up to 20 percent of the total number of AIG directors (rounded up, after giving effect to the election) upon a failure of AIG to make four quarterly dividend payments on the AIG Series E Preferred Stock or AIG Series F Preferred Stock, whether or not consecutive. Because AIG has not paid any dividends on the AIG Series E Preferred Stock or AIG Series F Preferred Stock (or the AIG Series D Preferred Stock when it was outstanding, which is included in the calculation of unpaid dividends) the Department of the Treasury s right to elect directors arose no later than February 1, 2010. On April 1, 2010, the Department of the Treasury exercised its right and elected Mr. Donald H. Layton and Mr. Ronald A. Rittenmeyer to AIG s Board of Directors. The Department of the Treasury has nominated Messrs. Layton and Rittenmeyer for re-election at the Annual Meeting. These two director nominees are in addition to the eleven nominees listed above under Election of Directors. The Preferred Directors will be elected by a majority of the votes cast by the shareholders of the AIG Series E Preferred Stock and AIG Series F Preferred Stock, voting together as a single class, which votes are cast for or against election. The Preferred Directors are to be elected at the Annual Meeting to hold office until the next annual meeting (or special meeting called to elect directors) or until all the dividends payable on all outstanding shares of the AIG Series E Preferred Stock and AIG Series F Preferred Stock have been declared and paid in full for four consecutive quarters.

The nominees for Preferred Director and certain information supplied by them to AIG as to their principal occupation or affiliation and directorships within the last five years are set forth below:

DONALD H. LAYTON	**Former Chairman and Chief Executive Officer, E*TRADE Financial Corporation;**
Director since April 1, 2010	**Former Vice Chairman, J.P. Morgan Chase & Co.**
	Age 59

Mr. Layton is the former Chairman and Chief Executive Officer of E*TRADE Financial Corporation, serving from 2008 to 2009, and non-executive Chairman of the Board, serving from 2007 to 2008. Prior to his retirement from J.P. Morgan Chase & Co. in 2004, Mr. Layton was Vice Chairman and served as a member of its three person Office of the Chairman. He was Head of Chase Financial Services, the consumer and middle market division, from 2002 to 2004, Co-Chief Executive Officer of J.P. Morgan, the investment bank of J.P. Morgan Chase & Co., from 2000 to 2002, and Head of Global Markets, the worldwide capital markets and trading division, of the predecessor Chase Manhattan Corporation from 1996 to 2000. He was also Head of Treasury & Securities Services from 1999 through 2004. Mr. Layton was a Senior Adviser to The Securities Industry and Financial Markets Association and is currently a director of Assured Guaranty Ltd., where he serves on the Compensation Committee and the Risk Oversight Committee.

RONALD A. RITTENMEYER Director since April 1, 2010	**Former Chairman, Chief Executive Officer and President, Electronic Data Systems Corporation; Former Chairman, Chief Executive Officer and President, Safety-Kleen Corp.** Age 62

Mr. Rittenmeyer is the Former Chairman, Chief Executive Officer and President of Electronic Data Systems Corporation, serving from 2005 to 2008. Prior to that, Mr. Rittenmeyer was a Managing Director of the Cypress Group, a private equity firm, serving from 2004 to 2005. Mr. Rittenmeyer also served as Chairman, Chief Executive Officer and President of Safety-Kleen Corp. from 2001 to 2004. Among his other leadership roles, Mr. Rittenmeyer served as President and Chief Executive Officer of AmeriServe Food Distribution Inc. from 2000 to 2001, Chairman, Chief Executive Officer and President of RailTex, Inc. from 1998 to 2000, President and Chief Operating Officer of Ryder TRS, Inc. from 1997 to 1998, President and Chief Operating Officer of Merisel, Inc. from 1995 to 1996 and Chief Operating Officer of Burlington Northern Railroad Co. from 1994 to 1995. In the past five years, Mr. Rittenmeyer served as a director of Electronic Data Systems Corporation and RH Donnelly Corporation (presently Dex One Corporation).

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 Audit Committee, the Compensation and Management Resources Committee, the Finance and Risk Management Committee, the Nominating and Corporate Governance Committee, and the Regulatory, Compliance and Public Policy Committee are available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com* or in print by writing to American International Group, Inc., 70 Pine Street, New York, New York 10270, Attention: Investor Relations.

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

Using the current AIG Director Independence Standards that are included with the Corporate Governance Guidelines as Annex A thereto, the Board, on the recommendation of the Nominating and Corporate Governance Committee, determined that Ms. Koellner, Ms. Nora Johnson and Messrs. Golub, Layton, Lynch, Martinez, Miles, Henry Miller, Robert Miller, Offit, Rittenmeyer and Steenland are independent under NYSE listing standards and AIG 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. Golub and Offit and Ms. Nora Johnson or members of their immediate families are affiliated; and (2) 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 and 2008, AIG made donations of $615,000 and $550,000, respectively, to Lincoln Center in New York City, of which Mr. Golub is a director. Under AIG 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 to a charitable organization with which a director is affiliated if the contributions exceed $200,000. Therefore, AIG s Board is required to consider the materiality of the contributions to Lincoln Center to Mr. Golub s independence. These contributions to Lincoln Center were made prior to Mr. Golub being considered as a candidate for election to the Board and were not solicited by Mr. Golub, and the Board, on the recommendation of the Nominating and Corporate Governance Committee, determined that these contributions did not impair Mr. Golub s independence.

AIG s current policy, as reflected in its By-laws, is that the role of the Chairman should be separate from that of the CEO and that the Chairman should be an independent director. AIG believes that this structure is optimal in AIG s current situation because it permits the Chairman to deal with AIG s various stakeholders while permitting the CEO to focus more on AIG s business.

The Board oversees the management of risk through the complementary functioning of the Finance and Risk Management Committee and the Audit Committee. The Finance and Risk Management Committee oversees AIG s enterprise risk management as one of its core responsibilities while the Audit Committee reviews the guidelines and policies governing the process by which AIG assesses and manages risk and considers AIG s major risk exposures and how they are monitored and controlled. The Chairmen of the two Committees then coordinate with each other to ensure that each Committee has received the information that it needs to carry out its responsibilities with respect to risk management. Both the Finance and Risk Management Committee and the Audit Committee report to the Board with respect to any notable risk management issues.

There were 27 meetings of the Board during 2009. The non-management directors meet in executive session, without any management directors present, in conjunction with each regularly scheduled Board meeting. Mr. Bollenbach, as Lead Independent Director, presided at the executive sessions before his departure from the Board in June 2009 and Mr. Golub, as Non-Executive Chairman of the Board, presided at the executive sessions commencing August 10, 2009. For 2009 and 2008, 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 meeting of shareholders. All directors serving at the time of the 2009 Annual Meeting of Shareholders, except for former directors Messrs. Bollenbach, Feldstein and Orr, attended that meeting.

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

REPORT OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Overview

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

Committee Organization

Committee Charter. The Nominating and Corporate Governance 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 Nominating and Corporate Governance Committee is independent, as required by NYSE listing standards.

Conduct of meetings and governance process. During 2009, the Nominating and Corporate Governance Committee held 7 meetings. In discussing governance initiatives and in preparation for meetings, the Lead Independent Director (until June 2009), the Chairman of the Board (after June 2009), the Chairman of the Nominating and Corporate Governance Committee and the Special Counsel and Secretary to the Board of Directors met and consulted frequently with the other Committee and Board members.

Board Membership and Composition

Nomination and Election of Directors. The Nominating and Corporate Governance Committee evaluated and recommended to the Board of Directors the eleven nominees discussed under Election of Directors that are standing for election at the 2010 Annual Meeting of Shareholders, based on the criteria set forth in AIG s Corporate Governance Guidelines. A description of the nominees recommended by the Nominating and Corporate Governance Committee is set forth above in Election of Directors. The process for identification of director nominees when standing for election for the first time is provided below in Committees Nominating and Corporate Governance Committee. Because the Preferred Directors were nominated by the Department of the Treasury, neither the Board of Directors nor the Nominating and Corporate Governance Committee makes any recommendation as to their nominations.

The Committee also recommended an increase in the age at which an individual may no longer stand for election as a director from 73 to 75. The Committee believes this change is desirable to ensure the continued service of the more recently elected directors during this critical phase in AIG s restructuring process as well as to retain the valuable insights and experience of AIG s longer-serving directors. The Board of Directors, upon the recommendation of the Committee, approved the change.

Independence. The Board of Directors, on the recommendation of the Nominating and Corporate Governance Committee, determined that each of AIG s ten non-management directors, and each of Messrs. Layton and Rittenmeyer is independent within the meaning of the NYSE listing standards. Mr. Benmosche is the only director who holds an AIG management position and, therefore, is not an independent director.

Diversity Consideration. The Nominating and Corporate Governance Committee does not have a specific diversity policy. Rather, the Nominating and Corporate Governance Committee considers diversity in terms of minority status and sex as factors in evaluating director candidates and also considers diversity in the broader sense of how a candidate s experience and skills could assist the Board in light of the Board s then composition.

Conclusion

During 2009, the Nominating and Corporate Governance Committee performed its duties and responsibilities under the Nominating and Corporate Governance Committee charter.

Nominating and Corporate Governance Committee
American International Group, Inc.

George L. Miles, Jr., Chairman
Harvey Golub
Arthur C. Martinez
Suzanne Nora Johnson

COMMITTEES

The following table sets forth the current membership on each standing committee of the Board and the number of committee meetings held in 2009. Mr. Benmosche became a member of the Board on August 10, 2009, although he does not serve on any committees of the Board. Mr. Golub became Chairman of the Board on August 6, 2009. From June 30, 2009 until April 7, 2010, Mr. Golub also served as a member of the Compensation and Management Resources Committee and the Nominating and Corporate Governance Committee. As Chairman, Mr. Golub is an *ex-officio* member of each Committee. Ms. Koellner became a member of the Board, the Compensation and Management Resources Committee and the Chairman of the Regulatory, Compliance and Public Policy Committee on June 30, 2009. Mr. Layton became a member of the Board on April 1, 2010 and a member of the Audit Committee and the Nominating and Corporate Governance Committee on April 7, 2010. Mr. Lynch became a member of the Board, Chairman of the Audit Committee and member of the Finance and Risk Management Committee on June 30, 2009. Mr. Martinez became a member of the Board and the Nominating and Corporate Governance Committee on June 30, 2009 and Chairman of the Compensation and Management Resources Committee on March 1, 2010. From June 30, 2009 until April 7, 2010, Mr. Martinez also served as a member of the Audit Committee. Mr. Henry Miller became a member of the Board, the Finance and Risk Management Committee and the Regulatory, Compliance and Public Policy Committee on April 7, 2010. Mr. Robert Miller became a member of the Board and the Finance and Risk Management Committee on June 30, 2009 and a member of the Audit Committee on April 7, 2010. From June 30, 2009 until April 7, 2010, Mr. Robert Miller also served as a member of the Regulatory, Compliance and Public Policy Committee. Mr. Rittenmeyer became a member of the Board on April 1, 2010 and a member of the Audit Committee and the Compensation and Management Resources Committee on April 7, 2010. Mr. Steenland became a member of the Board, the Finance and Risk Management Committee and the Regulatory, Compliance and Public Policy Committee on June 30, 2009.

Director	**Audit Committee**	**Compensation and Management Resources Committee**	**Finance and Risk Management Committee**	**Nominating and Corporate Governance Committee**	**Regulatory, Compliance and Public Policy Committee**
Harvey Golub	*	*	*	*	*
Laurette T. Koellner		√			√(C)
Donald H. Layton	√***			√***	
Christopher S. Lynch	√(C)		√		
Arthur C. Martinez		√(C)**		√	
George L. Miles, Jr.	√			√(C)	
Henry S. Miller			√***		√***
Robert S. Miller	√***		√		
Suzanne Nora Johnson		√		√	
Morris W. Offit			√(C)		√
Ronald A. Rittenmeyer	√***	√***			
Douglas M. Steenland			√		√
Number of meetings in 2009	**12**	**25**	**11**	**7**	**4**

√ = Member

C = Chairman

* Mr. Golub is an *ex-officio*, non-voting member.

** Mr. Dammerman served as Chairman of the Compensation and Management Resources Committee until February 28, 2010.

*** Member since April 7, 2010.

Audit Committee

The Audit Committee, which held 12 meetings during 2009, assists the Board in its oversight of AIG s financial statements and compliance with legal and regulatory requirements, the qualifications and performance of AIG s independent registered public accounting firm and the performance of AIG s internal audit function. As part of these oversight responsibilities, the Audit Committee discusses with senior management the guidelines and policies by which AIG assesses and manages risk. 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. In considering AIG s compliance with legal and regulatory requirements, the Audit Committee takes into account the oversight of legal and regulatory matters by the Regulatory, Compliance and Public Policy Committee.

The Board has determined, on the recommendation of the Nominating and Corporate Governance Committee, that all members of the Audit Committee are independent under both NYSE listing standards and SEC rules. The Board has also determined, on the recommendation of the Nominating and Corporate Governance Committee, that all members of the Audit Committee are financially literate and have accounting or related financial management expertise, each as defined by NYSE listing standards, and are audit committee financial experts, as defined under SEC rules. Although designated as audit committee financial experts, no member of the Committee is an accountant for AIG or, under SEC rules, an expert for purposes of the liability provisions of the Securities Act of 1933, as amended (the Securities Act), or for any other purpose.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee held 7 meetings in 2009. The Board has determined that all members of the Nominating and Corporate Governance Committee are independent under NYSE listing standards. The primary responsibilities 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 matters 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 2011 Annual Meeting of Shareholders may do so by submitting in writing such nominees names, in compliance with the procedures described in Other Matters Shareholder Proposals for 2011 Annual Meeting in this Proxy Statement.

Compensation and Management Resources Committee

The Compensation and Management Resources Committee, which held 25 meetings during 2009, 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 Compensation and Management Resources Committee is also responsible for making recommendations to the Board with respect to AIG s compensation programs for key and other employees, for evaluating any risks posed to AIG by its compensation programs and whether such compensation programs encourage

AIG s senior executives to take unnecessary and excessive risks that threaten the value of AIG, and for oversight of AIG s management development and succession planning programs. These responsibilities, which may not be delegated to persons who are not members of the Compensation and Management Resources

Committee, are set forth in the Committee s charter, which is available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com*.

Twenty-one key employees are currently under the purview of the Compensation and Management Resources Committee, including all of the executive officers named in the 2009 Summary Compensation Table. Additionally, because of AIG s current circumstances, the Committee reviews certain actions for two other groups of employees (whether or not they are under the purview of the Committee): Senior Partners and the 100 most highly compensated employees who fall within the purview of the Office of the Special Master for TARP Executive Compensation. Since August 10, 2009, Mr. Benmosche has been participating in meetings of the Compensation and Management Resources Committee and makes recommendations with respect to the annual compensation of employees under the Committee s purview other than himself. Pursuant to AIG s By-laws, the Board ratifies the determination of the Compensation and Management Resources Committee as to the compensation paid or to be paid to AIG s Chief Executive Officer.

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

To provide independent advice, the Compensation and Management Resources Committee engaged Frederic W. Cook & Co. (the Cook firm) 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 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. A senior member of the Cook firm regularly participates in Committee meetings and provides information on compensation trends along with specific views on AIG s compensation programs. For services related to board and executive officer compensation, the Cook firm was paid $260,519.

The Cook firm has provided advice to the Nominating and Corporate Governance Committee on AIG director compensation and market practices with respect to director compensation. The Cook firm reports directly to the Chairman of the Compensation and Management Resources Committee and neither the Cook firm nor any of its affiliates provides any other services to AIG.

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 and Risk Management Committee held 11 meetings in 2009. The Finance and Risk Management Committee assists the Board in its oversight responsibilities by reviewing and making recommendations to the Board with respect to AIG s financial and investment policies, provides strategic guidance to management as to AIG s capital structure, the allocation of capital as to its businesses, methods of financing its businesses and other related strategic initiatives. The Finance and Risk Management Committee also reports to and assists the Board in overseeing and reviewing information regarding AIG s enterprise risk management, including the significant policies, procedures, and practices employed to manage liquidity risk, credit risk, market risk, operational risk and insurance risk. The Finance and Risk Management Committee s charter is available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com.*

The Regulatory, Compliance and Public Policy Committee held 4 meetings in 2009. The Regulatory, Compliance and Public Policy Committee assists the Board in its oversight of AIG s legal, regulatory and compliance matters and reviews AIG s position and policies that relate to current and emerging corporate social responsibility and political and public policy issues. The Regulatory, Compliance and Public Policy Committee s charter is available in the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com.*

COMPENSATION OF DIRECTORS

In 2009, each non-management director of AIG received a retainer of $75,000 per year. Mr. Golub, as Chairman and an ex-officio member of all standing committees of the Board of which he was not a member, received an additional annual retainer of $500,000 (prorated for the part of the year Mr. Golub was Chairman). The chairman of each committee received an annual committee retainer of $15,000, except the chairman of the Audit Committee, who received $25,000. For each other member of each committee, the annual committee retainer was $5,000. Until April 2009, other non-management directors received committee meeting attendance fees of $1,500 per meeting, which included attendance, upon request, at meetings of committees of which they are not members. Retainers were paid in equal installments each quarter in advance of service, and meeting fees were paid each quarter for service in the prior quarter. See Committees for information on current committee memberships and committee memberships during 2009.

Until April 2009, non-management directors could defer retainers and meeting fees in Deferred Stock Units (DSUs) 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 and includes dividend equivalent rights that entitled 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 underlying the DSUs had been outstanding.

In April 2010, the Nominating and Corporate Governance Committee completed its annual review of AIG non-management director compensation. The review included the consideration of the level of non-management director compensation at other companies and the level of commitment required by the directors, given AIG s current circumstances. As a result of this review, the Nominating and Corporate Governance Committee recommended to the Board, and the Board approved, effective April 1, 2010, the increase of the annual retainer to $150,000 and the addition of an annual award of DSUs in an amount of $50,000. The other elements of non-management director compensation remain unchanged.

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

In response to a derivative action filed against AIG, which is described in AIG s 2009 Annual Report on Form 10-K, AIG s Board of Directors appointed a special litigation committee of independent directors to review the matters asserted in the complaint. The special litigation committee was established in 2005. Mr. Miles is currently the only member of the special litigation committee. Fees for the special litigation committee are set by the Board and may be reviewed and adjusted by the Board if the amount of work is greater than originally anticipated.

Mr. Benmosche did not receive any compensation for his service as a director.

The following table contains information with respect to the compensation of the individuals who served as non-management directors of AIG for all or part of 2009.

2009 Non-Management Director Compensation

Non-Management Members of the Board in 2009	Fees Earned or Paid in Cash(1)	Stock Awards(2)	Total
Stephen F. Bollenbach	$ 0	$ 95,497	$ 95,497
Dennis D. Dammerman	$ 0	$ 63,498	$ 63,498
Martin S. Feldstein	$ 54,500	$ 0	$ 54,500
Harvey Golub	$ 244,420	$ 0	$ 244,420
Laurette T. Koellner	$ 47,500	$ 0	$ 47,500
Christopher S. Lynch	$ 52,500	$ 0	$ 52,500
Arthur C. Martinez	$ 42,500	$ 0	$ 42,500
George L. Miles, Jr.	$ 117,250	$ 0	$ 117,250
Robert S. Miller	$ 42,500	$ 0	$ 42,500
Suzanne Nora Johnson	$ 0	$ 63,114	$ 63,114
Morris W. Offit	$ 118,750	$ 0	$ 118,750
James F. Orr III	$ 64,000	$ 10,500	$ 74,500
Virginia M. Rometty	$ 55,058	$ 0	$ 55,058
Douglas M. Steenland	$ 53,611	$ 0	$ 53,611
Michael H. Sutton	$ 56,365	$ 0	$ 56,365

(1) This column represents annual retainer fees, committee and committee chairman retainer fees and, through March 2009, committee meeting attendance fees. For Mr. Feldstein, the amount includes a $1,500 meeting attendance fee for a meeting of the board of directors of a subsidiary of AIG. For Mr. Steenland, the amount includes $11,111, which is a prorated portion of the annual fee for his service as a Non-Executive Chairman of a subsidiary of AIG.

(2) This column represents the grant date fair value of DSUs granted in 2009 to directors, based on the closing sale price of AIG Common Stock on the date of grant.

Directors received DSUs representing deferred director s fees at certain dates throughout the year. DSUs were granted on January 5, January 14 and April 1 of 2009. The grant date fair values for the DSUs were calculated by multiplying the number of DSUs awarded by the closing sale price of AIG Common Stock on the date of grant. The number of DSUs granted to each director on each date, and the grant date fair value of such DSUs, were as follows:

	January 5		January 14		April 1	
Name	DSUs(1)	Grant Date Fair Value	DSUs(1)	Grant Date Fair Value	DSUs(1)	Grant Date Fair Value
Stephen F. Bollenbach	26,505	$ 43,998	0	$ 0	48,130	$ 51,499
Dennis D. Dammerman	15,511	$ 25,748	0	$ 0	35,280	$ 37,750
Martin S. Feldstein	0	$ 0	0	$ 0	0	$ 0
Harvey Golub	0	$ 0	0	$ 0	0	$ 0
Laurette T. Koellner	0	$ 0	0	$ 0	0	$ 0
Christopher S. Lynch	0	$ 0	0	$ 0	0	$ 0
Arthur C. Martinez	0	$ 0	0	$ 0	0	$ 0
George L. Miles, Jr	0	$ 0	0	$ 0	0	$ 0
Robert S. Miller	0	$ 0	0	$ 0	0	$ 0
Suzanne Nora Johnson	14,909	$ 24,749	1,420	$ 2,116	33,878	$ 36,249
Morris W. Offit	0	$ 0	0	$ 0	0	$ 0
James F. Orr III	6,325	$ 10,500	0	$ 0	0	$ 0
Virginia M. Rometty	0	$ 0	0	$ 0	0	$ 0
Douglas M. Steenland	0	$ 0	0	$ 0	0	$ 0
Michael H. Sutton	0	$ 0	0	$ 0	0	$ 0

(1) DSUs shown do not reflect the one-for-twenty reverse split of AIG Common Stock that occurred on June 30, 2009.

The following table sets forth information with respect to the option and stock awards outstanding at December 31, 2009 for the non-management directors of AIG.

Stock and Option Awards Outstanding at December 31, 2009

Non-Management Members of the Board in 2009	Option Awards(1)	Deferred Stock(2)	Deferred Stock Units(3)
Stephen F. Bollenbach	0	0	0
Dennis D. Dammerman	0	0	4,359
Martin S. Feldstein	950	0	0
Harvey Golub	0	0	0
Laurette T. Koellner	0	0	0
Christopher S. Lynch	0	0	0
Arthur C. Martinez	0	0	0
George L. Miles, Jr.	250	90	258

Robert S. Miller	0	0	0
Suzanne Nora Johnson	0	0	3,089
Morris W. Offit	250	90	258
James F. Orr III	125	0	0
Virginia M. Rometty	125	0	0
Douglas M. Steenland	0	0	0
Michael H. Sutton	250	0	0

(1) Represents outstanding option awards made by AIG in 2006 and prior years. All options are exercisable, but have exercise prices far in excess of the value of AIG Common Stock at year-end 2009 ($29.98). The exercise price of the options ranges from $940.00 to $1,694.20.

(2) No deferred stock was awarded in 2009. Deferred stock shown was awarded in 2007 and prior years. Receipt of deferred stock is deferred until the director ceases to be a member of the Board.

(3) DSUs shown include DSUs awarded in 2008 or 2009 and prior years, director s fees deferred into DSUs and DSUs awarded as dividend equivalents. Receipt of shares of AIG Common Stock underlying DSUs is deferred until the director ceases to be a member of the Board.

COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation and Management Resources Committee has served as an officer or employee of AIG at any time or has any relationship with AIG requiring disclosure as a related-party transaction. During 2009, none of AIG s executive officers served as a director of another entity, one of whose executive officers served on the Compensation and Management Resources Committee; and none of AIG s executive officers served as a member of the compensation committee of another entity, one of whose executive officers served as a member of the Board of Directors of AIG.

OWNERSHIP OF CERTAIN SECURITIES

Common Stock

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

Name and Address	Shares of Common Stock Beneficially Owned Number	Percent(1)
C.V. Starr & Co., Inc.; Edward E. Matthews; Maurice R. Greenberg; Starr International Company, Inc. (SICO); Universal Foundation, Inc. (collectively, the Starr Group)(2) 399 Park Avenue 17th Floor New York, NY 10022(3)	14,111,480	10.504%

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

(2) Based on a Schedule 13D as amended through March 17, 2010 filed 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. Each of the Maurice R. and Corinne P. Greenberg Family Foundation, Inc., the Maurice R. and Corinne P. Greenberg Joint Tenancy Company, LLC and C.V. Starr & Co. Inc. Trust no longer has the power to vote or direct the disposition of any shares of AIG Common Stock. Item 5 to the Schedule 13D dated June 5, 2009 filed by each member of the Starr Group provides details as to the voting and investment power of each member of the Starr Group, as well as the right of each other member of the Starr Group to acquire AIG Common Stock within 60 days. All information provided in Ownership of Certain Securities with respect to the Starr Group is provided based solely on the information set forth in the Starr Group Schedule 13D. This information has not been updated to reflect changes in the ownership by the members of the Starr Group of AIG Common Stock that are disclosed in filings made by one or more members of the Starr Group under Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act). In each case, this information may not be accurate or complete and AIG takes no responsibility therefor and makes no representation as to its accuracy or completeness as of the date hereof or any subsequent date.

(3) This is the principal office for all individuals and entities in the Starr Group, other than Starr International Company, Inc., which has a principal office at Baarerstrasse 101, CH-6300 Zug, Switzerland; and the Universal Foundation, which has a principal office at Mercury House, 101 Front Street, Hamilton HM 12, Bermuda.

The following table summarizes the ownership of AIG Common Stock by the current and nominee directors, by the current and former executive officers named in the 2009 Summary Compensation Table in 2009 Compensation and by the directors and current executive officers as a group. None of the shares of AIG Common Stock listed in the following table have been pledged as security.

	AIG Common Stock Owned Beneficially as of February 28, 2010	
	Amount and Nature of Beneficial Ownership(1)(2)	**Percent of Class**
Robert H. Benmosche	37,535	.03
Harvey Golub	0	0
David L. Herzog	10,362	.01
Laurette T. Koellner	0	0
Donald H. Layton	0	0
Edward M. Liddy	0	0
Christopher S. Lynch	0	0
Rodney O. Martin, Jr.	68,502	.05
Arthur C. Martinez	0	0
George L. Miles, Jr.	598	(3)
Henry S. Miller	0	0
Robert S. Miller	0	0
Kris P. Moor	17,802	.01
Suzanne Nora Johnson	3,089	(3)
Morris W. Offit	2,848	(3)
Ronald A. Rittenmeyer	0	0
Douglas M. Steenland	0	0
Nicholas C. Walsh	40,534	.03
All Directors and Executive Officers of AIG as a group (27 individuals)	366,209	.26

(1) Amount of equity securities shown includes shares of AIG Common Stock subject to options which may be exercised within 60 days as follows: Herzog 9,996 shares, Martin 35,249 shares, Miles 250 shares, Moor 16,094 shares, Offit 250 shares, Walsh 9,158 shares and all directors and the former and current executive officers of AIG as a group 116,194 shares. For non-management directors, the amount of equity securities shown also includes: (i) shares granted to each non-employee director with delivery deferred until the director ceases to be a member of the Board as follows: Miles 90 shares and Offit 90 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: Miles 258 shares, Nora Johnson 3,089 shares, and Offit 258 shares.

(2) 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: Martin 56 shares and all directors and current executive officers of AIG as a group 1,387 shares.

(3) Less than .01 percent.

AIG Series C Preferred Stock

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

AIG Series E Preferred Stock and AIG Series F Preferred Stock

The Department of the Treasury, c/o Timothy Massad, United States Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington D.C. 20220, holds (i) all of the outstanding 400,000 shares of the AIG Series E Preferred Stock and (ii) all of the outstanding 300,000 shares of the AIG Series F Preferred Stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires directors, executive officers, and greater than ten percent holders of AIG Common Stock to file reports with respect to their ownership of AIG equity securities. Based solely on the review of the Forms 3, 4 and 5 and amendments thereto furnished to AIG and certain representations made to AIG, AIG believes that the only filing deficiencies under Section 16(a) by its directors, executive officers, and greater than ten percent holders during 2009 were two late reports filed by then executive officer, Mr. Jacob Frenkel (one reporting the distribution of 192 shares granted under the Starr International Company, Inc. Deferred Compensation Profit Participation Plan and the other reporting the grant of 500 restricted stock units (RSUs) granted under the American International Group, Inc. Amended and Restated 2002 Stock Incentive Plan) and one late report filed by Ms. Suzanne Nora Johnson, a director (reporting the award of 71 deferred DSUs under the 2007 Stock Incentive Plan) due to an administrative error.

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. Such employee investment funds have a fee structure that is generally more favorable than that offered by AIG to non-employees. Four of AIG s current executive officers have invested in these funds. A current executive officer invested in a similar fund, the SunAmerica Venture Fund 2000, LP.

Other Transactions

Ada K.H. Tse, daughter of Mr. Edmund S.W. Tse, an executive officer and member of the Board of Directors until his retirement in June 2009, serves as President and CEO of AIG Global Investment Corp. (Asia) Ltd. For 2009, Ms. Tse received approximately $504,362 in salary, $250,003 in bonus and $601,185 in retention awards.

Daniel Neuger, son of Win J. Neuger, an executive officer of AIG, serves as a Managing Director of AIG Global Investment Corp. and AIG Global Asset Management Holdings Corp. For 2009, Mr. Daniel Neuger received approximately $473,900 in total salary, bonus and equity-based compensation.

Related-Party Transactions Approval Policy

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

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

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

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

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

EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE

Overview

The Compensation and Management Resources Committee reviews and approves 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, makes recommendations to the Board with respect to AIG s compensation programs for key and other employees, oversees AIG s management development and succession planning programs and produces this Report on annual compensation. In carrying out these responsibilities, we try to maintain responsible compensation practices that attract, develop and retain high performing senior executives and other employees.

Risk and Compensation Plans

AIG continues to enhance its risk management control environment, risk management processes and enterprise risk management functions. AIG s compensation practices are essential parts of AIG s approach to risk management, and the Committee regularly monitors AIG s compensation programs to ensure they align with sound risk management principles. In March 2009, the Committee s charter was amended to expressly include the Committee s duty to meet periodically to discuss and review the relationship between AIG s risk management policies and practices and the incentive compensation arrangements applicable to senior executives, in consultation with the Chief Risk Officer.

Risk Assessment

As a TARP recipient, AIG must comply with certain executive compensation requirements set forth in the TARP Standards for Compensation and Corporate Governance (the TARP Standards) and the interpretations of those standards by the Special Master for TARP Executive Compensation, who is appointed by the Secretary of the Treasury. To comply with these standards, the Committee must annually provide a narrative description of how the senior executive officer (SEO) compensation plans do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of AIG (including how the SEO plans do not encourage behavior focused on short-term results rather than long-term value creation), the risks posed by the employee compensation plans and how these risks were limited (including how the employee compensation plans do not encourage behavior focused on short-term results rather than long-term value creation) and how AIG has ensured that the employee compensation plans do not encourage the manipulation of AIG s reported earnings to enhance the compensation of any employee.

In accordance with these standards, the Committee instructed AIG s Chief Risk Officer to conduct an assessment of AIG s compensation plans. The Committee then met with AIG s Chief Risk Officer on multiple occasions to discuss the assessment and to further discuss, evaluate and review the compensation plans.

Senior Executive Officer Compensation Plans

The Committee reviewed with AIG s Chief Risk Officer the SEO compensation plans and made all reasonable efforts to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of AIG. Following its review, the Committee and the Chief Risk Officer determined that the SEO compensation plans do not encourage unnecessary and excessive risk-taking that threatens the value of AIG and do not encourage behavior focused on short-term results rather than long-term value creation.

Our SEOs participate in compensation structures approved and/or determined by the Special Master, which generally consist of cash salary, equity-based awards (including Stock Salary, described under Compensation Discussion and Analysis Compensation Structure Direct Compensation Components Stock Salary, and performance-based incentive compensation) as well as benefits categorized as perquisites or other compensation under the SEC rules that may not exceed specified limits set by the Special Master. AIG provides the SEOs with retirement benefits under various defined benefit and defined contribution plans, including AIG s tax-qualified 401(k) plan, tax-qualified pension plan, Excess Retirement Income Plan and Supplemental Executive Retirement Plan. Certain of the SEOs also have balances under legacy nonqualified defined contribution plans. Pursuant to the Special Master s determinations, the accrual of benefits under these retirement plans, other than the tax-qualified plans, have been frozen for the SEOs. Because AIG received financial assistance, the SEOs may not receive severance or other benefits as a result of a termination of employment during 2010.

As described in the Compensation Discussion and Analysis that follows, the Special Master approved the compensation structures for AIG s SEOs and, in certain cases, amounts payable or potentially payable to them. The approved structures contain numerous features that emphasize long-term value creation and help prevent unnecessary or excessive risk-taking. The majority of compensation is performance-based and paid in equity. Such equity-based compensation is subject to transfer restrictions and, in certain cases, tied to repayment of AIG s TARP financial assistance.

The approved structures include performance-based awards granted based on the achievement of objective performance criteria tailored to each individual. For the SEOs, therefore, our review focused on whether these performance metrics, which were developed and reviewed in consultation with the Office of the Special Master, could be considered to encourage unnecessary and excessive risk-taking or behavior focused on short-term results instead of long-term value creation. We considered the performance metrics of our CEO and CFO, which include risk management and capital preservation goals such as maintaining and enhancing an appropriate control environment and avoiding negative changes in ratings and business unit performance goals including the continued de-risking of AIG Financial Products Corp., to be focused explicitly on long-term value creation. Such metrics are not tied directly to AIG s reported earnings. We also determined that the performance metrics of our other SEOs did not reward short-term performance at the expense of long-term value creation nor encourage the SEOs to take unnecessary or excessive risks that could threaten the value of AIG.

The Committee retains discretion to reduce the amount of any incentive compensation on the basis of individual or company-wide performance, and all incentive compensation paid is subject to clawback if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.

Certain of our SEOs also have outstanding awards under legacy long-term incentive plans, including the Senior Partners Plan, the Partners Plan and AIG s 2005-2006 Deferred Compensation Profit Participation Plan. As the performance periods for such awards are complete, and the awards are fully earned but not yet vested, they do not encourage the SEOs to take unnecessary and excessive risks or behavior focused on achieving short-term results. Certain of our SEOs were granted retention awards in 2008. These awards were initially payable 60 percent on December 31, 2008, and later extended voluntarily to April 2009, and 40 percent payable December 31, 2009, and later further extended to April 2010. The April 2009 payment was further delayed by AIG as part of a general freeze instituted early in 2009. The Office of the Special Master determined that, with respect to certain members of our Top 25 and Top 26-100, both as described under Compensation Discussion and Analysis Executive Summary, further restructuring of these retention contracts would not be consistent with the public interest. The Committee considered the risks of these awards as part of the award process and believes retention of critical senior executive talent is a crucial part of restoring the value of AIG.

Employee Compensation Plans

The Committee reviewed with AIG s Chief Risk Officer the employee compensation plans and made all reasonable efforts to limit any unnecessary risks these plans pose to AIG. Following its review, the Committee and the Chief Risk Officer determined that the employee compensation plans neither pose unnecessary risks to AIG nor contain features that would encourage the manipulation of reported earnings of AIG to enhance the compensation of any employee.

As recommended by AIG s Chief Risk Officer, the Committee focused its review of employee compensation plans on incentive-based compensation plans and their administration. Information for

359 plans covering over 81,000 employees was collected, with programs applicable to the same business unit and containing similar design features sometimes combined to facilitate review. The Committee s review was guided by the work of AIG human resources professionals, who identified the incentive plans and received training from AIG risk officers to develop a profile for each plan based on evaluation of features such as number of participants, mix of incentive pay compared to salary, performance and vesting periods and performance goals. Human resources then assigned the plans to one of four risk quadrants: low risk (low business risk/low design risk), intermediate risk (low business risk/high design risk), intermediate risk (high business risk/low design risk) or high risk (high business risk/high design risk). After taking into account the analysis carried out by AIG human resources, risk officers reviewed all plans classified as high risk and most of the plans classified as intermediate risk, as well as a sampling of low risk plans. They produced a final classification of the plans as follows:

Business Unit	Low Risk	Intermediate Risk (low business risk/ high design risk)	Intermediate Risk (high business risk/ low design risk)	High Risk	Total
Corporate	2	0	0	0	2
AIA	63	0	0	0	63
AGF	1	0	0	0	1
ALICO	114	0	0	0	114
Asset Mgmt Group	0	0	1	1	2
Chartis	108	5	0	1	114
Edison	7	0	0	0	7
ILFC	4	0	0	0	4
Nan Shan	4	0	0	0	4
PineBridge	5	0	1	0	6
Star	9	0	0	0	9
SFG	25	4	0	0	29
UGC	3	0	0	0	3
Financial Services	1	0	0	0	1
Total	346	9	2	2	359

Most plans were categorized as low risk. While these plans vary in structure and payout, the incentive pay is generally discretionary or based on strict performance parameters. Other features incorporated into these plans that mitigate risk include capped payouts, consideration of qualitative aspects of performance, multi-year vesting periods and use of equity and deferrals.

Eleven plans were classified as intermediate risk, and we concluded that these plans were within tolerable risk limits. In the case of the low business risk/high design risk plans, features such as governance structures put in place to regulate payments and multi-year payment schedules function as sufficient mitigants. Similarly, the high business risk/low design risk plans generally contain design features such as low ratios of incentive pay to salary, caps on incentive pay and qualitative performance metrics that mitigate risk.

Two plans were classified as high risk. One of the plans applies formulaic weightings to quantitative performance metrics. We determined that the performance metrics could be exploited to enhance employee compensation. To mitigate this risk, the business unit used the quantitative metrics as an input in a qualitative performance evaluation for 2009. The business unit will work with the Chief Risk Officer to develop improved performance metrics for the 2010 year. We determined that the other plan classified as high risk permits an unacceptable level of risk. Although the plan includes certain risk mitigation factors such as funding of long-term incentives above a minimum performance level and deferred payment of long-term awards, it also contains high ratios of incentive pay to salary, uncapped awards and performance metrics tied to earnings without risk adjustment. The plan was established in connection with AIG s acquisition of a business, and AIG was contractually obligated to make the 2009 payments under the current terms of the plan.

Going forward, we believe that certain changes should still be made to the plans classified as intermediate or high risk in order to further align the plans with the principles of sound risk management. We have instructed the appropriate business units to work with the Chief Risk Officer to implement plan enhancements for 2010 consistent with AIG s contractual obligations.

The Chief Risk Officer provided separate comments on four principal incentive award plans, and recommendations were incorporated either during the initial design process or shortly thereafter. The Chief Risk Officer reviewed separately the performance metrics used to grant incentive awards to the 2009 Top 26-100 under the compensation structures approved by the Special Master, and we determined that these metrics do not pose unnecessary risks to AIG or encourage the manipulation of AIG s reported earnings to enhance the compensation of any of the executives. We concluded that recommendations of the Chief Risk Officer to further enhance the risk mitigation features of these performance metrics and the metrics of certain of our SEOs should nonetheless be implemented for the 2010 year and have instructed the appropriate businesses to ensure that the 2010 performance metrics are consistent with recommendations made by the Chief Risk Officer.

Certifications

The Compensation Discussion and Analysis that follows discusses the principles the Committee has been using to guide its compensation decisions for senior executives. The Committee has reviewed and discussed the Compensation Discussion and Analysis with management. The Cook firm has also reviewed and discussed the Compensation Discussion and Analysis with management and outside counsel on behalf of the Committee. Based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and in AIG s 2009 Annual Report on Form 10-K.

The Committee certifies that all incentive compensation granted in respect of 2009 to the SEOs and Top 100 was awarded pursuant to objective performance criteria developed and reviewed by the Committee that met the requirements of the Special Master.

In addition, the Committee certifies the following:

1. It has reviewed with the Chief Risk Officer the SEO compensation plans and has made all reasonable efforts to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of AIG;

2. It has reviewed with the Chief Risk Officer the employee compensation plans and has made all reasonable efforts to limit any unnecessary risks these plans pose to AIG; and

3. It has reviewed the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of AIG to enhance the compensation of any employee.

Compensation and Management Resources Committee
American International Group, Inc.

Arthur C. Martinez, Chairman
Harvey Golub
Laurette T. Koellner
Suzanne Nora Johnson

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

AIG is committed to compensation practices that allow the company to attract and retain capable and experienced professionals and motivate them to achieve strong business results in both the short- and long-term.

In 2009, AIG became subject to strict, legally mandated limits on the structure and amounts of compensation it could pay to its executive officers and other highly paid employees. The pay structures for AIG s senior executive officers and 20 other most highly paid employees (based on 2008 compensation) are prescribed by statute, as interpreted by the Special Master for TARP Executive Compensation, who is appointed by the Secretary of the Treasury. The Special Master also determines the specific compensation structures and amounts for this Top 25 group, which included Messrs. Benmosche, Herzog and Moor. The determined compensation for AIG s Top 25 group was publicly announced by the Special Master in October 2009.

The Special Master also determined the pay structure (but not the amounts) of the remainder of AIG s 100 most highly compensated employees (based on 2008 compensation). Messrs. Martin and Walsh were members of this Top 26-100 group for 2009, and the structures determined for this group were publicly announced by the Special Master in December 2009.

The Committee s executive compensation proposals were made in the context of these legal restrictions and, for the Top 25, these proposals were then reviewed and modified by the Special Master s determinations. As a result, the Committee s decisions for the Top 25 were effectively confined to approving year-end compensation awards up to the amounts allowed by the Special Master. The Committee made these and other executive compensation decisions in the context of the exceptional results achieved by AIG s executive team during this year in stabilizing and preserving the value of AIG s insurance subsidiaries, making significant progress on restructuring efforts and reducing the systemic risk posed by AIG Financial Products Corp.

Approved Compensation

The following table shows the approved 2009 annualized compensation rates for Messrs. Benmosche, Herzog, Moor, Martin and Walsh. We refer to the executives listed on this table as AIG s current named executives. Together with Mr. Liddy, they are AIG s named executives. The manner in which the Special Master administered 2009 compensation for the current named executives is substantially different from the manner in which SEC rules require the compensation to be presented in the 2009 Summary Compensation Table.

	Structure and Maximum Amounts Determined by Special Master			Structure Determined by Special Master	
	Robert H. Benmosche	David L. Herzog	Kris P. Moor	Rodney O. Martin, Jr.	Nicholas C. Walsh
Cash Salary	$ 3,000,000**(1)**	$ 350,000**(1)**	$ 450,000**(1)**	$ 900,000**(1)**	$ 650,000**(1)**
Stock Salary	$ 4,000,000**(1)**	$ 3,104,167	$ 4,691,667	$ 3,060,000	$ 2,540,000
Incentives	$ 3,500,000**(2)**	$ 833,333**(2)**	$ 2,000,000**(2)**	$ 3,300,000	$ 3,480,000
Total	$ 10,500,000	$ 4,287,500	$ 7,141,667	$ 7,260,000	$ 6,670,000

(1) The approved cash salary and Stock Salary rates for Mr. Benmosche were effective as of his date of hire, August 10, 2009. The approved cash salary rates for Messrs. Herzog and Moor became effective November 1, 2009 and for Mr. Walsh became effective December 14, 2009, the respective effective dates required by the Special Master s determinations. Prior to the effectiveness of the new cash salary rates, Messrs. Herzog, Moor and Walsh were paid cash salaries at their previously effective rates. Mr. Martin was already receiving salary at the approved level.

(2) No cash incentives were permitted for Messrs. Benmosche, Herzog or Moor and incentives were instead required to be paid in unvested TARP RSUs (described under Compensation Structure Direct Compensation Components 2009 Incentive Compensation). Actual 2009 incentives for Mr. Benmosche were prorated to reflect the portion of the year that he was at AIG and are not reflected on the 2009 Summary Compensation Table because they were awarded early in 2010. The actual amount of Mr. Benmosche s 2009 incentive award was $1,380,797.

For 2010, each of the current named executives is a Top 25 employee and subject to the heightened restrictions that apply to that group. In March 2010, the Special Master determined the following structures and maximum amounts for 2010.

	Structure and Maximum Amounts Approved by Special Master				
	Robert H. Benmosche	David L. Herzog	Kris P. Moor	Rodney O. Martin, Jr.	Nicholas C. Walsh
Cash Salary	$ 3,000,000	$ 495,000	$ 700,000	$ 495,000	$ 475,000
Stock Salary	$ 4,000,000	$ 4,485,000	$ 5,000,000	$ 3,731,250	$ 4,568,750
Incentives**(1)**	$ 3,500,000	$ 1,020,000	$ 1,900,000	$ 1,375,000	$ 0
Total	$ 10,500,000	$ 6,000,000	$ 7,600,000	$ 5,601,250	$ 5,043,750

(1) Required to be in the form of unvested TARP RSUs.

Objectives and Design of Compensation Framework

Historically, the Committee s compensation philosophy centered around the following:

Emphasizing performance-based elements of compensation through the use of awards that had value if AIG produced strong financial performance and shareholder returns during current and subsequent performance periods.

Fostering an owner/management culture through a partnership compensation approach that recognized career milestones and ensured senior management accountability for a variety of company-wide strategic goals.

Aligning 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 was represented by AIG Common Stock.

Increasing centralized administration and control over individual compensation components (which had historically been decentralized).

We believe these principles continue to apply, but we necessarily implement them differently than in prior years. In particular, the Special Master determined the compensation structure for each of the current named executives (and, in the case of Messrs. Benmosche, Herzog and Moor, amounts payable or potentially payable) and concluded that they will not result in payments that are inconsistent with the purposes of Section 111 of the Emergency Economic Stabilization Act of 2008 (EESA) or the Troubled Asset Relief Program, and will not otherwise be contrary to the public interest. In doing so, the Special Master was required to consider the following six principles:

Risk. Compensation should avoid incentives that encourage employees to take unnecessary or excessive risks that could threaten the value of AIG.

Taxpayer Return. Compensation should reflect the need for AIG to remain a competitive enterprise and to retain and recruit talented employees so that AIG will ultimately be able to repay its TARP obligations.

Appropriate Allocation. Compensation should be appropriately allocated to different components, such as salary and short- and long-term incentives, and forms, such as cash and equity, based on the role of each employee and other relevant circumstances.

Performance-based Compensation. An appropriate portion of compensation should be performance-based, and the performance metrics should be measurable, enforceable, and actually enforced if not met.

Comparable Structures and Payments. Compensation should be consistent with compensation for executives in similar positions at entities that are similarly situated, including at financially distressed institutions.

Employee Contributions to AIG s Value. Compensation should reflect current and prospective contributions of the employee to AIG s value.

During the period that compensation for AIG employees is subject to the determinations of the Special Master, the Committee s approach will also focus on these principles.

The Special Master had discretion to determine the appropriate weight or relevance of each particular principle, depending on his views of the facts and circumstances surrounding the compensation structure or payment for a particular employee. To the extent that two or more principles are inconsistent in a particular situation, the Special Master exercised his discretion to determine the relative weight to be accorded to each principle.

In the course of applying these principles, the Special Master was permitted to take into account other compensation structures and other compensation earned, accrued, or paid, including compensation and compensation structures that are not subject to the restrictions of EESA. For example, the Special Master was permitted to consider payments by AIG under valid contracts entered into before the enactment of EESA.

Compensation Structure
Direct Compensation Components

Cash Salary. In 2009, the Special Master determined that compensation for Top 25 and Top 26-100 employees should be primarily performance-based. He therefore required that cash salaries be generally limited to $500,000, except in certain exceptional cases. AIG s historical practice has been to pay a limited portion of overall compensation in the form of base salary. However, under the prescribed structure, cash salary is the only source of cash compensation AIG can provide to its most senior executives. As a result, the current limitation on cash salary has resulted in lower cash compensation opportunities, as a percentage of total compensation, than has ever been the case and significantly lower than AIG s competitors. The Committee continues to be concerned that this limit will put AIG at a competitive disadvantage.

Stock Salary. As a result of the Special Master s determinations, AIG implemented a program of regular grants of vested stock or stock units that has become generally referred to as Stock Salary. The ultimate value of Stock Salary is determined by the value of AIG Common Stock over a period of years, and the Special Master has therefore determined that this compensation is both performance-based and consistent with the long-term interest of shareholders.

In large part, Stock Salary takes the place of what would otherwise be annual and long-term cash, stock and performance-based incentive programs. As a result of limitations on cash salary and the extensive use of Stock Salary, AIG has substantial constraints on its ability to fashion a compensation structure that the Committee believes would be sufficiently effective, performance-based, competitive and, ultimately, beneficial for all of AIG s stakeholders.

Stock Salary takes the form of regular grants of immediately vested stock or units made on each regular payroll date. The amount of stock or units granted on each payroll date is determined by dividing the dollar value of the Stock Salary earned over the applicable payroll period by the market price of AIG Common Stock on the date of grant. Furthermore, each grant of Stock Salary is subject to transfer or payment restrictions for between one and five years from the date of grant, depending on the individual. For 2009, grants of Stock Salary were made to AIG s current named executives with retroactive effect from

January 1, 2009 for Messrs. Herzog, Moor, Martin and Walsh, and effective August 10, 2009 for Mr. Benmosche, after AIG had finalized arrangements for the payment of this new compensation component. The periods of restriction for Stock Salary paid to AIG s current named executives in 2009 are as follows:

For Mr. Benmosche, restrictions will lapse on the fifth anniversary of the date of hire.

For Messrs. Herzog and Moor, the restrictions were originally scheduled to lapse on one-third of the Stock Salary each year, starting on the second anniversary of grant. As a result of AIG s repayment of a part of its federal obligations, this schedule has been accelerated by one year.

For Messrs. Martin and Walsh, a portion of Stock Salary is restricted for three years and the remainder is restricted for one year. The approved structure for Messrs. Martin and Walsh requires that at least 50 percent of compensation be paid in a form that is non-transferable for at least three years, and the restriction periods were chosen in order to achieve this.

The determinations for Messrs. Herzog, Moor, Martin and Walsh permitted stock-based compensation, including Stock Salary, to be based either on the value of AIG Common Stock or on the value of a notional basket of stocks representing AIG s businesses. After considering the risks associated with AIG Common Stock in light of AIG s current capital structure (as described in AIG s 2009 Annual Report on Form 10-K), the Committee ultimately decided to base this compensation on AIG Common Stock in order to avoid the complexity of the alternative structure and to ensure that all employees have an interest in the entire AIG business.

The Committee continues to evaluate the appropriate form of Stock Salary. A March 23, 2010 determination memorandum from the Special Master permits AIG to use a new form of Stock Salary based on a basket of AIG Common Stock and debt securities designed to serve as a proxy for AIG s long-term value. The terms and conditions of the Stock Salary based on this new basket remain subject to the approval of the Special Master.

Because of limited share availability under the 2007 Stock Incentive Plan, Stock Salary (and other stock-based) awards to AIG s current named executives in 2009 generally took the form of cash-settled units based on the value of AIG Common Stock. Exceptions were made for Mr. Benmosche s Stock Salary, which as an inducement grant could be paid outside the 2007 Stock Incentive Plan, and for certain of Messrs. Martin and Walsh s stock incentive awards, which were required to be paid in shares of AIG Common Stock in order to be permissible under the statutory limits that apply to AIG.

2009 Incentive Compensation. The current named executives in the Top 25 could not receive any incentive compensation other than TARP RSUs. Under the structure determined by the Special Master, Messrs. Martin and Walsh could be paid incentives in the form of cash or other equity, so long as:

incentives were based on objective performance metrics developed in consultation with the Special Master,

no more than half of the incentives were paid in cash and at least half were paid in stock (based on the value at grant) that could not be transferred for at least three years from grant,

at least half of any cash incentive was deferred for at least one year,

no more than 40 percent of total compensation was paid in cash and at least 50 percent of total compensation was paid in a form that was not transferable for at least three years.

TARP RSUs. TARP RSUs are a form of incentive compensation defined by applicable regulation under the name long-term restricted stock. In order to qualify as TARP RSUs, the award must generally have at least a two-year vesting period and may only become transferable or payable in 25 percent increments in proportion to AIG s repayment of its TARP obligations. For TARP RSUs awarded to certain current named executives, the Special Master required additional restrictions: for Messrs. Herzog and

Moor, the vesting period was extended to three years, and for Messrs. Martin and Walsh the TARP RSUs may not be transferred or paid for one year following the vesting period.

AIG was not required to pay members of the Top 26-100 with TARP RSUs. However, based on the views of the Special Master, stock incentives payable to these employees were in the form of TARP RSUs in an amount up to approximately 10 percent of target total direct compensation.

Cash Incentive. Members of AIG s Top 25, including Messrs. Benmosche, Herzog and Moor, were not eligible for any cash incentives. Cash incentives to members of AIG s Top 26-100 were generally payable half in March 2010 and half in March 2011. In light of the restrictions that would apply to Messrs. Martin and Walsh because they were entering the Top 25 for 2010, the Special Master allowed their cash incentives to be paid in December 2009, with half paid in cash and half paid in the form of restricted stock that cannot be transferred until March 2011. We refer to these awards as Variable Cash Incentive. In light of the substantial stock component required by the Special Master s determination and in light of the necessity to convert an additional part of the cash incentive to restricted stock, AIG generally structured incentive opportunities to permit the maximum amount of target cash incentive.

Stock Incentive. Members of AIG s Top 25, including Messrs. Benmosche, Herzog and Moor, were not eligible for any stock incentives other than a limited amount of TARP RSUs. For Messrs. Martin and Walsh, members of AIG s Top 26-100 for 2009, stock incentives were paid in the form of restricted stock that cannot be transferred until December 2012. The three-year restriction was designed so that the awards would reflect long-term performance and comply with the Special Master s structural requirements. We refer to these awards as Variable Stock Incentive.

Performance Determination. Incentives were awarded on the basis of objective performance criteria tailored to each executive s particular situation and responsibilities, and reviewed and approved by the Committee in consultation with the Special Master. However, notwithstanding the full or partial satisfaction of the performance criteria, the Committee retained the discretion to reduce any employee s incentive award on the basis of its overall evaluation of the employee s or AIG s performance. The performance criteria used for each current named executive are summarized under Compensation Decisions for 2009 Incentive Awards.

The same performance criteria were used for determining grants of each form of incentive compensation. For Messrs. Martin and Walsh, and other employees in the Top 26-100, when the level of performance had been determined, the dollar value of the incentive awarded in each of the three forms was allocated in a way that followed the approved structure. For equity-based incentives (*i.e.*, TARP RSUs and stock incentives), AIG determined the number of shares or units awarded by dividing the dollar value of the incentive by the closing sale price of AIG Common Stock on the NYSE on the date of grant.

Clawback. All of the 2009 incentive compensation paid to the current named executives is subject to clawback if it is later determined to have been based on materially inaccurate financial statements or any other materially inaccurate performance metrics.

Timing. In order to facilitate compliance with the TARP Standards, AIG granted incentive awards to Messrs. Herzog, Moor, Martin and Walsh on December 28, 2009. The incentive award for Mr. Benmosche was made on March 15, 2010, following formal review and approval by the Special Master.

Historic Compensation Components

Deferred Payments of 2008 Compensation. Due to a number of actions taken by AIG in consultation with the Department of the Treasury, the service period for some payments that were originally intended to be made with respect to 2008 for Messrs. Herzog, Moor, Martin and Walsh was extended and the payments were subjected to additional performance review. According to SEC rules, these payments must be included as 2009 compensation in AIG s 2009 Summary Compensation Table. The payments, which are described in the following paragraphs, were detailed in the 2009 Proxy Statement for the then applicable executives and, in the case of retention awards, were specifically considered by the Special Master. These amounts are included as 2009 compensation in the 2009

Summary Compensation Table in addition to the full amount of the 2009 compensation for these named executives.

As part of AIG s most senior leadership group in 2008, Messrs. Herzog and Moor had agreed not to receive any 2008 year-end variable incentive pay. For other employees who were eligible for 2008 variable year-end incentive pay, AIG paid only half of the previously approved levels. The remainder was deferred and made subject to AIG s performance under its restructuring plans (as discussed below). Of the named executives, only Messrs. Martin and Walsh were eligible for these payments. (Mr. Benmosche had not yet joined AIG.)

As described in AIG s 2009 Proxy Statement, promptly following the announcement of the FRBNY Credit Agreement in September 2008, AIG instituted a retention program in order to retain key employees. Awards under this program were received by Messrs. Herzog, Moor, Martin and Walsh in the amounts of $2,500,000, $4,000,000, $3,500,000 and $3,000,000, respectively, based on multiples of their base salaries. These amounts were initially scheduled to be paid 60 percent for service through December 31, 2008, and 40 percent for service through December 31, 2009.

AIG did not pay any retention awards to the current named executives in 2008. In November 2008, all of AIG s executive officers, including Messrs. Herzog, Moor, Martin and Walsh, voluntarily agreed to extend the period for earning these awards to April 2009 and April 2010, and the April 2009 payment was further delayed by AIG as part of a general freeze on non-salary payments instituted early in 2009. After consulting with officials at the FRBNY and officials at the Department of the Treasury, and considering their opinions, the Special Master concluded that, due to the unique financial circumstances existing at AIG, and the need to retain the services of employees deemed to be particularly critical to AIG s long-term financial success, further restructuring the retention awards would not be consistent with the public interest. Instead, the Special Master took the awards into consideration when deciding how much to reduce the cash salaries of Messrs. Herzog and Moor and how much cash compensation to allow Messrs. Martin and Walsh to receive.

In evaluating the payment of the deferred 2008 year-end variable incentive pay and deferred 2008 retention awards, the Committee reviewed AIG s progress under its restructuring plans, including the following:

- Completion of the AIA and ALICO SPV transactions,

- Reducing the systemic risk posed by the AIG Financial Product Corp. derivatives portfolio, including a one-third reduction in notional amount of the portfolio, and a more than 50 percent reduction in the number of trade positions through June 30, 2009, with further reductions during the remainder of the year, and significant reductions in virtually all key risk measures,

- Completing dispositions/asset sales that would generate a total of $4.6 billion in net after tax proceeds available to be used to repay the FRBNY upon closing, and

- Working aggressively to stabilize and preserve the value of AIG s insurance subsidiaries, which was critical to help ensure that taxpayers would be repaid in the future.

Based on this performance, the payments of the deferred 2008 year-end variable incentive pay were made to the named executives in October and payments of the deferred 2008 retention awards were made to the named executives in October and December. The remaining retention awards were paid in April 2010. The deferred 2008 year-end variable incentive pay was also included in the 40 percent limit on cash compensation applicable to Messrs. Martin and Walsh.

Other Components. In addition to year-end variable incentive pay, AIG also historically made quarterly cash payments to certain employees. Again, these payments were previously suspended for Messrs. Herzog and Moor, and

Mr. Benmosche was not eligible. For Messrs. Martin and Walsh, the payments were continued for the first three quarters of 2009, in accordance with the TARP Standards, which contemplated that AIG continue paying the Top 26-100 employees under its pre-existing compensation structure pending Special Master review. For Messrs. Martin and Walsh, the payments were suspended after the Special Master announced the approved compensation structure in December

2009, and the amounts previously paid were subject to the limit on cash compensation under the Special Master s approved structure.

In May 2009, Messrs. Herzog, Moor, Martin and Walsh received 270 shares, 1,400 shares, 480 shares and 700 shares, respectively, of AIG Common Stock upon the vesting of awards previously made under AIG s 2005-2006 Deferred Compensation Profit Participation Plan (the DCPPP).

In 2007, AIG granted performance restricted stock units for the 2008-2009 performance period under AIG s Partners Plan. Based on AIG s 2008 performance, no performance restricted stock units were earned for the 2008-2009 period.

In 2009, Messrs. Herzog, Moor, Martin and Walsh each had outstanding awards under the Senior Partners Plan that had been earned in prior performance periods but were not yet vested. These awards are described in greater detail in Post-Employment Compensation Nonqualified Deferred Compensation.

Compensation Structure
Indirect Compensation Components

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

Retirement Benefits. AIG provides a number of retirement benefits to eligible employees, including both defined contribution plans (such as 401(k) plans) and traditional pension plans (called defined benefit plans). In late 2009, the Special Master required that further accruals and credits under these plans be halted, other than for the tax-qualified plans, for employees in the Top 25 and Top 26-100. Mr. Benmosche did not accrue any benefit under any AIG pension plan.

AIG s only active defined contribution plan for the current named executives is a 401(k) plan, which is tax-qualified. AIG matched a percentage of participants contributions to the 401(k) plan, depending on a participant s length of service, up to $17,150 in 2009 for the current named executives. This plan was not affected by the TARP Standards and the Special Master permitted employees in the Top 25 and Top 26-100 to continue to participate in this plan. In addition, certain of the current named executives have balances under legacy nonqualified defined contribution plans. These plans are described in greater detail in Post-Employment Compensation Nonqualified Deferred Compensation. AIG s defined benefit plans include a tax-qualified pension plan, an Excess Retirement Income Plan (a restoration plan) and a Supplemental Executive Retirement Plan (SERP). Each of these plans provides for a yearly benefit based on years of service and average final salary. These plans and their benefits are described in greater detail in Post-Employment Compensation Pension Benefits.

Perquisites and Other Compensation. To facilitate the performance of their management responsibilities, AIG provides certain employees with automobile allowances, parking, legal services, financial and tax planning and other benefits categorized as perquisites or other compensation under the SEC rules. Mr. Walsh s perquisites included legal work performed late in 2009 in connection with the evaluation of his rights under AIG s Executive Severance Plan (ESP).

The Special Master generally limited the amount of perquisites and other compensation for employees in the Top 25 and Top 26-100 to $25,000 per year. In addition, all payments of tax gross-ups to these employees have been prohibited, except in connection with expatriate arrangements. All of AIG s current named executives other than Mr. Martin satisfied these limits. Mr. Martin received perquisite and other compensation of approximately $40,000 (other than 401(k) matching contributions which were not subject to the limit) prior to the announcement of the approved structures, while such compensation was still permitted by the TARP Standards, and his impermissible perquisites and other compensation were halted for the remainder of the year.

In addition, in September 2009, AIG s Board of Directors adopted a Luxury Expenditure Policy, which summarizes existing relevant underlying policies and guidelines that address corporate expenditures, including entertainment and events, office and facility renovations, aviation and other transportation services and other similar items, activities and events. The policy is intended to help ensure that AIG s expenses are reasonable and appropriate. A copy of the policy may be obtained from the Corporate Governance section of AIG s corporate website at *www.aigcorporate.com*.

Termination Benefits and Policies. Under the TARP Standards, none of the current named executives may receive severance or other benefits as a result of termination or a change in control during 2010, and Messrs. Benmosche, Herzog and Moor could not have received such benefits in 2009. If any of the current named executives becomes no longer subject to this restriction in future years, they may be eligible for benefits upon termination under the ESP, except for Mr. Benmosche, who does not participate in the ESP. However, benefits under the ESP could not be increased by any of the 2009 compensation structures for the current named executives. Messrs. Martin and Walsh would have been eligible for benefits under the ESP in some cases if their employment had been terminated in 2009.

The ESP generally extends to senior managers who participated in AIG s historical Partners Plan, and provides for severance payments and benefits if terminated by AIG without Cause. All of the current named executive officers, other than Mr. Benmosche, would also be eligible for severance on a Good Reason termination.

In the event of a qualifying termination, subject to the restrictions described above, a participant is eligible to receive an annual amount equal to the sum of salary, annual quarterly bonuses and three-year-average performance-based annual incentives for a severance period of up to two years that is based on the executive s seniority or length of service. Unvested long-term awards (other than TARP RSUs) continue to vest during the severance period but otherwise generally will be forfeited. Beginning in March 2010, any severance payments that would otherwise be payable under the ESP will be offset by any amounts resulting from the participant s subsequent employment by another employer.

Compensation Decisions for 2009

Total Direct Compensation Opportunity. For Mr. Benmosche, AIG proposed a total opportunity of $10.5 million. AIG believed that this level was appropriate and significantly less than actual historic compensation of Chief Executive Officers at AIG and other large insurance companies and Mr. Benmosche s total compensation at his prior employer. Mr. Benmosche accepted this proposal, and the Special Master ultimately approved the amounts potentially payable, subject to the Special Master s further formal review and approval of any incentive award.

AIG had numerous discussions with the Special Master regarding the appropriate total opportunity for each Top 25 employee. These discussions focused on three major factors: the amount of total direct compensation, the appropriate allocation between cash and non-cash compensation components and the form and the transferability of the non-cash components. The Special Master determined total compensation opportunities of $4,558,333 and $7,600,000 for Messrs. Herzog and Moor, respectively. These numbers differ from the Approved Compensation table in the Approved Compensation section above because in determining these amounts the Special Master took into account 10 months of salary earned by these executives at their rate of salary prior to the Special Master s determination. While these compensation levels were consistent with AIG s final proposal, AIG disagreed with the compensation allocation and with the limitations on the transferability of the non-cash components and is concerned that the limited current pay under the Special Master s structure prevents AIG from offering competitive compensation opportunities to these employees.

For members of the Top 26-100, AIG was permitted to establish total opportunities subject to the Special Master s structural requirements. AIG established target total compensation of approximately $7,848,000 for Mr. Martin and $7,128,000 for Mr. Walsh. These amounts were based on the target compensation opportunity AIG had intended to deliver under prior compensation structures, which had been determined in accordance with past practice based on each individual s level of responsibility, historical compensation and contribution to AIG s performance.

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Cash Salary. For Mr. Benmosche, the Special Master approved a salary level of $3,000,000, which AIG proposed as an appropriate level in light of the prohibition on other cash pay to Mr. Benmosche under the TARP Standards, historic cash opportunities of the Chief Executive Officer at AIG and at other large insurance companies and Mr. Benmosche s compensation at his prior employer.

The Special Master reduced the salaries for Messrs. Herzog and Moor from $675,000 and $1,000,000 to $350,000 and $450,000, respectively, effective November 1, 2009. AIG strongly objected to these reductions.

For members of AIG s 2009 Top 26-100, including Messrs. Martin and Walsh, the Special Master s approved structure limited salaries to $500,000, other than in exceptional circumstances for good cause shown. Effective from April 2009, Mr. Martin s cash salary was increased to $900,000 from $850,000 as a result of his assumption of responsibility for AIG s worldwide life insurance business. As a result of this significant increase in responsibility and because of the expectation that the businesses under Mr. Martin s leadership will repay material amounts of AIG s federal obligations, Mr. Martin s salary was not reduced as a result of the Special Master s determination. For 2009, Mr. Walsh s salary was originally $700,000. His salary was reduced to $650,000 as a result of the Special Master s action but remained above $500,000 because of his significant role at Chartis International, a key component in AIG s future plans. This reduction was discussed with the Special Master and would not have been made but for his requirements.

Stock Salary. For Mr. Benmosche, the Special Master approved a Stock Salary level of $4,000,000. This level was proposed by AIG in order to allow Mr. Benmosche to receive the targeted annual total opportunity using the maximum amount of TARP RSUs that could be granted under the TARP Standards.

For Messrs. Herzog and Moor, the Special Master determined the amount of their total opportunity that was to be in the form of Stock Salary and also established the related transfer restrictions.

For Messrs. Martin and Walsh, AIG set the amount of Stock Salary so as to allow the largest target incentive award opportunity consistent with the approved structure and the targeted total direct compensation levels (on the basis that 50 percent of the targeted award would be paid in cash and 50 percent would be paid in stock). The Stock Salary is restricted for three years to the extent necessary to comply with the Special Master s structural requirement that at least 50 percent of total compensation be non-transferable for three years. The remainder was transfer-restricted for one year, as contemplated by the Special Master s determination.

Incentive Awards. For each of the current named executives, the Special Master required that incentive awards be granted based on objective performance metrics developed in consultation with the Special Master, and for Mr. Benmosche, the Special Master was also required to formally review and approve the actual amount awarded. The metrics were selected to reflect objectives deemed critical for the stabilization of AIG s businesses and the successful implementation of AIG s restructuring.

For Mr. Benmosche, the performance metrics were designed to reflect the performance of AIG s business as a whole, and included particular measures related to:

- Risk management and capital preservation, including avoiding negative changes in Standard & Poor s and Moody s ratings or outlook on AIG s senior unsecured debt
- Reviewing and revising AIG s restructuring plan and cost control measures
- Repayment of debt, including the closing of the AIA and ALICO SPV transactions
- Specific achievements by key business, including improved sales and customer retention in the life and retirement services business, improved customer retention and underwriting in the Chartis business and

The stabilization of AIG s talent pool	continued de-risking of the AIG Financial Products Corp. portfolio

For Mr. Herzog, performance criteria were generally similar to Mr. Benmosche s, because, as Chief Financial Officer, his responsibilities also extend to the entire company.

For Mr. Moor, who serves as President and Chief Executive Officer of Chartis, AIG s property-casualty insurance business, performance metrics were based on the performance of the Chartis business. These metrics included:

Increasing return on equity, operating income, GAAP equity and U.S. statutory surplus from the prior year period and maintaining a risk based capital ratio over 400 percent

Filling key positions at Chartis and maintaining staffing levels

Avoiding the use of capital from AIG parent

Restoring normal business retention rates and improving pricing terms

Implementing a new investment strategy to rebalance the investment portfolios

Improving the Chartis insurance companies A.M. Best capital adequacy ratio scores

For Mr. Walsh, performance criteria were similar to those used for Mr. Moor, as Mr. Walsh s responsibilities were primarily linked to Chartis International.

For Mr. Martin, who serves as President and Chief Executive Officer of ALICO, the performance metrics related to the performance of ALICO. The specific metrics consisted of:

Completion of the ALICO SPV transaction

Achieving targets for various solvency ratios

Achieving targets for first year premiums and pre-tax operating income

Continued progress towards a potential sale or initial public offering of the business

Mr. Benmosche s performance metrics were established immediately before the Special Master s formal approval of his arrangements. Because the Special Master released the determinations relating to the other members of the Top 25 and Top 26-100 late in 2009 and because of the changes in senior AIG management and compensation structures during the year, the performance metrics for AIG s other current named executives were established late in the fourth quarter.

The Committee reviewed performance against these metrics in late 2009 (for Messrs. Herzog, Moor, Martin and Walsh) and early 2010 (for Mr. Benmosche). Based on this review, the Committee determined that each of the current named executives had substantially achieved or exceeded his target performance levels. Based on performance generally at or above target, the Committee decided to award incentive compensation to the current named executives at the target level, in each case shortly after the performance was reviewed.

Arrangements for Former Chief Executive Officer

Mr. Liddy, AIG s former Chief Executive Officer, left AIG when Mr. Benmosche was elected Chief Executive Officer on August 10, 2009. As described in AIG s 2009 Proxy Statement, Mr. Liddy volunteered to receive a $1 cash salary when he joined AIG.

Because Mr. Liddy lives in Chicago, certain services were provided to him at AIG s expense to allow him to work at AIG s headquarters in New York City. These included transportation, most often by commercial airline, and the use of an apartment in New York City. These steps were necessary and directly

related to Mr. Liddy s service. However, AIG is disclosing the incremental cost of those items as a benefit to Mr. Liddy in the 2009 Summary Compensation Table in accordance with SEC requirements. The 2009 Summary Compensation Table also reflects payments made by AIG for work performed by Mr. Liddy s counsel in an effort to develop an appropriate compensation structure for Mr. Liddy. AIG believes that none of the amounts described in this paragraph represent an actual compensatory benefit for Mr. Liddy.

Prior to June 15, 2009, AIG made additional payments to offset any tax obligation Mr. Liddy incurred as a result of the preceding arrangements. This was done in order to avoid Mr. Liddy effectively having to pay to work at AIG. These tax offset payments were prohibited by the TARP Standards following June 15, 2009, and were subsequently halted.

In April 2010, following discussions with the Office of the Special Master, the Board reviewed the extraordinary service that Mr. Liddy had provided to AIG. At the recommendation of AIG management, the Board determined it would be appropriate for Mr. Liddy to receive a stipend representing the overall higher cost of living and inconvenience that Mr. Liddy was required to incur as a result of his service in New York notwithstanding that he and his family resided in Chicago. The Board determined an annual amount of $120,000 in respect of 2009 after considering the minimal salary and other benefits Mr. Liddy had actually received for the year and determined that the stipend would be applicable for any period that Mr. Liddy s principal office was in New York. Because Mr. Liddy served only through mid-August 2009, he was eligible for $80,000 of this stipend. AIG provided the preceding proposal to the satisfaction of the Special Master and therefore was permitted to pay this amount under the TARP Standards.

Process for Compensation Decisions

Role of the Committee. The Committee determines the compensation of AIG s Chief Executive Officer, and the Board approves or ratifies the amounts to be awarded to him. After considering the recommendation of AIG s Chief Executive Officer, the Committee also reviews and approves the compensation of other employees in the Top 25 and Top 26-100. As described above, decisions regarding the structure (and, for the Top 25, amount) of compensation for these employees had to be approved by the Special Master.

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

Attendance at Committee meetings generally includes internal legal and human resources executives and their staff members (depending upon agenda items), outside counsel and the Committee s independent consultant. Attendance also regularly includes representatives of the FRBNY and their advisors since September 2008 and a representative of the Department of the Treasury since October 2009.

Consultants. To provide independent advice, the Committee has used the services of the Cook firm since 2005. A senior consultant of the Cook firm regularly attends the Committee s meetings and is instructed to provide independent, analytical and evaluative advice about AIG s compensation programs for senior executives, including comparisons to industry peers and comparisons to best practices in general. The Cook firm responds on a regular basis to questions from the Committee and the Committee s other advisors, providing its opinions with respect to the design and implementation of current or proposed compensation programs. Neither the Cook firm nor any of its affiliates provide any other services to AIG or its management except with respect to director compensation.

In 2009, the Committee also considered materials prepared by Mercer related to AIG s efforts to comply with the TARP Standards and the requirements of the Special Master. Mercer was engaged by AIG to assist management with this work.

Consideration of Competitive Compensation Levels. In 2009, based on the direction of the staff of the Office of the Special Master, the Committee considered information based on a wider range of peer companies than the Committee had used in recent years. For each position (other than

Mr. Benmosche, for whom only proxy data was used), the Committee considered information from data disclosed in company proxy statements of appropriate peer companies (Proxy Data), as well as information from other companies disclosed in a variety of compensation surveys (Survey Data), including the 2008 Hewitt TCM Database-Financial Services, the 2008 PCICS Survey, and the 2008 Towers Perrin Diversified Insurance Survey (information for many companies appears in more than one of the surveys). Because some positions did not have direct comparables at each peer company, the list of companies that were used varied by employee. The companies used to analyze compensation for each of AIG s current named executives were:

Mr. Benmosche. **Proxy Data:** The Allstate Corporation, Manulife Financial Corp., MetLife Inc., Prudential Financial Inc., Sun Life Financial Inc. and The Travelers Companies.

Mr. Herzog. **Proxy Data:** American Express Company, Bank of America Corporation, Citigroup Inc., HSBC Holdings plc, JP Morgan Chase & Co., MetLife Inc., Prudential Financial Inc., The Allstate Corporation, The Travelers Companies and Wells Fargo & Company. **Survey Data:** American Express Company, Bank of America Corporation, Citigroup Inc., JP Morgan Chase & Co., MetLife Inc., Prudential Financial Inc., The Travelers Companies and Wells Fargo & Company.

Mr. Moor. **Proxy Data:** ACE Limited, Allianz SE, Assicurazioni Generali S.p.A., Aviva plc, AXA Group, CNA Financial Corporation, Hartford Financial Services Group, The Chubb Corporation, The Travelers Companies, XL Capital Ltd and Zurich Financial Services. **Survey Data:** ACE Limited, CNA Financial Corporation, Hartford Financial Services Group, The Chubb Corporation, The Travelers Companies, AAA of Northern California, Aetna Inc., AFLAC Incorporated, American Express Company, American Family Insurance Group, Argonaut Group Inc., Auto Club Group Michigan, Bank of America Corporation, Blue Cross and Blue Shield of Florida, Inc., Blue Cross and Blue Shield of Louisiana, Blue Cross and Blue Shield of Massachusetts, Inc., Blue Cross and Blue Shield of Nebraska, Blue Cross and Blue Shield of North Carolina, Blue Cross Blue Shield of Arizona, Inc., Blue Cross Blue Shield of Kansas City, CareFirst of Maryland, Inc., CIGNA Corporation, Citigroup Inc., Coventry Health Care, Cuna Mutual Insurance Group, Erie Indemnity Corporation, Farmers Insurance Group, FBL Financial Group, Inc., Fireman s Fund Insurance Company, Inc., Humana Inc., Indiana Farm Bureau, JP Morgan Chase & Co., Kaiser Permanente, Liberty Mutual Holding Company, MetLife Inc., Mercury Insurance, Nationwide Financial Services, Nationwide Insurance Companies, New York Life Insurance Company, PMI Group, Inc., Protective Life Corporation, Prudential Financial Inc., SAFECO Corporation, State Farm Insurance Companies, Swiss Re Life & Health, The Allstate Corporation, The Government Employees Insurance Company (GEICO), United Health Group, United Services Automobile Association (USAA), WellPoint, Inc., Wells Fargo & Company and Zurich NA.

Mr. Martin. **Proxy Data:** AEGON Group, AFLAC Incorporated, Aviva plc, Canada Life Financial Corp., Hartford Financial Services Group, Manulife Financial Corp., MetLife Inc., Prudential Financial Inc., Prudential plc and Sun Life Financial Inc. **Survey Data:** AFLAC Incorporated, Hartford Financial Services Group, MetLife Inc., Prudential Financial Inc., AAA Northern California, Aetna Inc., American Express Company, American Family Insurance Group, Argonaut Group Inc., Auto Club Group Michigan, Bank of America Corporation, Blue Cross and Blue Shield of Florida, Inc., Blue Cross and Blue Shield of Louisiana, Blue Cross and Blue Shield of Massachusetts, Inc., Blue Cross and Blue Shield of Nebraska, Blue Cross and Blue Shield of North Carolina, Blue Cross Blue Shield of Arizona, Inc., Blue Cross Blue Shield of Kansas City, CareFirst of Maryland, Inc., CIGNA Corporation, Citigroup Inc., CNA Financial Corporation, Coventry Health Care, Cuna Mutual Insurance Group, Erie Indemnity Corporation, FBL Financial Group, Inc., Fireman s Fund Insurance Company, Humana Inc., Indiana Farm Bureau, JP Morgan Chase & Co., Kaiser Permanente, Mercury Insurance, Nationwide Insurance Companies, New York Life Insurance Company, PMI Group, Inc., Protective Life Corporation, SAFECO Corporation, State Farm Insurance Companies, Swiss Re Life & Health, The Travelers Companies, United Health Group, WellPoint, Inc. and Wells Fargo & Company.

Mr. Walsh. **Proxy Data:** ACE Limited, Allianz SE, AXA Group, CNA Financial Corporation, Hartford Financial Services Group, The Chubb Corporation and XL Capital Ltd. **Survey Data:** ACE

Limited, CNA Financial Corporation, Hartford Financial Services Group, The Chubb Corporation, Farmers Insurance Group, Liberty Mutual Holding Company, Nationwide Financial Services, State Farm Insurance Companies, The Allstate Corporation, The Government Employees Insurance Company (GEICO), The Travelers Companies, United Services Automobile Association (USAA) and Zurich NA.

Consultations with Stakeholders. AIG s compensation decisions in 2009 were guided by discussions with a number of outside stakeholders. AIG spoke frequently with the Special Master both while formulating its proposals and while implementing the Special Master s decisions. AIG also regularly consulted with the FRBNY and the Department of the Treasury regarding compensation matters. For certain compensation actions, AIG also sought and obtained the consent of the Trust.

Consideration of Prior Years Compensation. When deciding on appropriate amounts and/or structures of compensation to approve, the Special Master is permitted to take into account prior years compensation, including legally binding rights under valid employment contracts that are not themselves subject to review by the Special Master. The Special Master was provided with information on prior years compensation, and indicated that the information was considered when making decisions.

Consideration of Risk Management. As required by the TARP Standards, the Committee reviewed the compensation arrangements of AIG s employees, including the current named executives, with AIG s senior risk officer. For further discussion of the risk review process, see the Report of the Compensation and Management Resources Committee.

Other Considerations

Other Treasury Limits. The agreements pursuant to which the Department of the Treasury agreed to purchase preferred stock from AIG placed additional compensation limits on the 2009 compensation of AIG employees, including Messrs. Herzog, Moor, Martin and Walsh. These limits included limiting the 2009 annual bonuses and cash performance awards paid to executives and Senior Partners to the aggregate adjusted net income for 2009 of AIG s insurance company subsidiaries included in AIG s 2009 consolidated financial statements (excluding certain amounts distributed to AIG in the form of dividends and other distributions) and restricting the 2009 bonus pool payable to the named executives from AIG s 2009 Proxy Statement and other Senior Partners to the average of the bonus pools paid to that group for 2006 and 2007. Each of Messrs. Herzog, Moor, Martin and Walsh is a Senior Partner. The compensation for AIG s current named executives was designed to comply with these limits.

Aggregate Limit on Incentives. As part of the approved compensation structure for the Top 26-100, the Special Master limited total incentives for that group to a percentage of AIG s earnings determined by the Committee and subject to the Special Master s review. Based on an assessment of historic and current incentive levels and a range of performance scenarios, the Committee limited total incentives for the Top 26-100 to three percent of AIG s eligible earnings, defined as the aggregate adjusted net income from AIG s insurance company subsidiaries included in AIG s consolidated financial statements. The aggregate actual incentive compensation awarded to all members of the Top 25 (who were not required to be subject to this limit) and Top 26-100 was approximately one percent of AIG s eligible earnings.

Deductibility of Executive Compensation. As a participant in TARP, AIG is subject to Section 162(m)(5) of the Internal Revenue Code, which limits AIG s ability to take a federal income tax deduction for compensation paid to the current named executives. Section 162(m)(5) generally lowers the cap on the deductibility of compensation paid to these individuals from $1,000,000 to $500,000 per year and removes the exemption for compensation determined to be performance-based under applicable tax regulations. As a result of these limitations, deductibility was not taken into account in making compensation decisions.

Share Ownership Guidelines and No-Hedging Policy. AIG s share ownership 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, which includes the remaining current named executives. Until the guidelines are met, such employees 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 restricted stock units granted by AIG. Shares held for purposes of the guidelines include stock owned outright by the officer or his or her spouse and earned but unvested share-based awards.

AIG s Code of Conduct prohibits employees from engaging in any hedging transactions with respect to any of AIG s securities including trading in any derivative security relating to AIG s securities.

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

Additionally, as noted above, the incentive compensation paid to each of the current named executives will be subject to clawback by AIG if it is based on materially inaccurate financial statements or any other materially inaccurate performance metrics.

Conclusion

We continue to work on developing and implementing compensation and reward programs that will recognize the contributions of AIG s employees in the coming year. The Committee and AIG s senior management will continue to strive to implement a compensation system at AIG that reflects on-the-job performance. AIG will continue to strengthen its performance management systems to differentiate performance, allowing AIG to set goals and measure results against them. Nothing is more important to AIG s success going forward.

2009 COMPENSATION

Summary Compensation Table

The following tables contain information with respect to AIG s named executive officers. As required by SEC rules, AIG s named executives include the Chief Executive Officer, Chief Financial Officer and three other most highly paid executive officers, as well as the former Chief Executive Officer who served during a part of 2009.

The presentation below differs substantially from the manner in which the Special Master administered the compensation of AIG s employees. In particular, the amounts for 2009 include certain payments that were originally intended to be made with respect to 2008. At the request of the Department of the Treasury, the service period for these amounts was extended and the payments were subjected to additional performance review. These amounts were detailed in last year s proxy statement for the then applicable executives, and, in the case of retention awards, were specifically considered by the Special Master. Please see Compensation Discussion and Analysis for detail regarding the Special Master s 2009 and 2010 compensation decisions.

2009 Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	Non-Equity Incentive Plan Compensation(4)	Change in Pension Value(5)	All Other Compensation(6)	Total
Robert H. Benmosche	2009	$ 1,153,964(7)	$ 0	$ 1,538,402	$ 0	$ 0	$ N/A	$ 14,164	$ 2,706,530
Chief Executive Officer									