AMERICAN INTERNATIONAL GROUP INC
Form 10-K/A
April 30, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A
(Amendment No. 1)

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-8787

American International Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**13-2592361**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
70 Pine Street, New York, New York	**10270**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code (212) 770-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value $2.50 Per Share	New York Stock Exchange
5.75% Series A-2 Junior Subordinated Debentures	New York Stock Exchange
4.875% Series A-3 Junior Subordinated Debentures	New York Stock Exchange
6.45% Series A-4 Junior Subordinated Debentures	New York Stock Exchange
7.70% Series A-5 Junior Subordinated Debentures	New York Stock Exchange
Corporate Units (composed of stock purchase contracts and junior subordinated debentures)	New York Stock Exchange
NIKKEI 225® Index Market Index Target-Term Securities® due January 5, 2011	NYSE Arca

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the registrant computed by reference to the price at which the common equity was last sold of $26.46 as of June 30, 2008 (the last business day of the registrant s most recently completed second fiscal quarter), was approximately $61,753,000,000.

As of January 30, 2009, there were outstanding 2,690,747,320 shares of Common Stock, $2.50 par value per share, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

NONE

American International Group, Inc., and Subsidiaries

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EXPLANATORY NOTE

This amendment to the Annual Report on Form 10-K for the year ended December 31, 2008 (Amendment No. 1) is being filed solely for the purpose of (i) including the information required by Part III of the Annual Report on Form 10-K for the year ended December 31, 2008 of American International Group, Inc. (AIG) (2008 Annual Report on Form 10-K), (ii) amending the Exhibit List under Item 15(b) of Part IV of the 2008 Annual Report on Form 10-K, and (iii) filing three additional exhibits as part of the 2008 Annual Report on Form 10-K. All other Items of the 2008 Annual Report on Form 10-K are unaffected by the change described above and have been omitted from this amendment.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors of AIG at April 30, 2009 were the following:

DIRECTORS

STEPHEN F. BOLLENBACH Director since 2008	**Former Co-Chairman and Chief Executive Officer, Hilton Hotels Corporation** Age 66 *Director, KB Home* *Macy s, Inc.* *Time Warner Inc.*
DENNIS D. DAMMERMAN Elected November 12, 2008	**Former Vice Chairman of the Board, General Electric Company;** **Former Chairman of GE Capital Services** Age 63 *Director, Capmark Financial Group Inc.* *BlackRock, Inc.*
MARTIN S. FELDSTEIN Director since 1987	**Professor of Economics, Harvard University;** **President Emeritus, National Bureau of Economic Research** *(a nonprofit economic research center)* Age 69 *Director, Eli Lilly and Company*
EDWARD M. LIDDY Elected September 18, 2008	**Chairman and Chief Executive Officer, AIG** Age 63 *Director, 3M Company*

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GEORGE L. MILES, JR. Director since 2005	**President and Chief Executive Officer, WQED Multimedia** Age 67 *Director, EQT Corporation* *Harley-Davidson, Inc.* *HFF, Inc.* *WESCO International, Inc.*
SUZANNE NORA JOHNSON Elected July 16, 2008	**Former Vice Chairman, The Goldman Sachs Group, Inc.** Age 51 *Director, Intuit Inc.* *Pfizer Inc.* *Visa Inc.*
MORRIS W. OFFIT Director since 2005	**Chairman, Offit Capital Advisors LLC** *(a wealth management advisory firm);* **Founder and Former Chief Executive Officer, OFFITBANK** *(a private bank)* Age 72
JAMES F. ORR III Director since 2006	**Chairman of the Board of Trustees, The Rockefeller Foundation** Age 66 *Director, Gevity HR, Inc.*
VIRGINIA M. ROMETTY Director since 2006	**Senior Vice President, Global Business Services, IBM Corporation** Age 51
MICHAEL H. SUTTON Director since 2005	**Independent Consultant; Former Chief Accountant of the United States Securities and Exchange Commission** Age 68 *Director, Allegheny Energy, Inc.* *Krispy Kreme Doughnuts, Inc.*
EDMUND S.W. TSE Director since 1996	**Senior Vice Chairman Life Insurance, AIG** Age 71

The principal occupation or affiliation of the directors is shown above. Except as noted below, each director has occupied an executive position with the company or organization listed above for at least five years. From 2005 until 2007, Mr. Bollenbach was Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation. Before that, he was Hilton Hotels Corporation s Chief Executive Officer and President. Mr. Dammerman retired in 2005 as Vice Chairman of the Board and Executive Officer and a member of the Corporate Executive Office of GE. Prior to his retirement, he had served on the GE Board of Directors and as Chairman and Chief Executive Officer and a director of GE Capital Services, Inc. Mr. Liddy joined the private equity firm of Clayton, Dubilier & Rice, Inc. in 2008 after serving as Chairman of The Allstate Corporation, the parent of the Allstate Insurance Company, since January 2007. Prior to that, he was Allstate Chairman and Chief Executive Officer from 1999 until 2006. Ms. Nora Johnson retired as Vice Chairman of The Goldman Sachs Group, Inc. in 2007. Since 2003, she had held numerous roles at Goldman Sachs including Head of the Global Investment Research Division and Chairman of the Global Markets Institute.
Mr. Offit served as Co-Chief Executive Officer of Offit Hall Capital Management LLC from 2002 until 2007.

Director Term of Office

For a description of the term of office for AIG s directors see Directors and Executive Officers of AIG in Item 1 of Part I.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires directors, executive officers, and greater than ten percent holders of AIG common stock, par value $2.50 per share (AIG Common Stock), to file reports with respect to their ownership of AIG equity securities. Based solely on the review of the Forms 3, 4 and 5 and amendments thereto furnished to AIG and certain representations made to AIG, AIG believes that the only filing deficiencies under Section 16(a) by its directors, executive officers, and greater than ten percent holders during 2008 were one late report as a result of a broker error by Ms. Rometty, a director, reporting the disposition of 240 shares in March 2007; one late report as a result of a broker error by Mr. Fred Langhammer, a director, reporting the purchase of 10,000 shares in May 2008; one late report by then-executive officer Robert B. Sandler reporting the retirement distribution of 233,198 shares from the deferred compensation plans established by Starr International Company, Inc. (SICO); one late report by each of the following executive officers reporting the number of shares underlying Restricted Stock Units (RSUs) granted under AIG s 2005-2006 Deferred Compensation Profit Participation Plan (DCPPP) upon certification of performance on March 2, 2007 (although no shares have been delivered): Mr. William Dooley, 25,600 RSUs; Mr. Jacob Frenkel, 25,600 RSUs; Mr. David Herzog, 10,800 RSUs; Mr. Robert Lewis, 19,200 RSUs; Mr. Rodney Martin, 19,200 RSUs; Mr. Moor, 56,000 RSUs; Mr. Neuger, 54,400 RSUs; Mr. Brian Schreiber, 27,200 RSUs; Mr. Tse, 64,000 RSUs; Mr. Nicholas Walsh, 28,000 RSUs; Mr. Jay Wintrob, 48,000 RSUs; and Mr. Frank Wisner, 10,800 RSUs; one additional late report by each of Messrs. Frenkel, Tse and Wisner reporting the grant of 5,120, 12,800 and 3,780, respectively, incremental RSUs under the DCPPP on February 26, 2008; and two late reports by individuals and entities in the Starr Group (as defined in Item 12 of Part III) reflecting the disposition of an aggregate of 33,776 shares resulting from two transactions.

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

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

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

In making the independence determinations, the Nominating and Corporate Governance Committee considered relationships arising from: (1) contributions by AIG to charitable organizations with which Messrs. Bollenbach, Feldstein, Hammerman, Holbrooke, Langhammer, Offit and Willumstad and Ms. Futter and Ms. Nora Johnson or members of their immediate families are affiliated; (2) in the case of Ms. Rometty, transactions between AIG and IBM Corporation; (3) in the case of Mr. Dammerman, transactions between AIG and BlackRock, Inc.; (4) in the case of Ms. Nora Johnson, transactions between AIG and Visa, Inc.; and (5) in the case of certain directors, investments and insurance products provided to them by AIG in the ordinary course of business and on the same terms made available to third parties. Except as described in the following paragraph, none of these relationships exceeded the thresholds set forth in the AIG Director Independence Standards.

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

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COMMITTEES

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

Director	**Audit Committee**	**Nominating and Corporate Governance Committee**	**Compensation and Management Resources Committee**	**Finance and Risk Management Committee(1)**	**Public Policy and Social Responsibility Committee(2)**	**Regulatory, Compliance and Legal Committee(2)**
Stephen F. Bollenbach	Ö	*	Ö	*	*	Ö(C)
Dennis D. Dammerman			Ö	Ö		
Martin S. Feldstein				Ö		Ö
Edward M. Liddy						
George L. Miles, Jr.	Ö	Ö(C)			Ö	
Suzanne Nora Johnson			Ö	Ö		
Morris W. Offit	Ö			Ö(C)	Ö	
James F. Orr III		Ö	Ö(C)			
Virginia M. Rometty		Ö	Ö			
Michael H. Sutton	Ö(C)					Ö
Edmund S.W. Tse						
Number of meetings	**15**	**5**	**11**	**12**	**3**	**5**

Ö = Member

C = Chair

* Mr. Bollenbach is an *ex-officio* member.

(1) On March 25, 2009, the Finance Committee was renamed the

Finance and Risk Management Committee.

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

Audit Committee

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

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

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COMPENSATION OF DIRECTORS

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

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

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

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

- Annual retainer of $75,000;
- Lead Independent Director retainer of $40,000;
- Annual committee chairman retainers of $15,000, except $25,000 for the chairman of the Audit Committee; and
- Annual committee member retainers of $5,000.

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

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

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

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

In response to a derivative action filed against AIG, which is described in Item 3 of Part I, AIG s Board of Directors appointed a special litigation committee of independent directors to review the matters asserted in the complaint. The special litigation committee was established in 2005, and Messrs. Hammerman and Miles were the members until Mr. Hammerman s resignation from the special litigation committee effective on May 14, 2008, the date of the 2008 Annual Meeting of Shareholders. Mr. Miles is currently the only member of the special litigation committee. Fees for the special litigation committee are set by the Board and may be reviewed and adjusted by the Board if the amount of work is greater than originally anticipated.

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

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

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

2008 Non-Management Director Compensation

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

(1) For information on Mr. Willumstad s compensation as non-executive Chairman of the Board in 2008, see the 2008 Summary Compensation Table in Item 11 of Part III.

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

(3)

This column represents the expense in accordance with FAS 123R of DSUs (other than dividend equivalent DSUs) granted in 2008 to directors, calculated using the assumptions described in Note 17 to the Consolidated Financial Statements included in Item 8 of Part II.

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

Stock Awards

Name	Expense Reported in 2008 Director Compensation Table	Pro Forma Based on Market Value at December 31, 2008	Difference
Stephen F. Bollenbach	$ 381,086	$ 29,315	$(351,771)
Marshall A. Cohen*	$ 51,134	$ 1,606	$ (49,528)
Dennis D. Dammerman	$ 73,941	$ 57,186	$ (16,755)
Martin S. Feldstein	$ 124,985	$ 4,975	$(120,010)
Ellen V. Futter*	$ 124,985	$ 4,975	$(120,010)
Stephen L. Hammerman*	$ 0	N/A	N/A
Richard C. Holbrooke*	$ 198,390	$ 7,961	$(190,429)
Fred H. Langhammer*	$ 244,413	$ 24,881	$(219,532)
George L. Miles, Jr.	$ 124,985	$ 4,975	$(120,010)
Suzanne Nora Johnson	$ 163,978	$ 17,741	$(146,237)
Morris W. Offit	$ 124,985	$ 4,975	$(120,010)
James F. Orr III	$ 240,942	$ 20,366	$(220,576)
Virginia M. Rometty	$ 124,985	$ 4,975	$(120,010)
Michael H. Sutton	$ 124,985	$ 4,975	$(120,010)
Frank G. Zarb*	$ 0	N/A	N/A

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

On May 14, 2008, AIG made annual grants of 3,169 DSUs each to the directors. Mr. Bollenbach received 2,158 DSUs, Ms. Nora Johnson received 5,369 DSUs and Mr. Dammerman received 30,788 DSUs upon their election to the Board on January 16, July 16 and November 12 of 2008, respectively. In addition, directors received DSUs representing deferred director s fees at other dates throughout the year. In total, DSUs (other than dividend equivalent DSUs) were granted on January 2, January 16, April 1, May 14, July 1, July 16, October 1, October 28 and November 12 of 2008. The grant date fair values for the DSUs were calculated by multiplying the number of DSUs awarded by the closing price of AIG Common Stock on the date of grant. The number of DSUs granted to each director on each date, and the grant date fair value in accordance with FAS 123R per DSU granted on each date, were as follows:

Name	January 2 $56.30	January 16 $57.91	April 1 $47.00	May 14 $39.44	July 1 $26.73	July 16 $23.28	October 1 $3.95	October 28 $1.83	November 12 $2.03
Stephen F. Bollenbach	0	2,503	521	3,220	1,225	429	10,443	0	331
Marshall A. Cohen	421	0	488	114	0	0	0	0	0
Dennis D. Dammerman	0	0	0	0	0	0	0	0	36,424
Martin S. Feldstein	0	0	0	3,169	0	0	0	0	0
Ellen V. Futter	0	0	0	3,169	0	0	0	0	0
Stephen L. Hammerman	0	0	0	0	0	0	0	0	0
Richard C. Holbrooke	399	0	542	3,169	897	64	0	0	0
Fred H. Langhammer	377	0	675	3,169	1,131	0	8,037	2,459	0
George L. Miles	0	0	0	3,169	0	0	0	0	0
Suzanne Nora Johnson	0	0	0	0	0	6,174	5,126	0	0
Morris W. Offit	0	0	0	3,169	0	0	0	0	0
James F. Orr III	377	0	675	3,220	1,169	0	7,531	0	0
Virginia M. Rometty	0	0	0	3,169	0	0	0	0	0
Michael H. Sutton	0	0	0	3,169	0	0	0	0	0
Frank G. Zarb	0	0	0	0	0	0	0	0	0

(4) This column represents DSUs awarded as dividend equivalents. As described above, the grant date fair values of the DSUs awarded as dividend equivalents were calculated by multiplying the number of DSUs awarded by the closing price of AIG Common Stock on the date of the grant. Directors received DSUs representing dividend equivalents on January 2, April 1, July 1 and October 1 of 2008.

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The number of DSUs granted to each director on each of these respective dates was as follows: Bollenbach 0, 10, 46 and 443; Cohen 6, 9, 0 and 0; Feldstein 6, 7, 36 and 275; Futter 6, 7, 36 and 0; Hammerman 6, 7, 0 and 0; Holbrooke 6, 9, 43 and 0; Langhammer 6, 9, 44 and 397; Miles 6, 7, 36 and 275; Nora Johnson 0, 0, 0 and 343; Offit 6, 7, 36 and 275; Orr 6, 9, 45 and 402; Rometty 6, 7, 36 and 275; Sutton 6, 7, 36 and 275; and Zarb 6, 7, 0 and 0.

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

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

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

Stock and Option Awards Outstanding at December 31, 2008

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

(1) For information on Mr. Willumstad s stock and option awards related to his service as a director and Chairman of the Board, see Executive Compensation Exercises and Holdings of Previously Awarded Equity in Item 11 of Part III.

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

(3)

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

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

COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

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Item 11. Executive Compensation.

EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE

Overview

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

Risk Review

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

Certification

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

Compensation and Management Resources Committee
American International Group, Inc.
James F. Orr III, Chairman
Stephen F. Bollenbach
Dennis D. Dammerman
Suzanne Nora Johnson
Virginia M. Rometty

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COMPENSATION DISCUSSION AND ANALYSIS

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

Compensation Outcomes for 2008

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

Year-End Performance-Based Compensation Earned for 2008

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

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

- Emphasizing at risk elements of compensation that had value only if AIG produced strong financial performance and shareholder returns during current and subsequent performance periods;
- Fostering an owner/manager culture through a partnership compensation approach that ensured senior management accountability for a variety of company-wide strategic goals;
- Aligning the economic interests of key employees with those of shareholders by ensuring that a substantial portion of each key employee s compensation was represented by AIG Common Stock; and
- Centralizing administration and control over compensation.

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

- No member of our Leadership Group is receiving annual variable performance-based pay for 2008. Each volunteered not to be considered for such pay in 2008.
- The options we granted at the end of 2007 are far out of the money, as are all of our outstanding options. We did not make an annual option grant in 2008.

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

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

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

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

Value of Unvested Share-Based Awards and In-the-Money Options at Year-End

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

- Base salary
- Year-end variable performance-based pay
- Time-vested grants of equity in the form of stock options and RSUs
- Performance RSUs granted under the Partners Plan, based on two-year growth in adjusted earnings per share
- Long-term performance cash awards granted under the Senior Partners Plan, based on three-year growth in adjusted book value

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

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

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

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

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

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

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

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

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

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

To provide tangible affirmation of the alignment among Senior Partners and Partners, no value could be earned under the Senior Partners Plan for any performance period ending in any year in which no Performance RSUs under the Partners Plan were earned for the performance period ending in the same year. Consequently, no Senior Partner Units were earned for the 2006-2008 performance period under the Senior Partners Plan. In 2008, the Committee terminated the operation of the Senior Partners Plan for future performance periods.

Principles of the New Environment and New 2008 Initiatives

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

Principle 1: Embrace evolving standards of compensation governance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Arrangements with Former and Separating Executives

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

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

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

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

Arrangements with Mr. Tse. As we announced in March, Mr. Tse will retire both from our Board and from his position as Senior Vice Chairman Life Insurance at our 2009 Annual Meeting of Shareholders. Mr. Tse is retiring at age 71, having worked with AIG since 1961. Mr. Tse will not be entitled to any severance payments or special separation rights as a result of his retirement. Mr. Tse is entitled only to the retirement benefits that he has accrued under our retirement programs for his 48 years of service and awards previously earned for performance in prior years under our plans that require continuing long-term service. Under our share-based incentive plans, Mr. Tse is entitled to receive 122,224 shares of AIG Common Stock on retirement, and, under our Senior Partners Plan, Mr. Tse is entitled to receive $14,388,500 earned for years before 2008.

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

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

New TARP Compensation Limits and 2009 Framework

As part of the ARRA, the Department of the Treasury will issue additional regulations with further restrictions on executive compensation by companies that have participated in the TARP. These regulations may include additional limitations that will require us to reconsider our compensation framework for members of the Leadership Group and other Senior Partners (especially with respect to incentive compensation).

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Any compensation that AIG awards to senior executives in 2009 and future years will need to comply with regulations under the ARRA and will be undertaken with a view toward our repayment goals and in consultation with our stakeholders.

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

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

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

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

Indirect Compensation Components

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

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

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

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

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

Historically, AIG has provided its Chief Executive Officer with access to corporate aircraft for personal travel consistent with the recommendations of outside security reviews. However, since Mr. Liddy s election as Chairman and Chief Executive Officer, he has generally used commercial air travel to commute between his home in Chicago and AIG s headquarters in New York City at AIG s expense. In addition, AIG has provided an apartment for Mr. Liddy s use in New York City. These steps were necessary and directly related to Mr. Liddy s

immediate service. However, AIG is disclosing the incremental cost of those items as a benefit to Mr. Liddy in the 2008 Summary Compensation Table in accordance with SEC requirements. The 2008 Summary Compensation Table also reflects payments made by AIG for work performed by Mr. Liddy s counsel in an effort to develop appropriate compensation structures for Mr. Liddy and other AIG senior employees in the current circumstances. (Although an equity arrangement for Mr. Liddy was substantially negotiated, Mr. Liddy has now stated that he does not think it would be appropriate to enter into the proposed arrangement and has declined to move forward with it, especially in light of changing business, regulatory and legislative considerations.) AIG also made additional payments to offset any tax obligation Mr. Liddy incurred in accordance with the preceding arrangements to avoid his effectively having to pay to work at AIG. AIG does not believe that any of the amounts described in this paragraph represents an actual compensation benefit for Mr. Liddy.

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

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

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

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

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

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

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

Termination and retirement provisions in long-term awards. AIG s normal retirement age is 65. For employees who retire after reaching normal retirement age, time-vested equity-based awards will generally vest upon retirement. Additionally, earned but unvested awards under the Senior Partners Plan and the Partners Plan (as well as the AIG and SICO predecessors to the Partners Plan) will generally vest and be delivered shortly thereafter. Historically, AIG has generally elected to reinstate equity-based and Senior Partners Plan awards for employees who retire before reaching normal retirement age, but whose combined age and years of service to AIG total 70 years or more (a rule of 70). In the case of reinstatements under the rule of 70, awards are not accelerated and will generally vest and be delivered at the normally scheduled time, subject to the employee s continued compliance with a release and restrictive covenant agreement.

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

Process for Compensation Decisions

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

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

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

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

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

Consideration of Competitive Compensation Levels. In reviewing compensation decisions over the year and in making decisions about the compensation of the named executives, the Committee is provided with competitive market information and information about AIG s business results. For these purposes, the Committee currently considers a competitor group of ten financial companies that is broader than the group of peer insurance companies used in Item 5 of Part II. These companies are listed below:

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

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

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

Other Considerations

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

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

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

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

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

Conclusion

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

2008 COMPENSATION
Summary Compensation Table

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

2008 Summary Compensation Table(1)

nd Principal sition	**Year**	**Salary**	**Bonus(2)**	**Stock Awards(3)**	**Option Awards(4)**	**Non-Equity Incentive Plan Compensation(5)**	**Change in Pension Value(6)**	**All Other Compensation(7)**	**T**
M. Liddy and Chief e Officer	2008	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 460,477	$ 46
Herzog	2008	$ 675,000	$ 0	$ 430,329	$ 681,155	$ 27,164	$ 111,400	$ 14,626	$ 1,93
e Vice	2007	$ 526,923	$ 628,750	$ 133,158	$ 566,648	$ 693,235	$ 21,785	$ 11,115	$ 2,58
and Chief Officer	2006	$ 500,962	$ 578,750	$ 202,498	$ 482,226	$ 418,616	$ 13,920	$ 22,693	$ 2,21
S.W. Tse**(8)**	2008	$ 950,902	$ 0	$ 2,168,443	$ 982,027	$ 285,842	$ 718,065	$ 4,227,888	$ 9,33
ce	2007	$ 848,776	$ 1,863,963	$ (470,227)	$ 2,630,852	$4,950,546	$ 0	$ 197,715	$10,02
Life	2006	$ 848,776	$ 1,838,455	$ 3,729,295	$ 3,370,727	$5,860,619	$ 0	$ 193,060	$15,84
euger	2008	$1,000,000	$ 555,000	$ 2,549,374	$ 1,602,183	$ 142,921	$ 460,663	$ 44,828	$ 6,35
e Vice	2007	$ 942,000	$ 1,223,000	$ 1,223,230	$ 1,576,646	$2,475,273	$ 285,971	$ 56,573	$ 7,78
and Chief nt Officer	2006	$ 942,000	$ 1,613,000	$ 1,499,042	$ 1,519,533	$2,930,309	$ 252,127	$ 33,070	$ 8,78
oor	2008	$ 959,615	$ 561,563	$ 2,296,747	$ 1,428,522	$ 163,338	$ 535,339	$ 38,990	$ 5,98
e Vice	2007	$ 725,962	$ 1,823,750	$ 631,881	$ 1,379,472	$2,828,884	$ 0	$ 35,540	$ 7,42
Property Group During	2006	$ 700,962	$ 1,663,750	$ 861,355	$ 1,381,947	$3,348,925	$ 0	$ 30,571	$ 7,98
Sullivan	2008	$ 538,462	$ 562,500	$ 6,423,012**(9)**	$ 8,094,376**(9)**	$ 277,483	$1,447,154	$11,888,583**(9)**	$29,23
and	2007	$1,000,000	$ 3,625,000	$ 921,876	$ 2,461,946	$5,607,439	$ 30,021	$ 697,910	$14,34
ecutive through 2008	2006	$1,000,000	$10,125,000	$ 1,265,689	$ 1,917,216	$5,838,656	$ 275,701	$ 703,432	$21,12
Willumstad and Chief e hrough r 18, 2008	2008	$ 269,231	$ 0	$24,626,614**(10)**	$12,000,000	$ 0	$ 0	$ 659,108	$37,55

Bensinger	2008	$	726,923	$	487,500	$	2,418,664**(9)**	$	2,073,593**(9)**	$	122,327	$	0	$	3,408,172**(9)**	$	9,2
e Vice	2007	$	751,923	$	1,450,000	$	598,408	$	864,801	$	2,786,927	$	113,043	$	35,274	$	6,6
and Chief	2006	$	750,000	$	3,250,000	$	753,666	$	617,647	$	2,093,078	$	108,143	$	18,323	$	7,5

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Footnotes to 2008 Summary Compensation Table

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

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

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

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

(2) AIG did not pay annual performance compensation to the named executives for

2008. For 2008, amounts in this column solely represent payments under AIG s quarterly bonus program for the first three quarters of 2008, after which payments were suspended for the members of AIG s Leadership Group. Mr. Liddy does not participate in AIG s quarterly bonus program.

(3) No stock-based awards were granted in 2008 to the named executives who remain at AIG. Stock-based awards were granted to Mr. Sullivan in March 2008 and to Mr. Willumstad for his services as a non-employee director and when he became Chief Executive Officer. This column represents the dollar amount recognized for financial statement reporting purposes (without regard to any estimate of forfeiture related to service-based vesting conditions) of outstanding stock-based awards under AIG s stock incentive plans, the Partners Plan, the DCPPP and the SICO plans, as well as DSUs granted to Mr. Willumstad prior to his election as Chief Executive Officer. The amount recognized for the awards granted by AIG was calculated using the assumptions described in Note 17 to the Consolidated Financial Statements included in Item 8 of Part II (in the case of awards granted in 2008) and the assumptions described in Notes 17, 14 and 14 to the Consolidated Financial Statements included in AIG s Annual Report on Form 10-K or Form 10-K/A, as applicable, for the years ended December 31, 2007, 2006 and 2005, respectively (in the case of awards granted prior to 2008). The amount recognized for the awards granted by SICO was calculated using the fair value of the underlying shares of AIG Common Stock as of the date of grant recognized ratably over the vesting period, which generally begins in the first year of the plan performance period and ends in the year the executive reaches age 65. SICO has stated that it intends to settle awards in equity rather than cash, permitting AIG to record expense for these awards on a grant date fair value basis. For more information, see Note 14 to the Consolidated Financial Statements included in AIG s Annual

Report on Form 10-K/A for the year ended December 31, 2005.

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Footnotes to 2008 Summary Compensation Table, continued

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

Stock Awards

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

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

The amounts in this column for 2006 are different from the amounts reported in AIG s prior Summary Compensation Tables due to a correction in the dollar amount recognized for outstanding stock-based awards under the SICO plans in 2006.

(4) No options were granted in 2008 to the named executives who remain at AIG. Options were granted to Mr. Willumstad when he was named Chief Executive Officer. This column represents the dollar amount recognized for financial statement reporting purposes (without regard to any estimate of forfeiture related to service-based vesting conditions) of options granted to Mr. Willumstad in 2008 and to the other named executives other than Mr. Liddy from 2004 to 2007 under AIG s stock option and stock incentive plans. The amount recognized for these awards was calculated based on AIG s binomial option-pricing model, using the assumptions described in Note 17 to the Consolidated Financial Statements included in Item 8 of Part II (in the case of awards granted in 2008) and the assumptions described in Notes 17, 14 and 14 to the Consolidated Financial Statements included in AIG s Annual Report on Form 10-K or Form 10-K/A, as applicable, for the years ended December 31, 2007, 2006 and 2005, respectively (in the case of awards granted prior to 2008).

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

Option Awards

Expense Reported in 2008 Summary	**Pro Forma Based**

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

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Footnotes to 2008 Summary Compensation Table, continued

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

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

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

Mr. Tse. The amount in this column for Mr. Tse for 2008 does not reflect the decline in Mr. Tse s total post-retirement benefits in 2008. The payments that Mr. Tse will be eligible to receive under AIG s pension plans will be offset by the company-contributed portion of his balance under the defined contribution plan in which he participates in Hong Kong. In previous years, Mr. Tse s Hong Kong plan balance fully offset his pension benefits. However, due to market losses in 2008, Mr. Tse s balance has declined so that it now provides only a partial offset. As a result, as required by SEC rules, the amount in this column for Mr. Tse for 2008 represents the actuarial increase resulting from the new eligibility to receive some pension benefits following retirement. By contrast, Mr. Tse s Hong Kong plan balance decreased by $1,841,972 in 2008. Therefore, on a present value basis, Mr. Tse s total post-retirement benefits under AIG s pension plans and the Hong Kong plan decreased by $1,123,907 in 2008. For more information, see Post-Employment Compensation Pension Benefits and Nonqualified Deferred Compensation. The actual change in pension value for Mr. Tse for 2006 was a loss of $376,015, due to gains in the offsetting portion of Mr. Tse s Hong Kong plan balance in that year.

Mr. Moor. The actual change in pension value for Mr. Moor in 2007 and 2006 was a loss of $11,425 and a loss of $2,490, respectively, primarily due to changes in actuarial assumptions.

Messrs. Sullivan and Bensinger. The amount in this column for Mr. Sullivan for 2008 reflects the value of additional age and service credit and earlier commencement of benefit payments that would have resulted if his resignation were for Good Reason under his employment agreement. Without this age and service credit, Mr. Sullivan would not have reached the minimum retirement age under AIG s nonqualified pension plans, which would have resulted in a decrease of $2,322,122 in the present value of his pension benefits versus 2007 levels due to forfeitures under those plans.

For Mr. Bensinger, even with the additional age and service credit that would have resulted if his resignation were for Good Reason under his employment agreement, Mr. Bensinger would not have reached the minimum service requirement for early retirement under AIG s nonqualified pension plans. As a result, the amount in this column for Mr. Bensinger for 2008 reflects his forfeitures under those plans. The actual change in pension value for Mr. Bensinger in 2008 would have been a loss of $211,982 or $248,807, depending on whether he was credited with additional age and service under AIG s U.S. tax-qualified retirement plan in connection with receipt of benefits under his employment agreement that would have been delivered if his resignation were for Good Reason.

For more information, see Potential Payments on Termination and Arrangements with Former Officers.

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Footnotes to 2008 Summary Compensation Table, continued

(7) *Perquisites.* This column includes the incremental costs of perquisites and benefits. The following table details the incremental cost to AIG of perquisites received by each named executive.

Perquisites and Benefits

Name	Personal Use of Aircraft(a)	Personal Use of Car Service/Car Allowance/Parking(b)	Financial, Tax and Legal Planning(c)	Personal Use of Club Memberships and Recreational Opportunities	Housing, Home Security and Other Living Expenses(c)	Tax-Related Payments(d)	Total
Edward M. Liddy	$ 47,578	$ 31,348	$162,686	$ 0	$ 38,368	$180,431	$460,411
David L. Herzog	$ 0	$ 3,286	$ 0	$ 0	$ 0	$ 0	$ 3,286
Edmund S.W. Tse	$ 0	$ 43,613	$ 3,226	$ 7,421	$ 6,302	$ 0	$ 60,562
Win J. Neuger	$ 0	$ 12,138	$ 15,600	$ 0	$ 0	$ 0	$ 27,738
Kris P. Moor	$ 0	$ 6,300	$ 15,600	$ 0**(e)**	$ 0	$ 0	$ 21,900
<u>Separated During 2008</u>							
Martin J. Sullivan	$179,257	$ 48,764	$ 13,000	$ 5,369**(e)**	$ 0	$ 0	$246,390
Robert B. Willumstad	$ 22,824	$ 19,938	$339,992	$ 0	$ 0		$382,754
Steven J. Bensinger	$ 0	$ 4,929	$ 15,600	$ 0	$ 0	$ 0	$ 20,529

(a) The cost of personal use of corporate aircraft by the named executives is calculated based on the aggregate incremental cost of the flight to AIG. Aggregate incremental cost is calculated based on a cost-per-flight-hour charge developed by a nationally recognized and independent service. The cost-per-flight-hour charge reflects the direct operating cost of the aircraft, including fuel, additives and lubricants, airport fees and assessments, crew expenses and in-flight supplies and catering. In addition, the cost-per-flight-hour charge also reflects an allocable allowance for maintenance and engine restoration. For Mr. Liddy, this amount also includes the actual cost of the ticket for commercial flights between New York and Chicago that are reimbursed by AIG.

(b) For Messrs. Liddy, Sullivan and Willumstad, who are or were provided with a dedicated car and driver, car use reflects an allocated portion of the annual lease valuation of the assigned car, annual driver compensation, parking, fuel and maintenance. Although AIG provides this benefit to enhance the security and efficient travel of its Chief Executive Officer, SEC rules require that costs of commuting and other uses not directly and integrally related to AIG s business be disclosed as compensation to the executive. Because AIG does not track car use in this way, 100 percent of the preceding costs have been allocated to compensation for business days its Chief Executive Officer was locally based. For the other named executives, the incremental cost for car-related perquisites represents AIG s direct expenditures.

(c) Incremental costs related to financial, tax and legal planning and to housing and other living expenses represent AIG s direct expenditures. In the case of Mr. Liddy, AIG has provided an apartment for Mr. Liddy s use in New York City to facilitate his immediate service upon his election as Chairman and Chief Executive Officer. In addition, for Mr. Liddy, amounts shown for financial, legal and tax planning solely represent expenses for work performed by his counsel in an effort to develop appropriate compensation structures for Mr. Liddy and also for other AIG executives. For more information, see Compensation Discussion and Analysis Indirect Compensation Components Perquisites. In the case of Mr. Willumstad, AIG also reimbursed work performed by his counsel related to compensation arrangements. Amounts shown for financial, legal and tax planning for Mr. Willumstad include $326,992 of these legal fees.

(d) AIG made payments to Mr. Liddy to offset any tax obligation Mr. Liddy incurred in accordance with his working arrangements to avoid his effectively having to pay to work at AIG. For more information, see Compensation Discussion and Analysis Indirect Compensation Components Perquisites.

(e) AIG reimbursed Mr. Moor for membership fees for a golf club used for business purposes. Mr. Moor may not use the club for personal purposes and would be required to resign his membership if he departed from AIG. These costs were considered ordinary and necessary business expenses of AIG. Any personal benefit Mr. Moor may have derived from this club membership is regarded as incidental, and no incremental cost related to any personal benefit has been incurred by AIG.

In 2007, AIG reimbursed Mr. Sullivan for an initiation fee and membership fees for a golf club to be used for business purposes. These amounts also were considered to be ordinary and necessary business expenses of AIG, and AIG stopped

reimbursing
Mr. Sullivan for
membership fees after
his resignation from
AIG. AIG had
reimbursed
Mr. Sullivan s fees for
2008 before his
resignation, and the

Footnotes to 2008 Summary Compensation Table, continued

amount for Mr. Sullivan reflects one half of these fees (based on his July 1 resignation date under his letter agreement with AIG). Mr. Sullivan still may use the club for personal purposes (though he now must pay his own membership fees).

Other Benefits. This column also includes life insurance premiums paid by AIG for the benefit of the named executives and matching contributions by AIG under its 401(k) plan and the defined contribution plan in which Mr. Tse participates in Hong Kong. These matching contributions include the following amounts in 2008: Herzog $10,350; Tse $119,149; Neuger $16,100; Moor $16,100; Sullivan $16,100; Willumstad $1,538; and Bensinger $10,350. See Post-Employment Compensation Nonqualified Deferred Compensation for additional detail.

Mr. Willumstad. The amount in this column for Mr. Willumstad for 2008 also includes $137,500 in director s fees paid to Mr. Willumstad in 2008 before he became Chief Executive Officer, as well as $2,463 in continued medical and life insurance benefits and $134,605 in office and secretarial support provided by AIG in 2008 after Mr. Willumstad s resignation. The medical, life insurance and office benefits were provided under Mr. Willumstad s letter agreement with AIG, and the amounts indicated reflect AIG s direct expenditures, including allocated portions of office leases and compensation and benefits of individuals providing secretarial support. For more information, see Potential Payments on Termination and Arrangements with Former Officers.

Messrs. Sullivan and Bensinger. The amounts in this column for Messrs. Sullivan and Bensinger for 2008 also include the payments and benefits that have not been paid but that would have been accrued in 2008 in connection with a Good Reason termination of employment under their employment agreements. These amounts are discussed in footnote 9.

Mr. Tse. In March 2008, AIG resolved certain foreign payroll tax obligations relating to amounts paid to employees by AIG and its affiliates in overseas jurisdictions prior to 2007. Under these arrangements, and as noted in AIG s 2008 Proxy Statement, AIG made payments to the Hong Kong taxing authority relating to amounts paid to affected AIG employees based in Hong Kong, including Mr. Tse. The amount in this column for Mr. Tse for 2008 includes $4,046,327, representing an internal allocation of the payments made by AIG, and no amount was actually paid to Mr. Tse.

(8) Mr. Tse is based in AIG s Hong Kong office. The Committee determines the amounts of Mr. Tse s salary and bonuses in U.S. dollars. These amounts are paid to Mr. Tse in Hong Kong dollars based upon the prevailing exchange rate on the date of the relevant payment. In addition, AIG records expense for Mr. Tse s company-provided benefits, including matching contributions, in Hong Kong dollars. The amount of this contribution included in All Other Compensation in the 2008 Summary Compensation Table for 2008 for Mr. Tse reflects conversion to U.S. dollars at a rate of HK$7.75 per U.S. dollar, the month-end rate for December 2008.

(9) ***The amounts for Messrs. Sullivan and Bensinger in the Summary Compensation Table for 2008 include termination payments and benefits that they have not received.*** They would be eligible for these payments and benefits if their resignations were for Good Reason under their respective employment agreements. AIG is reviewing the arrangements for Messrs. Sullivan and Bensinger as part of a comprehensive assessment of expenses and compensation, and no payments will be made pending completion of the review (except for benefits initially provided to Mr. Sullivan in the third quarter of 2008 prior to AIG s review).

All Other Compensation. The amounts in this column include the payments and benefits that would have accrued in 2008 in connection with a Good Reason termination of employment. For Mr. Sullivan, the amounts that would have been accrued in 2008 are $11.5 million in cash severance payments, $6,830 in continued medical and life insurance benefits and $118,273 in office and secretarial support that would have been provided under his letter agreement with AIG (calculated based on AIG s actual and estimated expenses for the same items listed for Mr. Willumstad). For Mr. Bensinger, the amounts that would have been accrued in 2008 are $3.375 million in cash severance payments and $1,303 in continued medical and life insurance benefits. Under SEC rules, the amounts that would have been accrued consist of amounts that would have been payable in 2008, assuming an entitlement to payment and continued compliance with restrictive covenants, without giving effect to payment delays required by Section 409A of the Code. These amounts would not have been payable in connection with a termination by the executive without Good Reason or by AIG for Cause. For more information, see Potential Payments on Termination and Arrangements with Former Officers.

Stock Awards and Option Awards. The amounts in this column for Messrs. Sullivan and Bensinger for 2008 for stock-based and option awards reflect an acceleration into 2008 of the expense of awards that they may be entitled to receive or exercise, as applicable, after their departure from AIG. A portion of this expense generally would have been recognized in future years based on the continued service of Messrs. Sullivan and Bensinger. For Mr. Sullivan, the amounts recognized reflect the expense of stock-based and option awards that would have been reinstated following a Good Reason termination of employment under Mr. Sullivan s employment agreement and letter agreement with AIG. For Mr. Bensinger, the amounts recognized reflect the expense of stock-based and option awards that would have

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Footnotes to 2008 Summary Compensation Table, continued

vested and been delivered or become exercisable, as applicable, during a two-year continued vesting period following a Good Reason termination of employment under Mr. Bensinger s employment agreement. At the time of his resignation, Mr. Bensinger also held stock-based and option awards that were scheduled to vest after the end of this two-year period. These awards also are shown in the Outstanding Equity Awards at December 31, 2008 table below, as they also remain subject to AIG s comprehensive assessment of Mr. Bensinger s arrangements. For more information, see Exercises and Holdings of Previously Awarded Equity Outstanding Equity Awards at December 31, 2008.

In addition, AIG had recorded expenses for 2007 and prior years for awards for Messrs. Sullivan and Bensinger under the DCPPP and the SICO plans. In 2008, upon Mr. Sullivan s departure, his SICO awards and a portion of his DCPPP awards were considered modified for accounting purposes, so that previously recorded expense was reversed and expense was recognized in 2008 for the awards based on AIG s share price of $26.46 on June 30, 2008, the date of Mr. Sullivan s letter agreement with AIG. This modification resulted in a reversal in 2008 of $5,495,832 and $110,145 in expense from prior years related to Mr. Sullivan s SICO awards and DCPPP awards, respectively, resulting in a net expense recognition in 2008 of $(1,555,687) and $2,977,952 for Mr. Sullivan s SICO awards and DCPPP awards, respectively. However, in accordance with SEC rules, only $1,360,472 of the total reversed expense is reflected in the 2008 Summary Compensation Table for 2008 for Mr. Sullivan because the remaining $4,245,505 was recognized prior to 2006 and thus was not previously reported in the Summary Compensation Table. Consequently, the amount reported for Mr. Sullivan for 2008 overstates the reported expense that otherwise would be shown in the Summary Compensation Table by $4,245,505. Similarly, upon Mr. Bensinger s departure, his SICO awards and a portion of his DCPPP awards that would have vested after Mr. Bensinger s two-year continued vesting period were assumed to be forfeited for accounting purposes, so that previously recorded expense was reversed for those awards. These assumed forfeitures resulted in a reversal in 2008 of $170,263 and $37,492 in expense from prior years related to Mr. Bensinger s SICO awards and DCPPP awards, respectively, resulting in a net expense recognition in 2008 of $(164,064) and $1,385,291 for Mr. Bensinger s SICO awards and DCPPP awards, respectively. However, in accordance with SEC rules described above, only $93,706 of the total reversed expense is reflected in the 2008 Summary Compensation Table for 2008 for Mr. Bensinger because the remaining $114,049 was recognized prior to 2006. Accordingly, the amount reported for Mr. Bensinger for 2008 overstates the reported expense that otherwise would be shown in the Summary Compensation Table by $114,049.

(10) ***Mr. Willumstad s reported compensation includes $24.5 million of accounting expense for an award of restricted shares that was rescinded by mutual agreement of AIG and Mr. Willumstad.*** The amount in this column for Mr. Willumstad represents expenses relating to DSUs granted to Mr. Willumstad for his services as a non-employee director ($126,614) and to Mr. Willumstad s Sign-On Restricted Stock Award granted in 2008 ($24.5 million). The Sign-On Restricted Stock Award was rescinded by mutual agreement of AIG and Mr. Willumstad on December 26, 2008, and Mr. Willumstad did not receive delivery of the underlying shares. However, because by the terms of the award Mr. Willumstad could have retired from AIG and retained the Sign-On Restricted Stock Award (with restrictions lapsing over four years), the full expense relating to the award was recognized upon grant and was not reversed as a result of the rescission.

In connection with the employment and relocation to New York in 1997 of Mr. Frank G. Wisner, a former executive officer who retired in March 2009, AIG paid certain expenses involved with his purchase of a cooperative apartment and, until his retirement from AIG, provided credit support for his mortgage. Mr. Wisner paid off the mortgage in February 2009, and the credit support was terminated in March 2009.

AIG maintains a policy of directors and officers liability insurance for itself, its directors and officers, its subsidiaries and their directors and officers. The premium for this policy for the year ending September 22, 2009 was approximately $38 million. In addition, AIG purchased coverage in 2008 that will be in effect until 2014 and will allow AIG and its subsidiaries to report claims that relate to director and officer conduct during the period from

May 24, 2005 to September 22, 2008, at a total cost of approximately $75.1 million.

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2008 Grants of Plan-Based Awards

Total 2008 Grants. The following table details all equity-based and non-equity plan-based awards granted to each of the named executives in 2008. As noted above in the Compensation Discussion and Analysis, none of the named executives who remain at AIG received any equity or non-equity plan-based awards in 2008. Mr. Sullivan received a grant of Performance RSUs for the 2008-2009 performance period and Senior Partner Units for the 2006-2008 performance period in March 2008. These grants were made to other executives in late 2007, but the grant for Mr. Sullivan was made only after final audited financial statements for 2007 were available. In addition, the following table reflects a grant of restricted shares to Mr. Willumstad that was later rescinded by mutual agreement of Mr. Willumstad and AIG before year-end. Consequently, no shares will be delivered to him and no value realized by him under this grant. For more information, see footnotes 3 and 10 to the 2008 Summary Compensation Table and footnote 2 to this table.

2008 Grants of Plan-Based Awards

Name	Grant Date	Plan Units	Estimated Possible Payouts Under Non-equity Incentive Plan Awards(1)	Estimated Possible Payouts Under Equity Incentive Plan Awards			All Other Stock Awards (# of AIG Shares)	All Other Option Awards (# of AIG (Shares)	Exercise Price of Option Awards ($/Sh)	Grant Date Fair Value of Equity Awards ($)(2)
				Threshold	Target	Maximum				
Edward M. Liddy										
David L. Herzog										
Edmund S.W. Tse										
Win J. Neuger										
Kris P. Moor										
Separated During 2008										
Martin J. Sullivan										
2008-2009 Performance RSUs	3/12/08	38,400		9,600	38,400	57,600				$ 2,359,296
2006-2008 Senior Partner Units	3/12/08	2,000	$5,408,000							
Robert B. Willumstad										
Sign-On Option Award										
Time-vested	7/16/08							378,333	$23.28	$ 4,055,730
Performance-vested	7/16/08							378,333	$23.28	$ 3,976,280
Performance-vested	7/16/08							378,334	$23.28	$ 3,967,990
Sign-On Restricted Stock Award	7/16/08						1,052,406			$24,500,000
Deferred Stock Units	1/2/08						6			$ 338
Deferred Stock Units	4/1/08						7			$ 329
	5/14/08						3,169			$ 124,985

Deferred Stock Units				
Deferred Stock Units	7/1/08	36	$	962
Steven J. Bensinger				

(1) Amounts shown for Mr. Sullivan s 2006-2008 Senior Partner Units represent the amounts that would have been earned if performance for 2007 had been repeated for 2008 on the same basis that the Committee determined earnout for 2005-2007 Senior Partner Units. However, Mr. Sullivan s 2006-2008 Senior Partner Units were forfeited due to failure to meet related performance thresholds under the Partners Plan for the performance period ending in 2008, and no value will be delivered under the Senior Partner Units. For more information on the Senior Partners Plan, see Post-Employment Compensation Nonqualified Deferred Compensation.

(2) Amounts shown represent the total grant date fair values in accordance with FAS 123R of Mr. Sullivan s 2008-2009 Performance RSUs, Mr. Willumstad s Sign-On Restricted Stock Award and Sign-On Option Award and Mr. Willumstad s 2008 DSUs, all of which were granted under AIG s 2007 Stock Incentive Plan.

With respect to 2008-2009 Performance RSUs, in accordance with SEC rules, these values assume future payouts at the maximum level. However, 2008-2009 Performance RSUs are extremely unlikely to be earned at all because of the earnings per share growth that would be required in 2009 after the significant losses in 2008, and AIG is currently not recognizing any expense for these awards in its financial statements in recognition of the low likelihood of earnout. Earned 2008-2009 Performance RSUs, if any, would vest in equal installments promptly after the third and fourth anniversaries of the first day of the performance period. Performance RSUs do not pay dividends. The grant date fair value reported for Mr. Sullivan s 2008-2009 Performance RSUs reflects a reduction for the expected value of dividend payments that are foregone during the vesting period. The grant date fair value per 2008-2009 Performance RSU vesting in three years was $41.32. The grant date fair value per 2008-2009 Performance RSU vesting in four years was $40.60.

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In July 2008, in connection with his promotion to Chief Executive Officer of AIG, AIG granted Mr. Willumstad two special sign-on awards. Mr. Willumstad s Sign-On Restricted Stock Award consisted of restricted shares of AIG Common Stock that would have vested and been delivered in equal installments on the second, third and fourth anniversaries of the date of grant. The grant date fair value per restricted share granted on July 16, 2008 was $23.28. However, on December 26, 2008, this award was rescinded by mutual agreement of AIG and Mr. Willumstad. Mr. Willumstad returned all dividends previously paid on the restricted shares, and no shares or other property will be delivered under the award.

Mr. Willumstad s Sign-On Option Award consists of options to purchase AIG Common Stock at $23.28 per share. The options designated as Time-vested in this table will vest and become exercisable in three equal installments on each of the first three anniversaries of the date of grant. The first tranche of options designated as Performance-vested in this table will vest and become exercisable only if and when the price of AIG Common Stock reaches $29.10 (125 percent of the closing sale price on the date of grant), and the second tranche of options designated as Performance-vested will vest and become exercisable only if and when the price of AIG Common Stock reaches $34.92 (150 percent of the closing sale price on the date of grant). Although Mr. Willumstad retains these options following his retirement, no options were exercisable as of year-end.

Mr. Willumstad s DSUs were granted in 2008 for service as a director before Mr. Willumstad became Chief

Executive Officer. Under each DSU, Mr. Willumstad received one share of AIG Common Stock upon his retirement from AIG. The grant date fair value per DSU granted on the following dates in 2008 was: January 2 $56.30; April 1 $47.00; May 14 $39.44; and July 1 $26.73.

EXERCISES AND HOLDINGS OF PREVIOUSLY AWARDED EQUITY

Outstanding Equity Awards at December 31, 2008

Equity-based awards held at the end of 2008 by each named executive, including awards under AIG s Partners Plan and DCPPP, were issued under the incentive plans and arrangements described below. Shares of AIG Common Stock deliverable under the Partners Plan, the DCPPP and AIG s time-vested equity and option awards will be delivered under the 2007 Stock Incentive Plan, AIG s Amended and Restated 2002 Stock Incentive Plan or AIG s Amended and Restated 1999 Stock Option Plan, as applicable. Also included in outstanding equity-based awards were grants historically made by SICO under a series of two-year Deferred Compensation Profit Participation Plans.

The following table sets forth outstanding equity-based awards held by each named executive as of December 31, 2008.

Outstanding Equity Awards at December 31, 2008

	Option Awards(1)					Stock Awards				
							Unvested (No Longer Subject to Performance Conditions)		Unvested and Subject to Performance Conditions under Equity Incentive Plans	
Name	**Year Granted(1)**	**Number Exercisable**	**Number Unexercisable**	**Exercise Price**	**Expiration Date**	**Plan(2)(3)(4)**	**Number**	**Market Value(5)**	**Number**	**Market Value(5)**
Edward M. Liddy										
David L. Herzog	2007	8,750	26,250	$ 57.05	12/13/2017	2008 PP			2,875	$ 4,514
	2006	15,000	15,000	$ 71.00	12/11/2016	2006 PP	4,923	$ 7,729		
	2005	18,750	6,250	$ 65.99	12/14/2015	DCPPP	14,580	$ 22,891		
	2005	11,250	3,750	$ 59.35	09/01/2015	RSUs	630	$ 989		
	2004	15,000		$ 64.47	12/16/2014	SICO	16,200	$ 25,434		
	2003	8,000		$ 63.95	12/17/2013	Total	36,333	$ 57,043	2,875	$ 4,514
	2003	8,000		$ 47.00	02/10/2013					
	2002	8,000		$ 61.30	12/16/2012					
	2002	28,946		$ 79.61	01/17/2012					

	2001	28,949		$ 65.77	01/17/2011					
	2000	23,159		$ 44.50	03/02/2010					
Edmund S.W. Tse	2007	15,000	45,000	$ 57.05	12/13/2017	2008 PP			9,600	$ 15,072
	2006	30,000	30,000	$ 71.00	12/11/2016	2006 PP	23,020	$ 36,142		
	2005	45,000	15,000	$ 65.99	12/14/2015	DCPPP	76,800	$ 120,576		
	2005	41,250	13,750	$ 59.35	09/01/2015	RSUS	22,404	$ 35,174		
	2004	55,000		$ 64.47	12/16/2014	SICO	0	$ 0		
	2003	50,000		$ 63.95	12/17/2013	Total	122,224	$ 191,892	9,600	$ 15,072
	2003	50,000		$ 47.00	02/10/2013					
	2002	50,000		$ 61.30	12/16/2012					

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							Stock Awards			
							Unvested (No Longer Subject to Performance Conditions)		**Unvested and Subject to Performance Conditions under Equity Incentive Plans**	
		Option Awards(1)								
Name	**Year Granted(1)**	**Number Exercisable**	**Number Unexercisable**	**Exercise Price**	**Expiration Date**	**Plan(2)(3)(4)**	**Number**	**Market Value(5)**	**Number**	**Market Value(5)**
	2001	50,000		$ 79.61	12/13/2011					
	2000	40,000		$ 96.56	12/14/2010					
	1999	45,000		$ 60.13	09/15/2009					
Win J. Neuger	2007	15,000	45,000	$ 57.05	12/13/2017	2008 PP			8,400	$ 13,188
	2006	30,000	30,000	$ 71.00	12/11/2016	2006 PP	19,567	$ 30,720		
	2005	45,000	15,000	$ 65.99	12/14/2015	DCPPP	65,280	$ 102,490		
	2005	37,500	12,500	$ 59.35	09/01/2015	SICO	256,121	$ 402,110		
	2004	50,000		$ 64.47	12/16/2014	Total	340,968	$ 535,320	8,400	$ 13,188
	2003	40,000		$ 63.95	12/17/2013					
	2003	25,000		$ 47.00	02/10/2013					
	2002	25,000		$ 61.30	12/16/2012					
	2001	15,000		$ 79.61	12/13/2011					
	2000	7,500		$ 96.56	12/14/2010					