AMERICAN INTERNATIONAL GROUP, INC.
70 PINE STREET
NEW YORK, N.Y. 10270

EDWARD M. LIDDY
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

AIG

December 5, 2008

Dear Congressman Cummings,

Thank you for the opportunity to address the important issues that were raised in your letter of December 1, 2008.

Your staff has been extremely generous with its time, and I want to thank Lucinda Lessley and Danielle Grote for meeting with our Executive Vice President, General Counsel, and Senior Regulatory and Compliance Officer Anastasia Kelly and our Executive Vice President and Chief Financial Officer David Herzog earlier this week. We are cognizant of the complexity of the information we have disclosed and we look forward to continuing our dialogue with you and other leaders to ensure that AIG continues its efforts to be transparent across the company and provide helpful information.

At the outset, let me detail the important mission that AIG is now undertaking – and why it is critical for our team to succeed. As you wrote in your letter, we are indeed fortunate to have benefited from the assistance extended to us by the U.S. government and we are grateful for the support of American taxpayers. Consequently, our primary mission is to repay every penny – with interest. That is why I am here.

Currently, AIG is undertaking one of the largest asset divestiture processes in the history of American commerce. Our plan is to sell businesses that constitute almost 65 percent of our company and employ approximately 70,000 people. We have already sold interests in three businesses, and I want to assure you that we expect the pace of this process will only increase in the months ahead. We are moving prudently but with dispatch on our path forward to pay back the American taxpayers and to get the maximum value for these unique assets.

Insurance companies have two main ingredients: capital and people. AIG, as the largest insurance company in the U.S. and one of the largest in the world, has a well-deserved reputation for having some of the most talented people in the insurance industry with deep experience, extremely valuable business relationships, and unique ties to the many local communities where they live and work. Our employees are the leading reason why AIG's insurance businesses continue to be solid and secure. Maintaining the health of those businesses – and retaining our employees – is essential for us to repay the taxpayers.

We would be doing a disservice to the taxpayer – and would place AIG's asset divestiture plan at risk – if we did not act decisively to ensure that our key employees remain with the company. Our competitors understand how valuable our top executives are, and we are acutely aware that they would like to siphon off our most talented leaders. Additionally, the leadership of our key employees is an important component of the value of the business we are selling. To allow our competitors to more easily recruit our best people would result in significantly less proceeds from asset sales, and less money available to repay our obligations to the government. It is also important to note that for employees across AIG who own our stock, those holdings are now nearly valueless.

A key to the successful execution of our restructuring plan is the maintenance of our current credit ratings. While many of our ratings were recently affirmed, most of them remain on "watch." According to S&P: "The ratings on AIG and its property/casualty subsidiaries remain on CreditWatch with negative implications. We expect to resolve the CreditWatch status of these ratings in 2009, when we will likely get a better picture of the company's efforts to price and retain its business. Standard & Poor's expects some loss of business lines and personnel. If those losses are significant and threaten future business prospects, we could lower the ratings further. However, if such potential declines were modest, we could affirm the ratings." AIG's credit rating, and therefore our ability to repay the taxpayers, is inextricably linked to our success in retaining critical employees.

Recently, some reinsurers have begun requesting provisions which would allow them to cancel reinsurance contracts upon the departure of critical AIG employees. Having appropriate reinsurance coverage in place is essential to the risk control for AIG's operations. Without appropriate reinsurance cover, the magnitude of losses on catastrophic events would seriously injure the financial strength of the company. In addition, AIG plays a vital role in providing risk coverage to many institutions around the world. AIG's risk appetite would be severely impacted without appropriate reinsurance.

All of our efforts with respect to our retention program have been made in the light of day and subsequently filed with the Securities and Exchange Commission (SEC) and accessible via their public database. On September 18, 2008, AIG's Compensation Committee of the Board of Directors approved retention payments for 168 employees – which included approximately 130 employees, plus an additional 38 who were subsequently added based on authority granted by the Committee. These individuals were selected to participate based on their individual performance, the importance of their position to the organization, key client relationships that are crucial to retaining our client base, potential for organizational advancement, degree of position difficulty, degree of flight risk, and their ability to recruit others if they were to depart.

Specifically, 13 of the employees who are receiving retention payments have agreed to delay receipt of the first part of this payment until April of 2009. These 13 individuals are executive officers of the company. The agreement by these 13 executives was an important element in the Treasury Department's latest agreement with AIG. The timetable for these payments is designed to keep our employees onboard during this critical period.

The base salaries for those involved in these retention payments range from $160,000 per year to $1,000,000 per year, and the retention awards range from $92,500 to $4,000,000. These retention payments will be made in two installments over a 12 month period.

These employees are highly specialized and/or are part of businesses that control billions of dollars of revenue and value that will be needed to repay the U.S. taxpayer. Their years of experience with the company and understanding of the vast marketplace makes them critical to our success going forward. In fact, AIG's compensation levels for key positions are already below companies of smaller size and less complexity.

We at AIG are certainly mindful of the economic hardships facing Americans today and we share in those burdens. Accordingly, I and other leaders of AIG have committed to the following, as announced last month:

- I will receive an annual base salary of $1 for 2008 and 2009. My basic compensation will consist entirely of equity grants and I will not receive an annual bonus in those years, although I will be eligible for a special bonus for extraordinary performance payable in 2010. I am also not eligible for severance payments.

- Paula Rosput Reynolds, Vice Chairman and Chief Restructuring Officer, who joined AIG in October, will receive no salary or bonus in 2008. In 2009 and beyond, other than her base salary, any other compensation she receives will be tied directly to the progress of the restructuring efforts.
- The other five members of AIG's top-seven-officer Leadership Group will not receive annual bonuses for 2008 or salary increases through 2009. Executive Vice President of Retirement Services Jay Wintrob and Executive Vice President and Chief Financial Officer David Herzog are included in this group. Also, David Herzog did not accept a raise when he became the company's Chief Financial Officer. In addition, this group has agreed to defer retention payments that were due to them in December, and they also agreed that they would not be eligible for both unpaid retention and severance payments.
- The Leadership Group, and an additional 10 executive officers, have also agreed to defer their retention payments due to them in December 2008 and also agreed they would not be eligible for both unpaid retention and severance payments.
- There will be no salary increases through 2009 for approximately 40 other top executives who are part of this retention pool.

Ms. Kelly and Mr. Herzog also committed at their meeting with your staff members this week to answer questions and to provide follow-up information that you may need. AIG has steep challenges ahead but we are making progress. We are proud of the work we've done – and recognize the enormity of the task ahead. Our goals are straightforward – repay our loan from the government, preserve as many of the 116,000 AIG jobs as possible, and emerge from this process with a vibrant and ongoing business. To achieve this goal, we hope to have your help, and indeed the help of all members of Congress, in executing this extraordinary effort that clearly has the potential to help America's economic recovery.

Sincerely,

Edward M Liddy