

AMERICAN INTERNATIONAL GROUP, INC.  
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NEW YORK, N.Y. 10270

EDWARD M. LIDDY  
CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER



March 14, 2009

The Honorable Timothy F. Geithner  
United States Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Mr. Secretary:

Thank you for the open and frank conversation on Wednesday regarding the compensation arrangements at AIG Financial Products and AIG generally. I admit that the conversation was a difficult one for me.

I do not participate in any AIG bonus or retention program, have never attended a single AIG sales event or conference and, before September, did not have any relationship with AIG. I was asked to serve by your predecessor in connection with the acquisition by the government of almost 80% of AIG's outstanding shares. My only goals are to have AIG repay, with interest, to the maximum extent possible, the assistance the American taxpayers have given it and to continue AIG's main insurance companies as strong, thriving businesses and contributors to the economy. My only stake is my reputation.

In the first quarter of 2008, prior management took significant retention steps at AIG Financial Products. These arrangements were designed at a time when AIG Financial Products was expected to have a significant, ongoing role at AIG, and guaranteed a minimum level of pay for both 2008 and 2009. (Due to losses at AIG Financial Products, a senior manager will receive about 43% of his 2007 expected level for 2008.) Some of these payments are coming due on March 15, and, quite frankly, AIG's hands are tied. Outside counsel has advised that these are legal, binding obligations of AIG, and there are serious legal, as well as business, consequences for not paying. Given the trillion-dollar portfolio at AIG Financial Products, retaining key traders and risk managers is critical to our goal of repayment. This is all discussed in more detail in the attached "white paper."

Needless to say, in the current circumstances, I do not like these arrangements and find it distasteful and difficult to recommend to you that we must proceed with them. With the benefit of hindsight, I would have designed

these differently and at significantly lower levels. I am committed, however, to working within the existing arrangements to get the most out of them for AIG's constituencies. Honoring contractual commitments is at the heart of what we do in the insurance business. I cannot have our clients lose faith in our desire and ability to do just that.

We believe that there will be considerably greater flexibility to reduce contractual payments in respect of 2009, and AIG intends to use its best efforts to do so. It is expected that, over the course of the year, AIG Financial Products will sell certain businesses, employees will leave voluntarily or be terminated for cause and certain downsized employees will find new employment. In the first two cases, employees are no longer entitled to retention amounts from AIG; in particular, if AIG Financial Products sells certain books of business as planned, the employees related to these books will go with the sold businesses, and we intend to require the buyer to assume going-forward compensation payments. In the case of downsized employees who find new employment, their payments are reduced by earnings from their new employer. In addition, in foreign jurisdictions, AIG will have greater ability to negotiate with employees who are downsized.

With all of these actions and other creative restructuring solutions, AIG hereby commits to use best efforts to reduce expected 2009 retention payments by at least 30%. We are also taking other significant steps to limit overall compensation at AIG Financial Products where we can. The 25 highest-paid active contract employees at AIG Financial Products have agreed to reduce their remaining 2009 salary to \$1. Salaries for this group range up to \$500,000, and the average salary is in excess of \$270,000. The remaining 2009 salary of all other officers – that is, anyone with a title of associate vice president or higher – will be reduced by 10% (subject to local law requirements). In addition, other forms of non-cash compensation will be reduced or eliminated. Finally, AIG also is committed to seeking other ways to repay the American taxpayers for AIG Financial Products retention payments.

You have also asked AIG to rethink our 2008 corporate bonus proposals. The proposals AIG originally submitted to you are part of a deliberate process, recommended by me and supported by the independent compensation committee of AIG's board of directors. We started with the additional compensation limits that AIG had already committed to – limits that were more extensive than those at any other recipient of TARP funds at the time – and weighed a variety of considerations appropriate to the goal of repayment and AIG's unique circumstances.

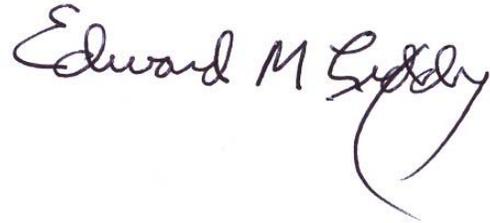
Nevertheless, in response to your request, we are now proposing further changes to the 2008 corporate bonus proposals for Senior Partners that will better align their interests with AIG's restructuring efforts and the goal of repayment. As before, our Leadership Group (including me) will receive no 2008 year-end bonus.

I would not be doing my job if I did not directly advise you of my grave concern about the long-term consequences of the actions we are taking today. On the one hand, all of us at AIG recognize the environment in which we operate and the remonstrations of our President for a more restrained system of compensation for executives. On the other hand, we cannot attract and retain the best and brightest talent to lead and staff the AIG businesses – which are now being

operated principally on behalf of the American taxpayers – if employees believe that their compensation is subject to continued and arbitrary adjustment by the U.S. Treasury.

My team and I will stand ready to do everything we can to work together with you to reach a resolution that is in the best interests of AIG and its stakeholders.

Sincerely,

A handwritten signature in black ink that reads "Edward M Liddy". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Edward M. Liddy  
Chairman and Chief Executive  
Officer

(Attachments)

cc: Anastasia D. Kelly  
James Hennessy

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