DRAFT OF MARCH 17, 2008

MINUTES OF MEETING

OF THE

AUDIT COMMITTEE

OF

AMERICAN INTERNATIONAL GROUP, INC.

Held February 7, 2008

A meeting of the Audit Committee of the Board of Directors of AMERICAN INTERNATIONAL GROUP, INC., was held by telephone conference call on February 7 , 2008 at 3:00 P.M., pursuant to notice duly given to each of the members in accordance with the By-Laws.

Present:	Messrs.	Michael H. Sutton, Chairman George L. Miles, Jr. Morris W. Offit Robert Willumstad, *ex-officio*

Also present were Director Frank G. Zarb, a non-voting member of the Committee, Directors Marshall Cohen, Martin Feldstein, Stephen Hammerman, Fred Langhammer, James Orr, and Virginia Rometty, Messrs. Henry Daubeney, Robert Sullivan and Robert Moritz from PricewaterhouseCoopers LLP ("PwC") (for a portion of the meeting), Mr. James Cole of Bryan Cave LLP, Mr. James Gamble of Simpson Thacher & Bartlett LLP, President and Chief Executive Officer Martin J. Sullivan, Executive Vice President and Chief Financial Officer Steven J. Bensinger, Executive Vice President and General Counsel Anastasia D. Kelly, Senior Vice President and Comptroller David Herzog, Senior

Vice President and Chief Risk Officer Robert E. Lewis, Senior Vice President and Director of Internal Audit Michael E. Roemer, Senior Vice President, Secretary and Deputy General Counsel Kathleen E. Shannon, and Vice President – Corporate Governance Eric N. Litzky.

The Chairman of the Committee, Michael H. Sutton, presided and the Secretary, Kathleen E. Shannon, recorded the minutes of the meeting.

The Committee first met in executive session with Mr. Gamble and Mr. Roemer. Mr. Gamble and Mr. Roemer provided a briefing on issues associated with the valuation of the AIGFP super senior credit default swap portfolio.

Messrs. Martin Sullivan, Bensinger, Lewis, Herzog and Litzky and Mesdames Kelly and Shannon joined the meeting.

Mr. Sullivan asked Mr. Bensinger to update the Committee on the discussions with the rating agencies in connection with AIG's proposed filing of a Current Report on Form 8-K regarding AIG's disclosures in connection with the valuation of the AIGFP super senior credit default swap portfolio and PwC's views that there is a material weakness in financial control over that valuation process. Mr. Bensinger reported that he and Ms. Watson and Messrs. Dooley and Habayeb had telephone conferences with each of the rating agencies, with the conversations calm and professional with a good understanding of the explanations given for the filing. He said that Standard & Poors in particular, having a good understanding of these credit markets, put the disclosure in proper perspective, with their lead analyst indicating the belief that other companies would also have to deal with material weaknesses.

Mr. Cole then joined the call.

Mr. Bensinger continued that his expectation is that S&P will at least comment on the situation, but he does not expect a rating action from them. With respect to A.M.Best, Mr. Bensinger commented that they have a lower level of understanding of the market issues, having less expertise in the capital markets. Mr. Bensinger said that he had given rating agencies, other than Fitch, a broad overview of fourth quarter results based upon current assessments, after each had requested that he do so with the understanding that the yearend information provided in these conversations and not disclosed in the Form 8-K would remain confidential under Fair Disclosure regulations. He said that Fitch is still considering whether to request the yearend information. Mr. Bensinger added that he had also given the agencies additional information on AIG's economic stress analysis of the AIGFP portfolio. Mr. Bensinger indicated that he did not anticipate that any of the agencies would take an immediate rating action, and that they would all let Management know what they intend to do before we would file the Form 8-K.

Mr. Sullivan advised the Committee that Management's own assessment of internal control was ongoing and was not yet completed, but he had met with Messrs. Ryan and Robert Sullivan to start the remediation process. He reported that appropriate staff of the Securities and Exchange Commission and the Office of Thrift Supervision, as well as key insurance regulators in New York, Pennsylvania and Delaware, would be given advance notice of the Form 8-K filing.

Mr. Willumstad asked whether the disclosure would include an estimated range for the valuation losses as of December 31, and Mr. Bensinger replied that a range might be available by Sunday evening. Mr. Bensinger said that pricing inputs has been a spirited discussion topic, with PwC holding the view that AIGFP's assessment does not include enough consideration of market participants' views on pricing. Mr. Bensinger described the differences of opinion with Goldman Sachs on the pricing of the underlying collateral, noting Goldman's acknowledged desire to obtain as much cash as possible from their collateral calls. He pointed out that Goldman were unwilling or unable to provide any sources for their determinations of market prices. Mr. Sullivan pointed out that the disagreements with Goldman should be characterized as discussions rather than disputes. Mr. Offit asked about the availability of other third party prices, and Mr. Bensinger responded that no trading is occurring. Mr. Roemer stated that other third party prices are being gathered and to the extent available they will be captured, analyzed and correlated.

Mr. Bensinger emphasized that Management's objective is to obtain the best estimate of valuation, not necessarily the highest estimate. Mr. Sullivan agreed, noting that AIG had been working diligently to find observability for the spread differential which everyone believes exists. He added that these extensive efforts, which he believed appropriate to meet Management's fiduciary responsibility to shareholders, were not necessarily seen as a positive by PwC, but when it became clear that PwC did not consider the evidence AIG gathered to be adequate from a market observability standpoint, Management decided that the December 31 losses would not include an adjustment for the spread differential.

With respect to PwC's assessment that a material weakness existed at December 31, 2007, Mr. Bensinger first noted that although Management had listened and not commented the prior day when there had been a call to update the Board on these matters, Management did not agree with PwC's conclusion that certain errors in the valuation process would not have been found by Enterprise Risk Management or Internal Audit during the course of review of that process and the resulting valuation. He said that the reviews by ERM and Internal Audit were being conducted concurrently with the PwC audit, and AIG's implementation of improvements suggested by KPMG resulting from their special review of this area. He added, and Mr. Sullivan agreed, that there are various ways to look at these issues, and significant business judgment is involved.

Mr. Bensinger noted that when the topic for the investor presentation was changed, Management had asked the experts in these businesses to provide the information and relied upon that expertise. He said that Management does not know whether there was sufficient market observability at that time, but Management was not made aware that the reported amounts for November 30 included a negative basis adjustment. Mr. Offit commented that there had been discussion at the last Committee meeting on whether a negative basis adjustment to the December valuation would be acceptable. Mr. Bensinger noted that Management has been seeking to arrive at its best estimate, and continues to believe that a negative basis exists, even if not reliably quantifiable.

Mr. Bensinger commented that PwC views the AIGFP valuation process as insular, and would like to see AIG's experts more entwined in the process. He added that although previously AIGFP was allowed to determine their valuation, which was then reviewed by ERM and Internal Audit, in the current process, AIG experts are now heavily involved in the process. Mr. Gamble said that for purposes of the December 31, 2007 valuation, all parties agree that there is transparency throughout the process, and Messrs. Bensinger and Roemer said that was a correct assessment.

Mr. Sullivan commented on crisis management, indicating that he is hopeful that AIG's current ratings can be maintained, as any downgrade of more than one notch would trigger collateral calls and potentially negatively affect the securities lending program.

The participants other than Committee members, other outside Board members, Mr. Roemer and Mr. Gamble left the meeting and the PwC representatives joined the meeting. The Committee met with the PwC representatives in executive session. The PwC representatives provided the following summary of their session with the Committee:

Mr. Willumstad asked Bob Sullivan to comment on the super senior process. Bob Sullivan noted that since the third quarter PwC has had discussions with senior management, individual board members and the Committee in connection with the super senior valuation process and oversight. These discussions had covered issues around the controls and process as well as concerns over the oversight of the process by the risk management and FSD functions. Most recently Bob Sullivan and Tim Ryan had met with Mr. Willumstad to share PwC's views on the material weakness and remediation steps Management should consider taking in the areas of organization structure, controls and people skills and interaction.

Bob Sullivan summarized discussions that he and Tim Ryan had with Martin Sullivan regarding remediation and Joe Cassano. Bob Sullivan indicated that Joe Cassano is a management judgment. A general discussion ensued.

Mr. Willumstad noted that Tim Ryan had covered the details with the Board yesterday and opened the meeting for questions.

Mr. Orr asked what were the factors behind the material weakness.

Bob Moritz said there were four main items:

- Errors were identified by PwC which had a gross impact of $800 million
- During the process certain data points arose like the collateral disputes where the process of pushing to fully understanding their impact came from PwC and not from AIG.
- The oversight of the process in PwC views was not effective and lacked the appropriate challenge and debate.
- Management's position that the compensating controls put in place by Management after the concerns over the process raised by PwC was not compelling as they did not operate effectively.

There was a discussion regarding the wording of the Form 8-K and in particularly the word "oversight" and PwC clarified that it meant management oversight. There was also a discussion about whether or not there was enough comfort to put a number in the Form 8-K (i.e. a December 31, 2007 valuation). Henry Daubeney suggested that Management adopt a two track process so that if they could satisfy themselves about a number it would be included otherwise no number. Bob Moritz indicated that Management should pursue the collection of third party data aggressively.

Mr. Willumstad asked Bob Sullivan to give a high level summary of the discussion that he had with Bob Sullivan and Tim Ryan on what needs to be done to achieve remediation.

Bob Sullivan said this was discussed in two elements:

Part 1. Structure

ERM and Finance need stronger reporting lines into the center including hiring, firing and remuneration and that the culture around these areas needed to change.

Need new processes around valuation.

The role and reporting of risk management needs a higher profile in AIG

Part 2. People

There needs to be assessment, at all levels, of people skills sets and those required by their role and do they match.

There needs to be more senior management band width and that Management and the Board needed to discuss this.

AIGFP's culture needs to change.

The PwC representatives then left the meeting. The Committee then met in executive session with Mr. Gamble.

There being no further business to come before the meeting, the meeting was adjourned.

Secretary