MINUTES OF MEETING

OF THE

AUDIT COMMITTEE

OF

AMERICAN INTERNATIONAL GROUP, INC.

Held January 15, 2008

A meeting of the Audit Committee of the Board of Directors of AMERICAN INTERNATIONAL GROUP, INC., was held on January 15, 2008 at 9:30 A.M., at 70 Pine Street, New York, New York, 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, Messrs. Tim Ryan, Dennis Nally, Henry Daubeney and Michael McColgan from PricewaterhouseCoopers LLP ("PwC"), 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, Vice President – Corporate Governance Eric N. Litzky, Paulette Mullings-Bradnock of Internal Audit, and, for portions of the meeting, Edward DiPaolo, John French, Joseph Nocera and Alfred Panasci of Internal Audit.

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

Mr. Miles asked if there were any other potential material weaknesses. Mr. Lewis responded that Management and PwC have been engaged in ongoing, lengthy discussions concerning AIG's financial and enterprise risk control functions considering to what extent there may be deficiencies in AIG's in those functions. Mr. Ryan commented that the significant deficiency in controls over the financial close process is the most significant deficiency and recapped that at the end of the second quarter there were concerns that without additional management procedures and a reduction in late adjustments and new errors, the financial close significant deficiency could rise to the level of material weakness. He indicated that the company had responded in the third quarter financial close and sustaining the fourth quarter close efforts will be important in the year end analysis.

Mr. Bensinger then indicated that he, Mr. Sullivan and Messrs. Ryan and Nally had been meeting regularly to discuss the control matters and he had asked Mr. Ryan to update the Committee on those discussions. Mr. Ryan then provided the Committee with background on the issues, much of which had been discussed with the Committee in December and in follow-up sessions thereafter with Mr. Sutton. Mr. Ryan commented that following the third quarter close, the PwC team debriefed and assessed a number of issues that had occurred, such as the securities lending program and the operations of American General Finance, Inc., the AIG Financial Products Corp. super senior credit default swap portfolio and disclosure issues in the presentation of maximum exposures of United Guaranty Corporation, as well as AIG's investment activities relating to the Nan Shan trade of approximately one billion dollars in one company on one day and errors in the classification of mortgage exposure. He indicated that PwC asked themselves what these data points meant from a Sarbanes Oxley perspective, including the levels of risk being assumed and the effect of that risk on AIG's disclosures.

Mr. Ryan said that PwC had questioned among themselves whether the AIG disclosures in the second quarter Form 10-Q would have been different had Management known about the securities lending exposures at the time the filing was made, and whether there was a material misstatement or omission in the disclosures. Mr. Ryan reported that in light of AIG's plans to hold the investor conference on December 5, PwC had raised their concerns with Mr. Sullivan and Mr. Bensinger on November 29, informing them that PwC believed that AIG could have a material weakness relating to the risk management of these areas. He said that Management and PwC had agreed to gather more information, and that numerous meetings and much analysis had taken place among PwC and Management, including Messrs. Sullivan, Bensinger, Lewis, Roemer and Habayeb. He described the continuing dialogue about the extent of the risk and the concern that the deficiencies perceived by PwC could rise to the level of a material weakness. Mr. Ryan emphasized the candor with which Management has approached the issues, but expressed concern that the access that Enterprise Risk Management and AIG's senior finance officials have into certain business units, such as AIG Investments, UGC, AGF, ILFC and AIGFP may require strengthening.

Mr. Ryan indicated that for the same business units, PwC believes that the roles and responsibilities between the critical control functions of Enterprise Risk Management and Finance and the business units were not clearly enough defined. He expressed PwC's concern that this weakness may have resulted in a material disclosure error and that it could result in an income statement and/or disclosure error in the future if it was not addressed. Mr. Ryan said that PwC believes that Management's oversight of AIG

Investments is insufficient, due to lack of access and unclear delineation of roles and responsibilities, and performance management and transparency are not where they should be.

With respect to AIGFP, Mr. Ryan commented that while day to day communication with AIG Finance, Enterprise Risk Management and PwC has improved, Mr. Habayeb believes that he is limited in his ability to influence changes, and the super senior valuation process is not going as smoothly as it could. Mr. Ryan said that the control functions are not included in the ongoing process and lose the ability to participate in discussions of the issues. He added that roles and responsibilities need to be clarified, and pointed out that the collateral issues could have been escalated to the AIG level earlier in the process.

Mr. Ryan then focused on the governance issues raised in connection with the role and responsibility of Enterprise Risk Management to the Board of Directors. He pointed out that under the COSO framework, the Board relies for critical control functions on Enterprise Risk Management and the Finance function at the parent company level, and if these functions are not adequate, there is a risk of material omissions in past or future disclosures. Mr. Ryan indicated that PwC views this as an access issue and definition and enforcement of roles and responsibilities, and that the ongoing discussions revealed what PwC believes to be an expectation gap among key parties, including the Board, Management and the internal control functions. Mr. Ryan reported extensive discussions with Management on possible solutions, and agreement that given the unique dynamics of AIG, there is not a single, uniform solution, and the quality of people is critically important. He advised the Committee that PwC believes that the control weakness is a significant deficiency at a minimum and there is the potential that it could rise to a material weakness, and whether AIG has had or could have a material omission in its disclosures is a matter of judgment. Mr. Ryan continued with PwC's assessment by commenting that how Management responds to this issue in the financial close process is critically important, and PwC will be evaluating whether Executive Management has adequate understanding of the issue and a commitment to fix the problem as part of their opinion process. Mr. Offit commented that the issues are more fundamental than stated by Mr. Ryan, and involve both affiliate and compensation issues. Mr. Nally commented that all concerns need to be considered and suggested that the problem is not solely an organizational issue. Mr. Roemer noted that there are compensating controls in place to assure that the financial close process can be completed while the broader issues are addressed, and Mr. Sutton commented that he views risk management as governance and management, including developing and maintaining the ability to see around corners and determine what is coming. In response to Mr. Sutton's inquiry, Messrs. Sullivan and Bensinger confirmed that they were committed to addressing these issues.

Mr. Bensinger advised the Committee that Management has engaged Deloitte & Touche and KPMG to conduct independent reviews of Enterprise Risk Management and the AIG operations with subprime exposures, respectively, with a goal of determining how to improve the risk function and obtaining more information on pricing and valuation. He said that these independent reviews are indicative of Management's interest in making sure that the right process is in place. Mr. Sutton asked what additional information is required before PwC can reach a conclusion as to the extent of the control deficiency, and Mr. Ryan indicated that further consideration of the super senior credit derivative valuation process is required.

Mr. Bensinger provided a very preliminary overview of the financial results in critical segments of the business. With respect to the super senior credit derivative valuation, he reported that the current application of the BET methodology, with continued refinement using late November to early December data, results in a substantially higher preliminary valuation adjustment on a cash basis, approximately $5.8 billion for the year cumulative to date. Mr. Bensinger advised the Committee that AIGFP believes that a significant downward adjustment is appropriate to change the cash valuation to a derivative valuation, so that the current very preliminary estimate of the super senior valuation loss is $2.8 billion. He added that alternative simulation models incorporating the probabilities of default are generating similar figures. Mr. Roemer reported that KPMG agrees that there is a spread between the cash valuation and the corresponding derivative valuation, but it is very difficult to confirm or audit. Mr. Ryan stated that the current documentation for the adjustment to derivative from cash is not on the level of evidence to support an audit. A lengthy discussion followed on the alternative valuation methodologies being used in the current markets, including individual loan loss analysis, and the resources being devoted to the valuation process. Mr. Bensinger pointed out that November was a month of significant deterioration in the markets, and noted the importance of quantitatively determining how much of the change in valuation is the result of refinement in the figures rather than further deterioration.. Mr. Ryan commented that the super senior valuation process needs improvement from a control perspective, and he has discussed with Mr. Bensinger the need for more AIG oversight and involvement in the valuation process and in assessing the relevance of the collateral disputes on the valuation. Mr. Sullivan pointed out that based on what is known today, AIGFP still is not expecting any economic loss from the super senior portfolio.

With respect to the balance of the AIGFP business, Mr. Ryan reported that robust documentation on valuation approach and key assumptions is still being developed. He said that the corporate book will be marked again, and consideration is being given as to whether the regulatory trades should be marked to market as well. Mr. Ryan noted the issues with respect to the valuation of underlying collateral. Mr. Bensinger advised the Committee that full December data will be available late in January and both current valuations and the collateral disputes will need to be evaluated.

The participants other than the PwC representatives left the meeting and the Committee met with the PwC representatives in executive session and held further discussions around the internal control issues. The PwC representatives then left the meeting and the [Committee met briefly with each of Ms. Kelly and Mr. Bensinger. The] Committee then met in executive session. There being no further business to come before the meeting, the meeting was adjourned.

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CONFIDENTIAL

Secretary

Exhibit A

Exhibit B