MINUTES OF MEETING

OF THE

AUDIT COMMITTEE

OF

AMERICAN INTERNATIONAL GROUP, INC.

Held February 26, 2008

A meeting of the Audit Committee of the Board of Directors of AMERICAN INTERNATIONAL GROUP, INC., was held on February 26, 2008 at 1:00 P.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
		Stephen F. Bollenbach
		George L. Miles, Jr.
		Morris W. Offit
		Robert Willumstad, *ex-officio*

Also present were Directors Marshall A. Cohen, Martin S. Feldstein (by telephone), Stephen L. Hammerman (by telephone), Richard C. Holbrooke (by telephone), Fred H. Langhammer (by telephone), James F. Orr, III and Virginia M. Rometty, 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, Mr. Robert DeLaMater of Sullivan & Cromwell 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 and Paulette Mullings-Bradnock of Internal Audit.

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. Roemer and representatives of Deloitte and KPMG who gave updates on the independent reviews of Enterprise Risk Management and AIG's residential mortgage market exposure, respectively.

Mr. Willumstad advised Mr. Sullivan that the Board would like a review of the level of risk involved in the AIG Financial Products Corp. portfolio, and suggested that Mr. Roemer research an appropriate independent consultant. Mr. Lewis suggested that for a quality review of the portfolio, a consultant other than an accounting firm might be appropriate.

Mr. Bensinger reviewed the 2007 financial results, indicating that the overarching factor was the deterioration of the U.S. housing and credit markets, resulting in unrealized market valuation losses for AIGFP of $11.1 billion for the fourth quarter, $11.5 billion for the year, the preponderance from the multi-sector CDO credit default swaps. He noted that the fair value for AIGFP's regulatory capital relief book is still zero. Mr. Bensinger said that notwithstanding the material weakness with respect to the fair value valuation of the AIGFP portfolio. Management believes that the significant compensating controls and substantive procedures surrounding it assure the validity of the valuation mark.

Mr. Bensinger next reviewed the valuation process for the AIGFP super senior credit default swap book, explaining the development of the valuation model over the period when there was significant deterioration in the residential mortgage markets, from the use of generic spread data from JPMorgan to the use of market value for the collateralized debt obligations. He said that AIGFP had "owned" the process of coming up with a fair value, although enhancements had been discussed with Mr. Lewis. Mr. Bensinger added that there had been disagreements within AIGFP as to how the collateral would be treated. In response to Mr. Miles' inquiry, Mr. Ryan said that after the second quarter, when PwC became aware of the Goldman Sachs collateral call, they reviewed the valuation losses to date and in early November, AIGFP increased the total losses for the third quarter to $350 million from $45 million. Mr. Ryan noted that during the fourth quarter there was dialogue at the senior management and PwC levels about the subjectivity of the valuation process and key issues such as the impact of the collateral calls on the valuation judgments. He indicated that the process at AIG seemed to break down, in that unlike other companies where there was good dialogue at appropriate levels of management on the approach, alternatives considered and key decisions, at AIG, only AIGFP was involved in the December valuation process before January 7th.

Mr. Bensinger advised the Committee that all supplemental information to be posted on the website will be tied to AIG's books and records, and would be thoroughly reviewed.

Mr. Offit asked about the final maturity of the AIGFP super senior credit default swap portfolio. Mr. Lewis explained that the final maturity would not occur until the last underlying mortgage is paid, but the weighted average life is much shorter. He pointed out the significant amount of information on the AIGFP portfolio included in the presentation, including the stress testing analysis. Mr. Lewis characterized the severe and extreme stresses carried out by ERM. Applying these stresses, Mr. Lewis said, resulted in a static stress loss of approximately $900 million, or $600 million after tax, for the severe case, with no credit taken for cash flow diversion features.

A discussion followed on the cost of building liquidity and the adverse effect it would have on 2008 results.

REDACTED FOR PRIVILEGE

Mr. Herzog next directed the Committee members to the discussion in Item 9A on Management's assessment of internal controls, including the remediation of the income tax material weakness and Management's goal to remediate the new material weakness

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during 2008. A discussion followed on the benefits and risks of including a specific date as Management's goal for remediation. Mr. Ryan explained PwC's view that there are serious root cause issues and recurring themes behind the material weakness and Mr. Offit stressed the importance of showing that Management is serious about remediation.

REDACTED FOR PRIVILEGE

Mr. Lewis updated the Committee on the status of remediation, providing an overall summary of progress at the end of 2007, including remediation of the material weakness in income tax to a significant deficiency, the existence of the new material weakness and six significant deficiencies, including a new one, access, roles and responsibilities of critical control functions. He indicated that Management intends to engage in further dialogue with PwC on remediation steps and will then bring a remediation plan to the Committee.

Mr. Ryan agreed with Mr. Lewis that there had been a good job in remediating the income tax material weakness to a significant deficiency, but he said the financial close significant deficiency is a close call, notwithstanding the significant efforts shown, and the new significant deficiency is also a close call that needs to be addressed in 2008.

Mr. Ryan addressed the key judgments made in valuing the three AIGFP portfolios, noting that although the judgments were reasonable, they could be challenged, and the values are subject to frequent change. He explained that the regulatory book was valued at zero, citing as key evidence the fact that approximately 15 percent of the trades have cancelled at break even or a profit, but noting that there is evidence to support that the market is deteriorating and the first quarter mark could be significantly different. Mr. Ryan added that the benefit of the capital relief provided by the Banque AIG is obviated by Basel II, creating an expectation that these transactions will come off the books rapidly. He said this expectation was manifesting as $55 billion in notional amount had been cancelled by counterparties to date in 2008, providing strong evidence that these transactions were viewed as capital relief rather than as credit protection by the counterparties. Mr. Ryan cautioned that if the trend of cancellations slows, there could be valuation losses on this portfolio.

Mr. Ryan advised the Committee that PwC's analysis of the valuation losses was not yet complete, and needs to consider whether the charge in the fourth quarter was in the right period. Mr. Bensinger said that all points have been discussed but documentation is not yet finalized. Mr. Ryan said PwC assessed, in light of recent events at AIGFP where an additional collateral call was not elevated on a timely basis, if they have the right scope to sign the opinion (scope having been a high risk from the beginning of the audit) and concluded that their scope remained adequate.

REDACTED FOR PRIVILEGE

Mr. Bensinger described efforts to assure that senior management was aware of information on collateral calls.

Mr. Ryan briefly gave the PwC perspective on internal controls, indicating significant progress in certain areas but others not so advanced. Mr. Sutton suggested that Mr. Ryan give a more extensive report at the next Committee meeting. Mr. Ryan agreed, and indicated there is further work to do before the filing.

The participants other than the PwC representatives and Mr. Gamble left the meeting and the Committee met with the PwC representatives in executive session. Among the topics discussed were (1) the continued challenges of the close process, (2) the likelihood of ongoing surprises, (3) the role PwC is playing, (4) the root causes of the internal control challenges, the risks to AIG of these root causes persisting and the need to

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address them, and (5) the tax issues in connection with a recent AIGFP transaction. The PwC representatives then left the meeting and the Committee met in executive session with Mr. Gamble.

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

Secretary