

MINUTES OF MEETING  
OF THE  
COMPENSATION COMMITTEE  
OF  
THE BOARD OF DIRECTORS  
AMERICAN INTERNATIONAL GROUP, INC.

Held March 17, 2004

---

A meeting of the Stock Option and Compensation Committee of the Board of Directors of AMERICAN INTERNATIONAL GROUP, INC., was held on March 17, 2004, at 8:30 A.M., at 70 Pine Street, New York, New York, pursuant to a waiver of notice given to each of the members in accordance with the By-Laws.

Present: Messrs. Marshall A. Cohen, Chairman  
Frank J. Hoenemeyer (via telephone)  
Richard C. Holbrooke

Also present were Director M. Bernard Aidinoff and Ms. Kathleen E. Shannon, Senior Vice President, Secretary and Deputy General Counsel of the Corporation.

All of the members of the Committee being present, the meeting proceeded.

The Chairman, Mr. Marshall A. Cohen presided and the Secretary, Ms. Kathleen E. Shannon, recorded the minutes.

Mr. Cohen asked the Committee members for their thoughts on the appropriate criteria and levels of performance to use in establishing goals for 2004 under the new CEO Annual Compensation Plan (the "CEO Plan") which was previously approved by the Committee and will be presented to the Board for approval and submission to shareholders. After full discussion, upon motion duly made, seconded and unanimously carried it was

RESOLVED, that this Committee hereby establishes Return on Equity and Net Income as such terms are defined in the CEO Plan as the bases under which the maximum bonus of the Chief Executive Officer of the Corporation shall be measured for the year ending December 31, 2004;

RESOLVED, that a bonus may be payable to the Chief Executive Officer pursuant to the CEO Plan only if the Return on Equity for 2004 equals at least 13 percent or the Net Income for 2004 equals at least \$11,200,000,000; and

RESOLVED, that the maximum bonus payable to the Chief Executive Officer for 2004 shall be determined in accordance with the schedule attached hereto as Exhibit A.

Mr. Cohen next directed the members to the draft of the Compensation Committee report which is proposed to be included in the Proxy Statement. After discussion, upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Report of the Compensation Committee in substantially the form set forth as Exhibit B to the minutes of this meeting be, and hereby is, approved, ratified and confirmed.

Ms. Shannon presented management's recommendations for grants of options to purchase shares of common stock of the Corporation to certain employees. After full discussion, upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that pursuant to the 1999 Stock Option Plan, this Committee hereby grants stock options vesting over four years relating to shares of this Corporation's Common Stock to certain employees in accordance with the list attached hereto as Exhibit C, noting the number of shares with respect to which options are so granted and the designation of whether all or any part of such options are incentive stock options, at a price which shall be the closing price of the Common Stock on the New York Stock Exchange on this date.

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting was adjourned.

  
Secretary

**AMERICAN INTERNATIONAL GROUP, INC.**  
**CHIEF EXECUTIVE OFFICER ANNUAL COMPENSATION PLAN**

2004 GOALS

Return on Equity

Maximum Bonus Payable

13 to 13.5%	\$6,000,000
Above 13.5 to 14%	6,500,000
Above 14 to 14.5%	7,000,000
Above 14.5 to 15%	7,500,000
Above 15%	8,000,000

OR

Net Income

Maximum Bonus Payable

\$11,200,000,000 to \$11,500,000,000	\$6,000,000
Above \$11,500,000,000 to \$11,800,000,000	6,500,000
Above \$11,800,000,000 to \$12,100,000,000	7,000,000
Above \$12,100,000,000 to \$12,400,000,000	7,500,000
Above \$12,400,000,000	8,000,000

**Report of the Compensation Committee on Executive Compensation**

The Compensation Committee, formerly called the Stock Option and Compensation Committee, comprised of Messrs. M. Cohen, Hoenemeyer and Holbrooke for the year ended December 31, 2003, is the committee of the Board responsible for establishing the compensation of the Chief Executive Officer, making recommendations with respect to compensation programs applicable to senior executives and administering AIG's various employee stock option and other compensation programs. The Compensation Committee Charter, adopted March 17, 2004, is attached to this Proxy Statement as Appendix D.

In determining the compensation which is appropriate for both the Chief Executive Officer and other members of senior management, the Committee's starting point is AIG's salary administration philosophy, which is to pay within a range that helps meet business objectives while considering external and internal influences and the level of funding allocated to employee compensation. At senior positions, one of the objectives is to pay at a level that allows AIG to attract, retain and motivate key executives by paying them competitively compared to peers within a selected group of major companies in the insurance industry (which includes companies in addition to those in the Peer Group included in the Performance Graph) while comparing AIG's performance to the performance of those companies. In so doing, a variety of factors are considered, including the performance of AIG relative to those companies as measured by standards such as net income and its growth over prior periods, return on equity and property and casualty underwriting performance, the level of compensation paid to senior officers within the selected group of companies, and the level of individual contribution by AIG's senior officers to the performance of AIG.

The Committee is informed of all compensation paid by Starr and SICO to AIG's senior management, as well as the opportunities afforded to AIG's senior management to invest in Starr common stock. It takes such compensation, including awards under the SICO Plan, into account to the extent such compensation is paid for services to AIG and its subsidiaries.

No specific formula is utilized to evaluate the various factors, in determining the specific amount of compensation payable or in determining the allocation of compensation to salary, bonus and stock option grants. The weight given to each factor with respect to each element of compensation is within the individual discretion and judgment of each member of the Committee. Each member also takes the appropriateness of the entire package into account when evaluating each element of compensation.

In considering the Chief Executive Officer's compensation, the Committee reviewed the activities and accomplishments of the Chief Executive Officer in relation to the strategic plans and goals of the AIG organization, both internally and in the national and global arenas. The Committee noted Mr. Greenberg's continued leadership on issues of importance to the insurance industry as a whole, such as federal terrorism coverage, tort reform and asbestos legislation. The Committee recognized the Chief Executive Officer's leadership role in AIG's completion of significant new investments that will contribute to profitable growth in the future with the acquisition of GE Edison Life Insurance Company in Japan and the joint venture with the People's Insurance Company of China to develop and market accident and health products through PICC's branches throughout China. In determining the amount of the bonus, the Committee recognized the AIG's outstanding financial results for the year, and noted that under the terms of the Chief Executive Officer Annual Compensation Plan (the "CEO Plan") which was then under consideration and which is being submitted to the shareholders for approval, the

maximum bonus payable for 2004 would be \$8,000,000. The Committee determined that a significant increase over the \$5,000,000 paid in 2002 would be appropriate and concluded that \$6,500,000 was an appropriate measure of the outstanding performance of the Chief Executive Officer.

On the basis of the general factors set forth above, the Committee determined the bonuses for 2003 performance, the base salaries for 2004 and approved the levels of participation for 2004 by the senior executive officers in the supplementary bonus program for 2003-2004.

The Committee has recognized that AIG has traditionally encouraged long-term strategic management and the enhancement of shareholder value by providing high performing key executives the opportunity for superior capital accumulation over the course of their careers with AIG in the form of stock options. This is a tradition that the Committee believes to have contributed significantly to AIG's considerable success over the years.

The Committee believes that the actions of AIG senior management and the Chief Executive Officer evidence the success of AIG's compensation program in aligning the interests of senior management with AIG's shareholders and demonstrate the value of providing senior management and the Chief Executive Officer with the significant option grants made for 2003 performance.

Section 162(m) of the Internal Revenue Code denies a tax deduction to any publicly held corporation such as AIG for compensation paid to the chief executive officer and four most highly compensated officers of a corporation in a taxable year to the extent that any such individual's compensation exceeds \$1,000,000 unless certain requirements for performance-based compensation are satisfied. The Board is proposing for shareholder approval the CEO Plan, which is designed to satisfy performance-based requirements of Section 162(m). The Committee anticipates, therefore, that payments pursuant to the CEO Plan will be deductible under Section 162(m). In addition, compensation attributable to the exercise of options granted under the 1991 Employee Stock Option Plan and the 1999 Stock Option Plan will be performance-based and therefore will be deductible in accordance with Section 162(m). Other compensation paid to the named executive officers in excess of \$1,000,000 did not qualify as performance based and, therefore, was not deductible under Section 162(m).

The Board, upon the recommendation of the Corporate Governance and Nominating Committee, has determined that each member of the Committee is "independent" for purposes of the NYSE listing standards.

Compensation Committee  
American International Group, Inc.

Marshall A. Cohen  
Frank J. Hoenemeyer  
Richard C. Holbrooke

EXHIBIT C

Employee

Number of Shares

**Redacted**

SO&CC 3/17/04