

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 26, 2008

AMERICAN INTERNATIONAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

1-8787

(Commission File Number)

13-2592361

(IRS Employer
Identification No.)

70 Pine Street
New York, New York 10270

(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 770-7000

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 5 — Corporate Governance and Management

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 26, 2008, American International Group, Inc. (“AIG”) and Mr. Robert B. Willumstad, former Chairman and Chief Executive Officer of AIG, rescinded the grant of Mr. Willumstad’s Sign-On Restricted Share Award, which represented 1,052,406 shares of AIG Common Stock. Mr. Willumstad retains his previously granted options to purchase AIG Common Stock (which have exercise prices ranging from \$23.28 to \$68.61). Mr. Willumstad also confirmed his waiver of approximately \$22.5 million in severance under AIG’s Executive Severance Plan.

A copy of the December 26, 2008 agreement is attached as Exhibit 10.1 to this Current Report on Form 8-K and incorporated by reference herein. Except as modified by that agreement, Mr. Willumstad’s employment letter, including dispute resolution and indemnification provisions and any other payment or benefit rights Mr. Willumstad may have, continues in effect.

Section 9 — Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 10.1 Letter Agreement between Robert B. Willumstad and AIG, dated December 26, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN INTERNATIONAL GROUP, INC.
(Registrant)

Date: December 30, 2008

By: /s/ Kathleen E. Shannon
Name: Kathleen E. Shannon
Title: Senior Vice President and Secretary

EXHIBIT INDEX

| <u>Exhibit No</u> | <u>Description</u> |
|-------------------|---|
| Exhibit 10.1 | Letter Agreement between Robert B. Willumstad and AIG, dated December 26, 2008. |

December 26, 2008

Robert B. Willumstad,
277 Park Avenue,
New York, New York 10172.

Bob:

This letter formally documents the rescission of restricted shares previously granted you in contemplation of your service as Chief Executive Officer.

On July 16, 2008, you were awarded 1,052,406 restricted shares of American International Group, Inc. ("AIG") Common Stock, \$2.50 par value (the "Restricted Stock"), which were subject to a Sign-On Restricted Share Award Agreement with AIG (your "Stock Agreement"). By mutual agreement between you and AIG, your Stock Agreement is hereby rescinded and will be treated for all purposes as if it had never been agreed between the parties and, as a result, as though the Restricted Stock had never been awarded. For the avoidance of doubt, you have returned to AIG all of the Restricted Stock and dividends in respect thereof previously received by you pursuant to the Stock Agreement and, as between you and AIG, you will have no further rights of any kind in respect of the Restricted Stock and will have no rights of any kind in respect of the Stock Agreement (including, for the avoidance of doubt, under your letter agreement, effective July 16, 2008, with AIG).

Notwithstanding the rescission of the Restricted Stock, you have agreed to continued compliance with the restrictive covenants set forth in Section 6(a) of your Stock Agreement (which terms, including any relevant definitions, will be deemed to apply mutatis mutandis to this letter and to be incorporated by reference herein).

In addition, you also confirm the attached letter.

If you agree that this letter appropriately represents our understanding, please sign, date and return this letter, which will become a binding agreement on our receipt.

Very truly yours,

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Anastasia D. Kelly

Anastasia D. Kelly
Executive Vice President, General
Counsel, and Senior Regulatory and
Compliance Officer

Accepted and agreed as of this
26th day of December 2008:

/s/ Robert B. Willumstad
Robert B. Willumstad

Mr. Edward M. Liddy
Chairman and Chief Executive Officer
American International Group, Inc.

Dear Ed:

As you know, the Board of Directors of the company decided that my termination was "not for cause." Accordingly, I am entitled to receive severance payments under the AIG Executive Severance Plan of approximately \$22 million. While I appreciate the Board's intention to fulfill this obligation, I have decided, after careful deliberation, to forgo the severance payments.

I will not accept the severance payments for two reasons. First, my three-month tenure as Chief Executive Officer did not provide the opportunity to execute the restructuring I had developed with the help of my AIG colleagues. Second, notwithstanding the issues that predated my term at AIG or the significant disruption in the capital markets which impacted several major financial institutions, I prefer not to receive severance payments while shareholders and employees have lost considerable value in their AIG shares.

I wish you, the Board and all of the talented employees at AIG all the best as you continue the work of restructuring the company and restoring it to profitability.

Sincerely yours,

/s/ Robert B. Willumstad

Robert B. Willumstad