

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): February 9, 2006

AMERICAN INTERNATIONAL GROUP, INC.  
(Exact Name of Registrant as Specified in 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

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(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 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Section 1 - Registrant's Business and Operations

### Item 1.01. Entry into a Material Definitive Agreement.

On February 9, 2006, American International Group, Inc. (AIG) announced that it has reached a resolution of claims and matters under investigation with the United States Department of Justice (DOJ), the Securities and Exchange Commission (SEC), the Office of the New York Attorney General (NYAG) and the New York State Department of Insurance (DOI). The settlements resolve outstanding litigation filed by the SEC, NYAG and DOI against AIG and conclude negotiations with these authorities and the DOJ in connection with the accounting, financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers compensation premium taxes and other assessments.

As a result of these settlements, AIG will make payments totaling approximately \$1.64 billion. In addition, as part of its settlements, AIG has agreed to retain for a period of three years an Independent Consultant who will conduct a review that will include the adequacy of AIG's internal controls over financial reporting and the remediation plan that AIG has implemented as a result of its own internal review.

The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the agreements with the DOJ, the SEC, the NYAG and the DOI, copies of which are attached as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively, and are incorporated herein by reference. A copy of the press release announcing the settlements is also attached hereto as Exhibit 99.1 and is incorporated herein by reference.

## Section 2 - Financial Information

### Item 2.02. Results of Operations and Financial Condition.

As announced in AIG's Form 10-Q for the quarter ended June 30, 2005, AIG commissioned Milliman, Inc. (Milliman) to provide an independent, comprehensive review of the loss reserves of AIG's principal property-casualty insurance operations, including an independent ground up study of AIG's asbestos and environmental (A&E) exposures. After carefully considering the results of the Milliman review and AIG's own actuarial analyses, AIG will take a fourth quarter 2005 after-tax charge to net income of approximately \$1.10 billion, relating to an increase to its net reserve for loss and loss expenses of approximately \$1.69 billion, or approximately 3 percent of its total net General Insurance loss and loss expense reserves. This net reserve increase comprises approximately \$820 million for non A&E reserves and approximately \$870 million for A&E reserves.

AIG will also take a fourth quarter 2005 after-tax charge of approximately \$1.15 billion for the settlements described in Item 1.01 above.

The press release attached as Exhibit 99.1 to this Current Report on Form 8-K also announces the results of the review and certain details of the loss and loss expense reserve increase and is incorporated herein by reference.

## Section 8 - Other Events

### Item 8.01. Other Events.

This Current Report on Form 8-K and other publicly available documents may contain projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. These projections and statements are not historical facts but instead represent only AIG's belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG's control. These projections and statements may address, among other things, the effect of the settlements on AIG's business, services and product development, the status and potential future outcome of additional regulatory and civil proceedings against AIG and their potential effect on AIG's businesses, financial position, results of operations, cash flows and liquidity, and the effect of the increase in reserves on AIG's financial position, results of operations, cash flows, liquidity and credit ratings. It is possible that AIG's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Please refer to AIG's Quarterly Report on Form 10-Q for the period ended September 30, 2005, AIG's Annual Report on Form 10-K for the year ended December 31, 2004 and AIG's past and future filings with the SEC for a description of the business environment in which AIG operates and the factors that may affect its business. AIG is not under any obligation (and expressly disclaims any such

obligation) to update or alter its projections and other statements whether as a result of new information, future events or otherwise.

Section 9 - Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

10.1 Agreement with the DOJ.

10.2 Final Judgment and Consent with the SEC, including the related SEC Complaint.

10.3 Settlement Agreement with the NYAG.

10.4 Stipulation with the DOI.

99.1 Press Release of American International Group, dated February 9, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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: February 9, 2006

By /s/ KATHLEEN E. SHANNON

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

[DEPARTMENT OF JUSTICE SEAL]

U.S. DEPARTMENT OF JUSTICE  
Criminal Division  
Fraud Section

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Washington, D.C. 20530

February 7, 2006

Martin Flumenbaum, Esq.  
Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064

Re: American International Group, Inc.

This letter sets forth the agreement ("Agreement") between the United States Department of Justice, Fraud Section, Criminal Division (the "Department") and American International Group, Inc. ("AIG"). (1)

The Department has notified AIG that, in the Department's view, which is based upon an investigation by the Department and the United States Postal Inspection Service, AIG, acting through some of its employees, violated federal criminal law in connection with misstatements in periodic financial reports AIG filed with the United States Securities & Exchange Commission ("SEC") between 2000 and 2004, which misstatements related to transactions known as "AIG/Gen Re LPT" and "CAPCO."

Facts Regarding AIG/Gen Re LPT and CAPCO

The parties jointly acknowledge the following factual statements regarding AIG/Gen Re LPT and CAPCO as accurate:

AIG/Gen Re LPT

AIG improperly recorded approximately \$250 million in loss reserves in the fourth quarter of 2000 and reported those additional loss reserves to the public in its earnings releases and in financial reports it filed with the SEC. It improperly recorded an additional \$250 million in loss reserves in the first quarter of 2001 and also reported those additional loss reserves in its earnings releases and SEC reports. Both increases in loss reserves resulted from the AIG/Gen RE LPT transactions.

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(1) This Agreement does not impact, alter or modify in any way the terms of the Deferred Prosecution Agreement dated November 30, 2004 between the Department and AIG-FP Pagic Equity Holding Corp., or the letter agreement dated November 30, 2004 between the Department, the United States Attorneys Office for the Southern District of Indiana and AIG, or any of the obligations thereunder by AIG or AIG-FP Pagic Equity Holding Corp.

AIG entered into these transactions following investment analysts' criticism of AIG's reported loss reserve reductions in the third quarter of 2000. During the fourth quarter of 2000, high-level executives at AIG solicited high-level executives at Gen Re to execute a series of transactions which were designed to enable AIG to book and improperly report an increase in loss reserves totaling \$500 million. The transaction documentation included: 1) a false "paper trail" offer letter which made it appear that AIG had been requested by Gen Re to assume certain reinsurance risk from Gen Re; and 2) contracts which falsely made it appear that AIG was assuming reinsurance risk and was being paid an up-front fee of \$10 million for doing so, when, in fact, AIG was not assuming any real risk and was paying Gen Re an undisclosed \$5 million plus interest for participating in the transactions. As a result of these sham transactions, AIG improperly reported positive loss reserve growth for each of those periods when, in fact, AIG would have reported further decreases in loss reserves for those quarters.

On or about May 31, 2005, AIG filed its 2004 Form 10-K with the SEC which reversed and restated the \$500 million increase in loss reserves relating to the AIG/Gen Re LPT transaction and stated in part: "AIG has concluded that the transaction was done to accomplish a desired accounting result and did not entail sufficient qualifying risk transfer. As a result, AIG has determined that the transaction should not have been recorded as insurance. AIG's restated financial statements recharacterize the transaction as a deposit rather than as insurance."

#### CAPCO

In 2000, AIG initiated a scheme to hide approximately \$200 million in underwriting losses in its general insurance business by improperly converting them into capital losses (i.e., investment losses) that were less important to the investment community, and thus would blunt the attention of investors and analysts. As a result of the CAPCO transaction, AIG improperly failed to record and report in its earnings releases disseminated to investors and in financial reports filed with the SEC approximately \$200 million in underwriting losses for the years 2000, 2001 and 2002.

To effect that scheme, AIG structured a series of bogus transactions to convert underwriting losses to investment losses by transferring them to Capco Reinsurance Company, Ltd. ("Capco"), an offshore entity. AIG in effect capitalized Capco through an AIG subsidiary and through non-recourse loans to individuals who acted as supposed independent shareholders of Capco. AIG should have consolidated Capco's financial results into AIG's financial statements because, among other reasons, Capco lacked sufficient equity from sources other than AIG and its affiliates. In its restatement filed with the SEC in May 2005, AIG admitted that the Capco transaction "involved an improper structure created to recharacterize underwriting losses relating to auto warranty business as capital losses. That structure ... appears to have not been properly disclosed to appropriate AIG personnel or its independent auditors."

## The Parties' Agreement

AIG agrees:

1. to accept responsibility for its actions and the actions of its employees as set forth above;
2. to abide by the Consent and Undertakings of Defendant American International Group, Inc. in the SEC Action, a copy of which is attached hereto as Appendix B and incorporated herein;
3. to cooperate with the ongoing criminal investigation by the Department;
4. to timely and voluntarily make available to the Department all current employees that the Department requests to interview;
5. to provide in a timely way to the Department all documents and other materials, including documents and materials located outside the United States, that the Department requests;
6. to provide in a timely way truthful, complete and accurate information to the Department concerning any matter relating to the ongoing criminal investigation by the Department;
7. to acknowledge and agree that the Department can share any information, documents, materials and statements provided by AIG with other federal law enforcement entities and regulatory agencies;
8. not to make, cause others to make, or acknowledge as true any factual statement inconsistent with the factual descriptions of the AIG/Gen Re LPT and CAPCO transactions contained herein, provided, however, that nothing in this paragraph precludes AIG from taking good faith positions in litigation involving a private party; and
9. to pay \$25 million by certified check or bank cashier's check to the United States Postal Inspection Service Consumer Fraud Fund immediately upon execution of this Agreement.

The Department acknowledges: 1) AIG's cooperation in the Department's investigation to date; and 2) AIG's acceptance of its responsibility to date for its actions and the actions of its employees, as demonstrated by: a) its consent to the Final Judgment as to Defendant American International Group, Inc., in the matter styled Securities and Exchange Commission v. American International Group, Inc., (the "SEC Action"), a copy of which is attached hereto as Appendix A and incorporated herein; and b) its payment of \$800 million as required by the Final Judgment as to Defendant American International Group, Inc., in the SEC Action.

In consideration of AIG's agreements as set forth above, as well as its cooperation and acceptance of responsibility as described above, the Department will not prosecute AIG for any crimes committed by AIG relating to the AIG/Gen Re LPT or CAPCO transactions, subject to the terms set forth below.

AIG understands and agrees that if AIG or any of its employees, officers and directors fail to comply with, or violate, any provision of this Agreement, the Department can prosecute AIG for crimes committed by and through its employees related to the AIG/Gen Re LPT or CAPCO transactions. Should the Department determine that AIG has committed a willful and knowing breach of any provision of this Agreement, the Department shall provide written notice to AIG of the alleged breach.

AIG further understands and agrees that the Department's exercise of discretion under the preceding paragraph is not subject to review in any court or tribunal outside the Criminal Division of the Department of Justice, and that any prosecution following such a determination may be premised on any information provided by AIG and its employees, officers and directors to the Department and any leads derived therefrom. AIG agrees that it will not seek to suppress the use of any such information, or any leads derived therefrom, and that it will stipulate to the admissibility of all such information in any prosecution by the Department.

AIG understands and agrees that this Agreement expires three years from the date of its execution and that it is binding only upon AIG and the Department. AIG agrees to toll the running of the statute of limitations on all federal crimes committed by AIG acting through its employees relating in any way to the AIG/Gen Re LPT or CAPCO transactions for the three years this agreement is in effect.

AIG understands and agrees that this Agreement does not provide any protection to any individual or any entity other than AIG.

AIG hereby warrants and represents that it is authorized to enter into this Agreement and that the person signing this Agreement has the authority to bind AIG.



This Agreement constitutes the entire agreement between the parties and it may not be modified except in writing signed by all the parties. This Agreement may be executed in counterparts.

Yours truly,

/s/ Paul E. Pelletier

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Paul E. Pelletier, Acting Chief  
Fraud Section, Criminal Division  
United States Department of Justice

Agreed:

/s/ Martin Sullivan

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Martin Sullivan  
President and Chief Executive Officer  
American International Group, Inc.

/s/ Martin Flumenbaum

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Martin Flumenbaum  
Counsel for American International Group, Inc.

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

PLAINTIFF,

V.

06 CIV. \_\_\_\_\_ (\_\_\_\_)

AMERICAN INTERNATIONAL GROUP, INC.,

DEFENDANT.

FINAL JUDGMENT AS TO DEFENDANT

AMERICAN INTERNATIONAL GROUP, INC.

The Securities and Exchange Commission having filed a Complaint, and Defendant American International Group, Inc. ("Defendant") having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act [15 U.S.C. Section 77q(a)] in the offer or sale of any security by the use of any means or instruments of

transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
  - (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. Section 78j(b)] and Rule 10b-5 [17 C.F.R. Section 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
  - (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 13(a) of the Exchange Act [15 U.S.C. Section 78m(a)] or Rules 12b-20, 13a-1 or 13a-13 [17 C.F.R. Sections 240.12b-20, 240.13a-1 and 240.13a-13], by, directly or indirectly:

- (A) failing to file with the Commission any report required to be filed with the Commission pursuant to Section 13(a) of the Exchange Act [15 U.S.C. Section 78m(a)], and the rules and regulations promulgated thereunder; or
- (B) filing with the Commission a report required to be filed with the Commission pursuant to Section 13(a) of the Exchange Act [15 U.S.C. Section 78m(a)] and the rules and regulations promulgated thereunder that (1) contains an untrue statement of material fact; (2) fails to include, in addition to the information required to be stated in such report, such further material information as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading; or (3) fails to disclose any information required to be disclosed therein.

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Sections 13(b)(2) and 13(b)(5) of the Exchange Act [15 U.S.C Section 78m(b)(2) and Section 78m(b)(5)] and Rule 13b2-1 [17 CFR Section 240.13b2-1] by, directly or indirectly:

- (A) failing to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of an issuer;
- (B) failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that
  - (1) transactions are executed in accordance with management's general or specific authorization;
  - (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, or any other criteria applicable to such statements, and to maintain accountability for assets;
  - (3) access to assets is permitted only in accordance with management's general or specific authorization; and
  - (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

- (C) falsifying, or causing to be falsified, any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. Section 78m(b)(2)(A)], or
- (D) knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying any book, record, or account described in Section 13(b)(2) of the Exchange Act [15 U.S.C. Section 78m(b)(2)].

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant shall disgorge \$700,000,000 representing profits gained as a result of the conduct alleged in the Complaint, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. Section 78u(d)(5)] and pay a civil penalty in the amount of \$100,000,000 pursuant to Section 20(d) of the Securities Act [15 U.S.C. Section 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. Section 78u(d)(3)]. Defendant shall satisfy this obligation by paying a total of \$800,000,000 within ten business days after the entry of this Final Judgment to the Clerk of this Court by means of a wire transfer, certified check, bank cashier's check, or United States postal money order payable to the Clerk of the Court, together with a cover letter identifying American International Group, Inc. as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Judgment. Defendant shall simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this action, Robert J. Keyes, U.S. Securities and Exchange Commission, Northeast Regional Office, 3 World Financial Center, Room 4300, New York, New York 10281-1022. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. Section 1961. By making this payment, Defendant relinquishes all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to Defendant. The Clerk shall

deposit the funds into an interest bearing account with the Court Registry Investment System ("CRIS"). These funds, together with any interest and income earned thereon (collectively, the "Fund"), shall be held by the CRIS until further order of the Court. In accordance with 28 U.S.C. Section 1914 and the guidelines set by the Director of the Administrative Office of the United States Courts, the Clerk is directed, without further order of this Court, to deduct from the income earned on the money in the Fund a fee equal to two percent of the income earned on the Fund. Such fee shall not exceed that authorized by the Judicial Conference of the United States.

The Commission shall by motion, subject to the Court's approval, propose a plan to distribute the Fund for the benefit of investors, including, but not limited to, some or all of the members of the putative class in any Related Investor Action, pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil penalties pursuant to this Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Defendant shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on Defendant's payment of disgorgement in this action, argue that it is entitled to, nor shall it further benefit by, offset or reduction of such compensatory damages award by the amount of any part of Defendant's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Defendant shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Judgment. For purposes

of this paragraph, a "Related Investor Action" means a private damages action brought against Defendant by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action, including but not limited to the lawsuits that have been consolidated as In re American International Group, Inc. Securities Litigation, Master No. 04 Civ. 8142 (JES) (SDNY).

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

SO ORDERED.

Dated: \_\_\_\_\_, 2006

New York, New York

UNITED STATES DISTRICT JUDGE



CONSENT AND UNDERTAKINGS OF DEFENDANT

AMERICAN INTERNATIONAL GROUP, INC.

1. Defendant American International Group, Inc. ("Defendant" or "AIG") waives service of a summons and the complaint in this action, enters a general appearance, and admits the Court's jurisdiction over Defendant and over the subject matter of this action.

2. Without admitting or denying the allegations of the Complaint (except as to personal and subject matter jurisdiction, which Defendant admits), Defendant hereby consents to the entry of the Final Judgment in the form attached hereto (the "Final Judgment") and incorporated by reference herein, which, among other things:

- a. permanently restrains and enjoins Defendant from violation of Section 17(a) of the Securities Act of 1933 ("Securities Act"), Sections 10(b), 13(a), 13(b)(2)(A) and (B), and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rules 10b-5, 12b-20, 13a-1, 13a-13, and 13b2-1;
- b. orders Defendant to pay disgorgement in the amount of \$700,000,000; and
- c. orders Defendant to pay a civil penalty in the amount of \$100,000,000 under Section 20(d) of the Securities Act [15 U.S.C. Section 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. Section 78u(d)(3)].

3. Defendant acknowledges that Commission shall by motion, subject to the Court's approval, propose a plan to distribute the disgorgement and civil penalty paid pursuant to the Final Judgment, together with any interest and income earned thereon, for the benefit of investors, including, but not limited to, some or all of the members of the putative class in any Related Investor Action, pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is made, the civil

penalty shall be treated as a penalty paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Defendant agrees that it shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on Defendant's payment of disgorgement in this action, argue that it is entitled to, nor shall it further benefit by, offset or reduction of such compensatory damages award by the amount of any part of Defendant's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Defendant agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this action. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Defendant by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action, including but not limited to the lawsuits that have been consolidated as In re American International Group, Inc. Securities Litigation, Master File No. 04 Civ. 8142 (JES) (SDNY).

4. Defendant agrees to comply with the following undertakings:

A. Retention of a Consultant

1. AIG agrees to retain, pay for, and enter into an agreement with a consultant ("Consultant"), not unacceptable to the Commission Staff, in consultation with the Attorney General of the State of New York (the "Attorney General") and with the Superintendent of Insurance of the State of New York (the "Superintendent"), to conduct a comprehensive

examination and review of the areas specified below and to make recommendations to AIG's Board of Directors and the Commission Staff. The Consultant's compensation and expenses shall be borne exclusively by AIG, and shall not be deducted from any amount due under the provisions of the Final Judgment.

- a. The agreement shall provide that the Consultant examine:
  - i. AIG's internal controls over financial reporting (the Consultant may, if appropriate, rely on AIG's independent accountant's attestation and report on management's assessment of the effectiveness of AIG's internal control structure and procedures pursuant to Section 404 of the Sarbanes-Oxley Act);
  - ii. The organization and reporting structure of AIG's internal audit department and AIG's disclosure committee (which is described in Exhibit A);
  - iii. The policies, procedures and effectiveness of AIG's regulatory, compliance and legal functions, including the operations of any committees established to review and approve transactions or for the purpose of preventing the recording of transactions or financial reporting results in a manner inconsistent with Generally Accepted Accounting Principles ("GAAP");
  - iv. AIG's records management and retention policies and procedures;

- v. The adequacy of whistleblower procedures designed to allow employees and others to report confidentially matters that may have bearing on AIG's financial reporting obligations;
- vi. AIG's training and education program described in paragraph D.2, below;
- vii. The reforms that AIG has implemented as a result of the Review, which are set forth in Exhibit A; and
- viii. The adequacy and effectiveness of the remediation plan described in paragraph D.1 below.

**B. Consultant's Reporting Obligations**

1. The Consultant shall issue a report to AIG's Board of Directors and to the Commission Staff within three months of appointment, provided, however, that the Consultant may seek to extend the period of review for one or more additional three-month terms by requesting such an extension from the Commission's Staff. The Commission Staff, after consultation with the Attorney General and the Superintendent, shall have discretion to grant such extensions as it deems reasonable and warranted.
2. The Consultant's report shall set forth the Consultant's recommendations regarding best practices in the areas specified in paragraph 1.a.i through 1.a.viii above, including the Consultant's recommendations for any changes in or improvements to AIG's policies and procedures that the Consultant reasonably deems necessary to conform to the law and best

practices, and a procedure for implementing the recommended changes in or improvements to AIG's policies and procedures.

3. AIG shall adopt all recommendations contained in the report of the Consultant referred to in paragraph B.2 above, provided, however, that within forty-five days of receipt of the report, AIG shall in writing advise the Consultant and the Commission Staff of any recommendations that it considers to be unnecessary or inappropriate. With respect to any recommendation that AIG considers unnecessary or inappropriate, AIG need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.
4. As to any recommendation with respect to AIG's policies and procedures on which AIG and the Consultant do not agree, such parties shall attempt in good faith to reach an agreement within ninety days of the issuance of the Consultant's report. In the event AIG and the Consultant are unable to agree on an alternative proposal, AIG will abide by the determinations of the Consultant.
5. AIG shall retain the Consultant for a period of three years from the date of appointment in accordance with the provisions of paragraph C below. Once the Consultant's recommendations become final, the Consultant shall oversee the implementation of such recommendations and provide a report to AIG's Board of Directors and to the Commission Staff every three months concerning the progress of such implementation. If, at the

conclusion of this three-year period, less than all recommended reforms have been substantially implemented for at least two successive quarters, the Commission Staff may, in its discretion after consultation with the Attorney General and the Superintendent, direct AIG to extend the Consultant's term of appointment until such time as all recommended reforms have been substantially implemented for at least two successive quarters.

#### C. Terms of Retention

Within forty-five days after the date of entry of the Final Judgment, AIG will submit to the Commission Staff a proposal setting forth the identity, qualifications, and proposed terms of retention of the Consultant. The Commission Staff, within thirty days of such notice, will either (1) deem AIG's choice of Consultant and proposed terms of retention not unacceptable or (2) require AIG to propose an alternative Consultant and/or revised proposed terms of retention within fifteen days. This process will continue, as necessary, until AIG has selected a Consultant and retention terms that are not unacceptable to the Commission Staff. AIG shall enter into an agreement with the Consultant that shall contain the following terms:

1. The Consultant shall provide AIG's Board of Directors and the Commission Staff with such documents or other information concerning the areas identified in paragraph A above, as any of them may request during the pendency or at the conclusion of the review.

2. The Consultant shall have reasonable access to all of the books and records of AIG and its subsidiaries and the ability to meet privately with the personnel of AIG and its subsidiaries. AIG may not assert the attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing the Consultant with contemporaneous documents or other information related to the matters that are the subject of the review. AIG shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant, and inform its officers, directors, and employees that failure to cooperate with the review will be grounds for dismissal, other disciplinary actions, or other appropriate actions.
3. The Consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at AIG's expense, attorneys, accountants, and other persons or firms, other than officers, directors, or employees of AIG, to assist in the discharge of his or her obligations under the undertakings. AIG shall pay all reasonable fees and expenses of any persons or firms retained by the Consultant.
4. The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities, and require all persons and firms retained to assist the Consultant to do so as well.
5. The Consultant's relationship with AIG shall not be treated as one between an attorney and client. The Consultant will not assert the

attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing any information obtained in the review sought by the Commission Staff.

6. If the Consultant determines that he or she has a conflict with respect to one or more of the areas described in paragraph A or otherwise, he or she shall delegate his or her responsibilities with respect to that subject to a person who is chosen by the Consultant and who is not unacceptable to the Commission Staff.
7. For the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consulting, attorney-client, auditing or other professional relationship with AIG, or any of its present or former subsidiaries or affiliates, directors, officers, employees, or agents acting in their capacity as such; and shall require that any firm with which the Consultant is affiliated or of which the Consultant is a member, or any person engaged to assist the Consultant in performance of the Consultant's duties under the Final Judgment not, without prior written consent of the Commission Staff, enter into any employment, consulting, attorney-client, auditing or other professional relationship with AIG, or any of its present or former subsidiaries or affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement. For the purposes of this section,



representation of a person or firm insured by AIG shall not be deemed a professional relationship with AIG.

8. AIG, including the Board of Directors and committees of the Board of Directors of AIG, shall not assert, or permit its subsidiaries to assert, the attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing to the Consultant any documents, information, or testimony that AIG provided to the Commission Staff which the Consultant has deemed necessary for his or her review.
9. The Consultant shall treat and maintain information of AIG and its subsidiaries as strictly confidential and shall not disclose such information other than to the Commission Staff, and to the Consultant's personnel, agents or representatives who need to know such information for the purpose of the review contemplated herein, or as otherwise required by law.
10. At the conclusion of the Consultant's engagement, subject to the approval of the Commission Staff, after consultation with the Attorney General and the Superintendent, the Consultant shall return to AIG all documents reflecting or referring to non-public business and financial information of AIG and its subsidiaries.

#### D. Additional Undertakings

1. Within four months after the entry of the Final Judgment, AIG will draft a remediation plan consisting of (i) steps to address and correct the causes of

the material weaknesses in internal controls over financial reporting as identified in AIG's 2004 Form 10-K; (ii) a program to test the operational effectiveness of new or enhanced controls; and (iii) completion of management's testing of the relevant significant controls.

2. AIG agrees that it will establish and maintain a training and education program, completion of which will be required for (a) officers, executives, and employees of AIG and its subsidiaries who are involved in the oversight of accounting and financial reporting functions; (b) all employees in AIG's legal division with responsibility for or oversight of AIG's accounting, financial reporting or disclosure obligations; and (c) other senior officers and executives of AIG and its subsidiaries, as proposed by AIG and approved by the Consultant (collectively the "Mandatory Participants").
3. The structure and operation of the training and education program shall be reviewed and approved by the Consultant. The training and education program shall be designed to cover, at a minimum, the following: (a) the obligations imposed on AIG by the federal securities laws, including AIG's financial reporting and disclosure obligations; (b) proper internal accounting controls and procedures; (c) discovering and recognizing accounting practices that do not conform to GAAP or that are otherwise improper; and (d) the obligations assumed by, and responses expected of, the Mandatory Participants upon learning of improper, illegal or potentially illegal acts relating to AIG's accounting and financial

reporting. The Board of Directors shall communicate to the Mandatory Participants, in writing or by video, its endorsement of the training and education program.

5. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

6. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

7. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

8. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

9. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

10. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Final Judgment.

11. Consistent with 17 C.F.R. Section 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or

representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that it shall not be permitted to contest the factual allegations of the complaint in this action.

12. Defendant understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings." 17 C.F.R. Section 202.5. In compliance with this policy, Defendant agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; and (ii) that upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket.

Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

13. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

14. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Defendant (i) agrees to make its employees available for interviews with the Commission Staff at such times and places as the Commission Staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission Staff; (iii) appoints Defendant's undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the Commission reimburses Defendant's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Defendant in any United States District Court for purposes of enforcing any such subpoena.

15. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.

16. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

Dated: 2/1/06

American International Group, Inc.

By: /s/ Martin J. Sullivan

-----  
Martin J. Sullivan  
President and Chief Executive Officer

STATE OF New York    )  
                          ) ss.:  
COUNTY OF New York    )

On February 1, 2006, Martin J. Sullivan, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent with full authority to do so on behalf of American International Group, Inc. as its Pres. & CEO.

/s/ Sandra A. LeMONds

-----  
Notary Public  
Commission expires:

SANDRA A. LeMONDS  
Notary Public, State of New York  
No. 01LE5059041  
Qualified in New York County  
Commission Expires April 22, 2006

Approved as to form:

/s/ Martin Flumenbaum

-----  
Martin Flumenbaum, Esq.  
Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
(212) 373-3000  
Attorney for Defendant

EXHIBIT A

American International Group, Inc. ("AIG") represents that AIG's current senior management and its Board of Directors have taken or are taking corporate governance reforms, including, among other things:

- a) ensuring that AIG's Audit Committee and Regulatory, Compliance and Legal Committee, respectively, will examine AIG's internal audit department and the compliance functions within AIG's legal department, including compliance with all of the terms and conditions of the Final Judgment;
- b) ensuring that a disclosure committee is established to assist AIG's chief executive officer and chief financial officer in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by AIG, that this committee includes among its members AIG's chief compliance officer, chief accounting officer and general counsel, and that the disclosure committee meets and confers prior to significant SEC filings and the issuance of earnings press releases;
- c) establishing enhanced corporate governance procedures as are developed in discussions between the Consultant appointed pursuant to the Final Judgment, the board, and the nominating and corporate governance committee; and
- d) establishing a general insurance risk-transfer policy and implementing practices and procedures for the evaluation of such risk transfer under GAAP and applicable insurance regulatory accounting principles.



CORPORATE RESOLUTION

The undersigned, Kathleen E. Shannon, the Senior Vice President and Secretary of American International Group, Inc. (hereinafter "AIG" or "the Corporation"), certifies that the following resolution was duly enacted at a meeting of the Board of Directors of AIG held on January 31, 2006:

RESOLVED: That each of Martin J. Sullivan, the President of the Corporation, and Ernest T. Patrikis, the Senior Vice President and General Counsel of the Corporation, be and hereby is authorized to act on behalf of the Corporation, and to negotiate, approve, accept and execute the "Consent and Undertakings of American International Group, Inc." attached hereto, in connection with the investigation conducted by the Securities and Exchange Commission; in this connection, each of Martin J. Sullivan and Ernest T. Patrikis be and hereby is authorized to undertake such actions as he may deem necessary and advisable; including the execution of such documentation as may be required by the Securities and Exchange Commission in order to carry out the intent and purpose of the foregoing.

I further certify that the aforesaid resolution has not been amended or revoked in any respect and is still in full force and effect.

IN WITNESS WHEREOF, I have duly executed this Certificate as a sealed instrument as the duly elected, qualified and acting Senior Vice President and Secretary of American International Group, Inc., hereunto authorized this 7th day of February, 2006.

Dated: February 7, 2006

AMERICAN INTERNATIONAL GROUP, INC.  
By: /s/ Kathleen E. Shannon  
Its: Senior Vice President and Secretary

The parties entitled to be notified of the entry hereof and the names and addresses of their respective attorneys, if any, are:

Plaintiff:

Ken C. Joseph, Esq.  
United States Securities and Exchange Commission  
Northeast Regional Office  
3 World Financial Center  
Room 4300  
New York, NY 10281-1022  
(212) 336-0097

Defendant:

Martin Flumenbaum, Esq.  
Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
(212) 373-3000

MARK K. SCHONFELD (MS-2798)  
REGIONAL DIRECTOR

ATTORNEY FOR PLAINTIFF  
SECURITIES AND EXCHANGE COMMISSION  
NORTHEAST REGIONAL OFFICE  
3 WORLD FINANCIAL CENTER  
NEW YORK, NY 10281-1022  
(212) 336-1020

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

PLAINTIFF,

-AGAINST-

AMERICAN INTERNATIONAL GROUP, INC.,

DEFENDANT.

06 CIV. \_\_\_\_\_ (\_\_\_)  
ECF CASE

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission"), for its Complaint against Defendant American International Group, Inc. ("AIG"), alleges as follows:

SUMMARY OF ALLEGATIONS

1. In this case, the Commission alleges that from at least 2000 until 2005, AIG materially falsified its financial statements through a variety of sham transactions and entities whose purpose was to paint a falsely rosy picture of AIG's financial results to analysts and investors.

2. Among other things, AIG structured two sham reinsurance transactions with General Re Corporation ("Gen Re"). The purpose of the transactions was to add a total of \$500 million in phony loss reserves to AIG's balance sheet in the fourth quarter of 2000 and the first

quarter of 2001. The transactions were initiated by AIG to quell criticism by analysts concerning a reduction in AIG's loss reserves in the third quarter of 2000. The transactions had no economic substance, amounting to a round trip of cash, but they were designed to, and did, have a specific and false accounting effect.

3. Shortly after receiving the Commission's subpoena in February 2005 specifically directed to the Gen Re transaction, AIG commenced an internal investigation that ultimately led to a restatement of its prior accounting for approximately 66 transactions or items.

4. In its restatement, AIG admitted not only that its accounting for certain transactions had been improper, but also that the purpose behind those transactions had been to improve financial results that AIG had believed to be important to the market.

5. AIG also conceded in its restatement that certain transactions may have "involved documentation that did not accurately reflect the true nature of the arrangements ... [and] misrepresentations to members of management, regulators and AIG's independent auditors."

6. AIG further admitted that "there was insufficient risk transfer to qualify for insurance accounting for certain transactions where AIG subsidiaries either wrote direct insurance or assumed or ceded reinsurance."

7. In a May 31, 2005 press release announcing the restatement, AIG said that the restatement would reduce AIG's consolidated shareholders' equity at December 31, 2004 by approximately \$2.26 billion (or 2.7%).

8. During the period of the fraud, AIG distributed its stock in a stock-for-stock corporate acquisition.

9. AIG's admission of these extensive accounting irregularities came on the heels of two prior Commission actions against AIG alleging violations of the federal securities laws.

10. In the first case, in September 2003, the Commission charged AIG with securities fraud for fashioning and selling a sham "insurance" product to Brightpoint, Inc. for the sole purpose of enabling Brightpoint to report false and misleading financial information to the public. AIG settled that action with the payment of a \$10 million civil penalty. See SEC v. Brightpoint, Inc., et al., Litig. Rel. No. 18340 (Sept. 11, 2003).

11. In the second case, in November 2004, the Commission again charged AIG with securities fraud for developing, marketing, and entering into transactions that enabled another public company, PNC Financial Services Group, Inc., to remove fraudulently certain volatile, troubled, or underperforming loans and other assets from its balance sheet. AIG settled that action and related criminal charges by paying \$126 million in disgorgement and penalties and retaining an independent consultant to, among other things, review certain other transactions to which AIG had been a party. See SEC v. American Int'l Group, Inc., Litig. Rel. No. 18985 (Nov. 30, 2004).

12. In connection with the conduct alleged in this Complaint, AIG employed devices, schemes, and artifices to defraud that AIG deliberately designed to have a materially false and misleading impact on AIG's financial statements, that did have such an impact, and that operated as a fraud.

13. In the offer and sale and in connection with the purchase and sale of its securities, AIG made material misrepresentations and omissions of material fact in annual and other periodic reports filed with the Commission, other Commission filings, and press releases.

#### VIOLATIONS

14. By virtue of the foregoing conduct, AIG, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of

Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. Sections 77q(a)(1), 77q(a)(2), 77q(a)(3)], Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act of 1934 ("Exchange Act") [15 U.S.C. Sections 78j(b), 78m(a), 78(m)(b)(2)(A), 78(m)(b)(2)(B), and 78(m)(b)(5)] and Rules 10b-5(a), 10b-5(b), 10b-5(c), 12b-20, 13a-1, 13a-13, and 13b2-1 [17 C.F.R. Sections 240.10b-5(a), 240.10b-5(b), 240.10b-5(c), 240.12b-20, 13a-1, 13a-13, and 13b2-1].

#### JURISDICTION AND VENUE

15. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. Section 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. Section 78u(d)(1)] seeking a final judgment: (i) restraining and permanently enjoining AIG from violating certain specified provisions of the federal securities laws; (ii) requiring AIG to disgorge any ill-gotten gains; and (iii) imposing civil money penalties against AIG pursuant to Section 20(d) of the Securities Act [15 U.S.C. Section 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. Section 78u(d)(3)].

16. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. Section 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. Sections 78u(e) and 78aa].

17. AIG, directly or indirectly, singly or in concert, has made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein.

18. Venue lies in the Southern District of New York, pursuant to Section 22(a) of the Securities Act [15 U.S.C. Section 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. Sections 78u(e) and 78aa]. AIG's principal corporate offices are located in New York, New York.

#### THE DEFENDANT

19. AIG, a Delaware corporation, is a holding company that, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIG's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange.

20. During the period of the fraud, AIG distributed its stock in connection with its August 29, 2001 acquisition of American General Corporation ("American General") to American General stockholders.

#### OTHER RELEVANT ENTITIES

21. Gen Re is a Connecticut corporation with its principal corporate offices located in Stamford, Connecticut. Gen Re is a holding company for global reinsurance and related risk assessment, risk transfer, and risk management operations. Gen Re became a wholly owned subsidiary of Berkshire Hathaway Inc. on December 21, 1998. Berkshire Hathaway's Class A and Class B common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is traded on the New York Stock Exchange.

22. Capco Reinsurance Company Ltd. ("Capco") was a Barbados company that was a subsidiary of Western General Insurance Ltd. until 2000. Capco was liquidated in 2002.

23. Union Excess Reinsurance Company Ltd. ("Union Excess") is a Barbados reinsurer used by AIG for the purpose of reinsuring certain insurance contracts entered into by AIG.

#### FACTS

24. In 2000 and 2001, AIG falsely increased its loss reserves, and falsely reported these increases in its financial statements, through two sham transactions whose purpose was to

quell analyst criticism about AIG's declining loss reserves. In addition, AIG entered into at least two other transactions that resulted in misrepresentations in AIG's financial statements.

#### A. AIG'S INTERNAL REVIEW AND RESTATEMENT

25. On February 10, 2005, the Commission issued a subpoena to AIG in connection with an investigation. The subpoena prompted AIG to commence its own internal investigation.

26. From approximately March through May 2005, AIG conducted an internal review under the direction of its current senior management and with the oversight of AIG's audit committee.

27. On March 14, 2005, AIG announced that its Board of Directors had implemented a management succession plan with the selection of a new president and CEO, who would succeed AIG's then-chairman and CEO. AIG also announced that a new CFO had been selected and would succeed its then-CFO, who had taken a leave of absence. On approximately March 28, 2005, AIG's CEO retired.

28. On March 30, 2005, AIG announced that the filing of its 2004 Form 10-K would be delayed in order to complete an internal review of AIG's books and records that included issues arising from pending regulatory investigations.

29. On May 31, 2005, AIG announced that it had completed its internal review and filed its 2004 Form 10-K. The Form 10-K included a restatement of its financial statements for the years ended December 31, 2000, 2001, 2002 and 2003, and selected quarterly information for the quarters ended March 31, June 30 and September 30, 2003 and 2004, and the quarter ended December 31, 2003. In connection with the restatement, AIG amended its periodic quarterly filings on Form 10-Q for the periods ended March 31, 2003 and 2004 in a 10-Q/A filed on June 28, 2005; for the periods ended June 30, 2003 and 2004 on a 10-Q/A filed on August 9, 2005; and for the period ended September 30, 2004 in a 10-Q filed on November 14, 2005.



30. The restatement resulted in a reduction of consolidated shareholders' equity of \$2.26 billion at December 31, 2004.

31. AIG's restatement disclosed the following with respect to certain transactions:

In many cases these transactions or entries appear to have had the purpose of achieving an accounting result that would enhance measures believed to be important to the financial community and may have involved documentation that did not accurately reflect the true nature of the arrangements. In certain instances, these transactions or entries may also have involved misrepresentations to members of management, regulators and AIG's independent auditors.

32. The restatement summarized several transactions that were accounted for improperly. Among these were two sham reinsurance transactions with Gen Re designed to improperly increase loss reserves.

33. The restatement also briefly addressed several other transactions that resulted in misstatements in AIG's financial statements, including transactions involving Capco and Union Excess.

#### B. THE SHAM GEN RE TRANSACTIONS

34. As a result of analysts' concerns regarding a reduction in AIG's loss reserves in the third quarter of 2000, AIG and Gen Re structured two sham reinsurance transactions. The transactions had as their purpose to provide apparent support for AIG to add a total of \$500 million in phony loss reserves to its balance sheet in the fourth quarter of 2000 and the first quarter of 2001.

35. In actuality, the two transactions entailed Gen Re paying \$500 million in reinsurance "premiums" in return for AIG's reinsuring a \$500 million risk. In other words, the transactions had no economic substance, amounting to a roundtrip of cash, but were designed to

look like genuine reinsurance with the required element of risk transfer, in order to achieve a specific, and false, accounting effect.

36. The only economic benefit to either party was a \$5 million fee paid by AIG to Gen Re for putting the deal together -- a side deal not reflected in the contracts. The "premiums" due AIG under the terms of the contracts were merely window dressing and were in fact prefunded by AIG to Gen Re in an undisclosed side agreement.

37. Although AIG initiated the transactions, AIG, with Gen Re's assistance, created a phony paper trail to make it appear as though Gen Re had solicited the reinsurance when the parties knew that AIG sought the deal to manipulate its financial statements.

38. As AIG conceded in its restatement, the Gen Re transactions were "done to accomplish a desired accounting result and did not entail sufficient qualifying risk transfer. As a result, AIG has determined that the transaction[s] should not have been recorded as insurance."

39. In its restatement, AIG recharacterized the Gen Re transactions as a deposit instead of as insurance.

#### 1. THE PURPOSE: THE FALSE APPEARANCE OF INCREASED LOSS RESERVES

40. Prior to the Gen Re transactions, on October 26, 2000, AIG issued its third quarter earnings release showing an approximate \$59 million decline in general insurance reserves.

41. This reduction in general insurance reserves drew criticism from certain analysts. One analyst wrote: "One concern over the past several quarters has been reserve growth, which has been minimal or even has declined in certain quarters. There has been concern that AIG is releasing reserves to make its numbers." Other analysts voiced similar concerns.

42. At least two analysts downgraded AIG after the earnings release.

43. Following AIG's third quarter 2000 earnings release, issued on October 26,2000, AIG's stock price dropped 6%.

44. Just a few days later, on approximately October 31,2000, AIG's then-CEO called Gen Re's then-CEO to propose a transaction whereby Gen Re would transfer \$200 million to \$500 million of loss reserves to AIG by year-end.

45. In conversations regarding this proposed transaction, AIG's CEO made it clear to Gen Re's CEO that he wanted a transaction involving no risk to AIG. A real transfer of loss reserves to AIG would necessarily have involved AIG's assumption of some risk. However, AIG was one of Gen Re's largest clients and Gen Re wanted to accommodate AIG.

46. Gen Re's CEO turned to several Gen Re senior executives, including Gen Re's then-CFO, to work out the details of the transaction.

47. AIG's CEO turned to an AIG senior executive to act as the AIG point person in structuring the deal.

48. On November 1,2000, a Gen Re executive sent an email to Gen Re officials confirming that he spoke with the AIG senior executive assigned to the deal and that AIG "only want[s] reserve impact" from the deal "to address the criticism [AIG] received from the analysts" in the third quarter of 2000. In subsequent communications, AIG and Gen Re executives further discussed the fundamental elements of the deal.

49. AIG and Gen Re then fashioned two contracts between National Union Fire Insurance Company of Pittsburgh, PA ("National Union"), an AIG subsidiary, and Cologne Re Dublin ("CRD"), a Dublin, Ireland-based subsidiary of a Gen Re subsidiary. These purportedly were retrocession contracts, or contracts in which a reinsurer cedes to another reinsurer all or part of a reinsured risk it previously assumed - in other words, reinsurance of reinsurance.

50. Under the terms of the contracts, National Union purportedly reinsured CRD for up to \$600 million in losses (\$300 million per contract). In consideration for the reinsurance from National Union, CRD was obligated to pay \$500 million in premiums (\$250 million per contract). In actuality, both parties had agreed that AIG would not have to pay any losses under the contracts, even though the contracts were written to appear as if AIG could incur \$100 million in losses.

51. These sham contracts became the vehicle for adding loss reserves to AIG's financial statements. Without the phony loss reserves added to AIG's balance sheet and touted in its earnings releases, AIG's earnings releases would have shown continued reductions in loss reserves for the fourth quarter of 2000 and the first quarter of 2001, instead of \$500 million of additional loss reserves.

## 2. REINSURANCE ACCOUNTING PRINCIPLES

52. The sole purpose of these transactions was to make it appear as though Gen Re was purchasing reinsurance from AIG so that AIG could record loss reserves associated with the reinsurance contracts.

53. Had this been real reinsurance involving a real transfer of risk, AIG would have been entitled to record reserves in the amount of the loss that was probable and reasonably estimable under generally accepted accounting principles ("GAAP"). Under Statement of Financial Accounting Standards ("FAS") No. 113, a reinsurer may record a loss reserve pertaining to a reinsurance contract only when the reinsurer is assuming significant insurance risk (underwriting and timing risk) and it is reasonably possible that the reinsurer may realize a significant loss for the transaction.

54. When there is insufficient risk transfer, a transaction may not be treated as insurance for GAAP purposes, but rather must be accounted for using the deposit method, which has no effect on loss reserves. Deposit accounting simply reflects that one party owes funds to another party.

55. AIG's contracts with Gen Re, through their subsidiaries National Union and CRD, were not real reinsurance contracts, because AIG assumed no risk. The only economic benefit to either party was a \$5 million fee that AIG paid to Gen Re for putting the sham transactions together.

56. Because the transactions had no substance, AIG should not have increased its reserves at all. At best, AIG should have recorded the transactions as deposits on its books - i.e., as money owed to Gen Re - which would have had no effect on AIG's reserves.

57. By accounting for the transactions as if they were genuine reinsurance contracts, AIG inflated its reserves for losses and loss expense by \$500 million and its premiums and other considerations by \$500 million in total.

### 3. THE STRUCTURE OF THE NO RISK DEAL

58. The transactions consisted of two contracts. The first contract had an effective date of December 1, 2000. The second contract had an effective date of March 31, 2001.

59. Under these contracts, National Union purportedly reinsured CRD for up to \$600 million in losses (\$300 million per contract). In consideration for the reinsurance from National Union, CRD was obligated to pay \$500 million in premiums (\$250 million per contract).

60. The contracts did not reflect the actual arrangement. As the AIG and Gen Re executives who were involved understood, this was to be a riskless transaction for both AIG and Gen Re.

61. Although on the face of the contracts National Union appeared to assume \$100 million of risk over and above the \$500 million in premiums CRD was obligated to pay, this extra \$100 million of risk was pure fiction added to make it appear that the contracts transferred risk to National Union, as AIG understood.

62. In fact, National Union assumed no risk and CRD incurred no premium liability. Of the \$500 million in premiums set forth in the contracts, \$490 million was on a "funds withheld" basis (i.e., the money was never paid to National Union but was retained by CRD). CRD was supposed to pay the remaining \$10 million to National Union according to the contracts, but AIG "prefunded" this portion of the contractual premium amount in a side deal that was not reflected in the contracts.

63. Hence, neither AIG nor Gen Re could profit or lose from the transactions except for the \$5 million fee AIG agreed to pay Gen Re for its trouble.

#### 4. AIG AND GEN RE CONCEALED PAYMENTS THROUGH UNDISCLOSED SIDE AGREEMENTS

64. AIG concealed undisclosed side agreements that revealed the true nature of the transaction.

65. Gen Re did not want to give National Union \$10 million in purported premiums until AIG prefunded that amount to Gen Re, plus Gen Re's fee for doing the deal. The AIG executive assigned to the transaction proposed a solution to this problem to Gen Re: AIG and Gen Re would enter into a purportedly unrelated transaction to conceal the payment by AIG.

66. The unrelated transaction, which was finalized by the AIG senior executive in December 2001, involved an existing reinsurance contract between Gen Re and another AIG subsidiary, Hartford Steam Boiler Inspection and Insurance Company ("HSB").

67. Gen Re held over \$30 million in an account that would be owed to HSB if that unrelated reinsurance contract were commuted, which is insurance parlance for "terminated."

68. The AIG senior executive proposed that the parties use the HSB money to prefund the \$10 million premium and pay the \$5 million transaction fee for the Gen Re transactions.

69. AIG and Gen Re decided to commute the HSB contract and distribute approximately \$15 million from the account to Gen Re, \$10 million of which would be later paid to National Union by CRD as premiums, with the remaining \$5 million to compensate Gen Re for doing the deal. In other words, an AIG subsidiary, HSB, in effect paid another AIG subsidiary, National Union, the \$10 million in premiums purportedly owed by CRD under the contracts between CRD and National Union.

70. AIG and Gen Re, through senior officers of each company, developed three additional sham contracts to effect the transfers of the funds in the HSB account and mask the funding for the AIG/Gen Re transactions.

71. First, HSB and Gen Re executed a commutation agreement on December 21, 2001. Under the agreement, Gen Re was expressly obligated to pay \$7.5 million to HSB (compared to the over \$30 million HSB otherwise would have been entitled to receive).

72. Second, National Union and Gen Re executed a retrocession agreement on December 27, 2001. Under its terms, National Union agreed to reinsure Gen Re for any losses Gen Re became obligated to pay under its reinsurance contract with HSB. This was the very reinsurance contract that Gen Re and HSB had commuted just a few days earlier, eliminating the possibility that Gen Re could incur any losses under it. Nevertheless, Gen Re paid National Union approximately \$9.1 million in "premiums" under their meaningless reinsurance contract,

thus concealing the true reason for the transfer of the \$9.1 million and obscuring that their source was the HSB account.

73. Third, Gen Re and CRD entered into a sham reinsurance contract whereby CRD would pay \$400,000 in purported premiums to Gen Re for \$13 million in supposed reinsurance coverage. This sham contract was intended to mask the purpose of the transfer of \$12.6 million from the HSB account from Gen Re to CRD, \$10 million to prefund the premiums that CRD would pay to National Union plus approximately \$2.6 million for CRD's portion of the fee Gen Re charged for putting the transaction together (\$5 million as originally agreed plus \$200,000 characterized as interest), for the two original agreements with National Union. On December 28, 2001 Gen Re paid \$12.6 million to CRD as "loss payments" due under this newly created reinsurance contract. Gen Re kept the remaining approximately \$2.6 million as its share of the transaction fee. That same day, CRD transferred \$10 million to National Union for the premium supposedly due under the agreements.

74. The AIG and Gen Re executives who had proposed and developed the structure of these sham contracts understood that these contractual contortions were intended merely to mask the real reason for the transfer of funds between AIG and Gen Re.

#### 5. AIG KNEW THE GEN RE TRANSACTIONS CONVEYED NO RISK

75. From its inception, AIG's deal with Gen Re was designed to convey no risk. As AIG's then-CEO and as its senior executives working on the transactions understood, the transactions did not constitute genuine reinsurance that would have allowed AIG to add loss reserves to its financial statements.

76. AIG's CEO made it clear to Gen Re's CEO that he was seeking a transfer of loss reserves in a risk-free transaction.



77. Furthermore, AIG and Gen Re entered into side agreements under which neither AIG nor Gen Re could profit or lose except for the \$5 million fee AIG agreed to pay Gen Re for its trouble.

78. Contrary to what a company reinsuring losses would have done if the deal were legitimate, AIG did not perform any due diligence regarding the underlying losses it was supposedly reinsuring, did not seek or receive any claims or reports on loss activity during the course of the contracts, and did not even maintain an underwriting file for the two contracts with CRD.

79. The AIG and Gen Re executives involved in the transaction also understood that the accounting for the transaction would not be "symmetrical," that is, that AIG and Gen Re would account for it differently. AIG planned to account for the transactions using reinsurance accounting principles to improperly add loss reserves to AIG's balance sheet. AIG understood that Gen Re planned to use deposit accounting, because no risk was conveyed.

#### 7. THE SHAM PAPER TRAIL

80. In another effort to conceal a key aspect of the transaction, AIG and Gen Re deliberately created a sham paper trail suggesting that Gen Re, not AIG, had initiated the transaction.

81. The paper trail was designed to make it look as though Gen Re had solicited the contracts, when, in fact, AIG solicited the deal to manipulate its loss reserves.

82. The paper trail idea was first raised in a December 8, 2000 email in which a senior Gen Re executive wondered: "Do we need to produce a paper trail offering the transaction to the client?"

83. Another Gen Re senior executive and the AIG executive assigned to the deal discussed the idea later that day. AIG decided that it wanted a paper trail, according to another Gen Re email dated December 8, 2000.

84. As part of the paper trail, Gen Re faxed AIG an offer letter and draft contract on December 18, 2000. The offer letter falsely suggested that CRD was asking for AIG's "help" and "support."

85. Later, on December 27, 2000, Gen Re emailed another cover letter for the paper trail that made it appear as if CRD had solicited the transaction. Once again, this letter falsely indicated that CRD was asking AIG to "provide us with cover" and "to support the cover."

86. In a recorded telephone conversation with two senior Gen Re executives on December 28, 2000, the AIG executive assigned to the deal confirmed receipt of Gen Re's December 27, 2000 letter. He told them he expected to send a reply email that day accepting the proposal.

87. In the same conversation, the AIG executive said that he did not need any further documentation by year-end to book the transaction as a year 2000 transaction, and that once he sent his reply email accepting the offer, the "paper trail" would be complete.

88. The AIG executive sent his reply email completing the paper trail later that evening.

#### 8. AIG IMPROPERLY ADDED LOSS RESERVES TO ITS FINANCIAL STATEMENTS

89. AIG accounted for the agreements between National Union and CRD as if they were real reinsurance contracts that transferred risk from Gen Re to AIG. In fact, AIG, through its senior executives involved in the transactions, knew that there was no such risk transfer and that the transactions in reality had no economic substance and provided no up- or downside to

either party (other than the undisclosed \$5 million fee AIG paid to Gen Re to create the sham transactions).

90. By accounting for the contracts as if they were real reinsurance (i.e., not shams), AIG falsely inflated its Reserves for Losses and Loss Expense by \$250 million and its Premiums and Other Considerations by \$250 million in the financial statements contained in the Form 10-K for the year ended December 31, 2000, which AIG filed with the Commission on April 2, 2001. Similarly, AIG falsely inflated its Reserves for Losses and Loss Expense by an additional \$250 million and its Premiums and Other Considerations by \$250 million in the financial statements contained in the Form 10-Q for the quarter ended March 31, 2001, which AIG filed with the Commission on May 15, 2001. AIG also falsely inflated its Reserves for Losses and Loss Expense by \$500 million and its Premiums and Other Considerations by \$500 million in total in the financial statements contained in the Form 10-K for the year ended December 31, 2001, which AIG filed with the Commission on April 1, 2002.

91. In connection with its acquisition of American General and its distribution of shares to American General shareholders, AIG filed a registration statement on Form S-4 on June 8, 2001, which incorporated by reference AIG's Form 10-K for 2000 and its Form 10-Q for the first quarter of 2001.

92. The sham loss reserves remained on AIG's financial statements filed with the Commission, improperly boosting AIG's loss reserves by \$500 million, until the first contract was commuted in November 2004 (AIG's loss reserves were then decreased by \$250 million) and until AIG restated its accounting for the transaction on May 31, 2005 (at which time the \$500 million were restated as deposits). On August 1, 2005, Gen Re notified AIG that it cancelled the second contract.

## 9. AIG's Materially False Earnings Releases

93. On February 8, 2001, AIG issued its fourth quarter 2000 earnings release. The release reflected the impact of the first Gen Re contract.

94. The earnings release quoted AIG's then-CEO, who touted the increased loss reserves: "AIG had a very good quarter and year.... We added \$106 million to AIG's general insurance net loss and loss adjustment reserves for the quarter, and together with the acquisition of HSB Group, Inc., increased the total of those reserves to \$25.0 billion at year-end 2000."

95. Analysts reacted favorably to the added reserves. A February 9, 2001 analyst report opined: "We think this quarter was a good example of AIG doing what it does best: growing fast and making the numbers.... As important was the change in reserves: AIG added \$106 million to reserves and the paid/incurred ratio fell to 97.1%, the lowest level since the first quarter of 1999."

96. On April 26, 2001, AIG issued its first quarter 2001 earnings release. The release reflected the impact of the second Gen Re contract.

97. AIG's then-CEO again touted AIG's additions to its loss reserves in this release: "AIG had a solid first quarter.... We added \$63 million to AIG's general insurance net loss and loss adjustment reserves for the quarter, bringing the total of those reserves to \$25.0 billion at March 31, 2001."

98. Once again, analysts appeared to be pleased with the added reserves.

99. Without the phony loss reserves, AIG's reported loss reserves would have been \$250 million lower in the fourth quarter of 2000 and \$500 million less in the first quarter 2001.

100. Because the loss reserves added to AIG's balance sheet were phony, the \$106 million increase to reserves touted in AIG's fourth quarter 2000 earnings release in reality

was a \$144 million decrease in reserves, and the \$63 million increase in reserves touted in AIG's first quarter 2001 earnings release was in reality a \$187 million decrease in reserves.

#### C. OTHER ACCOUNTING MISREPRESENTATIONS

101. AIG's restatement reflects 65 other items, the accounting for which AIG determined was incorrect and required restatement. Among other things, these instances of improper accounting include the Capco and Union Excess transactions and five additional categories. The improper accounting has led to additional restatements and the necessity of ongoing remediation activities by AIG.

##### 1. THE CAPCO TRANSACTION

102. In 2000, AIG concocted a scheme to conceal approximately \$200 million in underwriting losses in its general insurance business by improperly converting them to capital (or investment) losses that were not in AIG's general insurance business and therefore would be less embarrassing to AIG.

103. AIG structured a sham transaction designed to convert underwriting losses to investment losses by moving them to an off-shore entity, Capco, a Barbados reinsurer. Capco's preferred shareholder was an AIG subsidiary, American International Reinsurance Company, Ltd. ("AIRCO"). Capco also had nominally independent common shareholders. AIG funded the contributions of certain of these shareholders.

104. AIG ceded underwriting losses to Capco, through another AIG subsidiary, depleting Capco's capital. In turn, AIRCO recognized capital losses on its investment in Capco.

105. AIG did not consolidate Capco's results in AIG's financial statements; consolidation would have eliminated the effect of the fraud.

106. In its restatement, AIG admitted that the transactions "involved an improper structure created to recharacterize underwriting losses relating to auto warranty business as

capital losses. That structure ... appears to have not been properly disclosed to appropriate AIG personnel or its independent auditors."

107. In addition, AIG conceded that its internal controls:

were not effective to prevent certain members of senior management, including the former Chief Executive Officer and former Chief Financial Officer from having the ability, which in certain instances was utilized, to override certain controls and effect certain transactions and accounting entries. In certain of these instances, such transactions and accounting entries appear to have been largely motivated to achieve desired accounting results and were not properly accounted for in accordance with GAAP.. ..Specifically, this control deficiency permitted the following [including]:

Creation of Capco, a special purpose entity used to effect transactions that were recorded to convert, improperly, underwriting losses to investment losses and that were not correctly accounted for in accordance with GAAP, resulting in a misstatement of premiums and other considerations, realized capital gains (losses), incurred policy losses and benefits and related balance sheet accounts.

108. The Capco scheme was an improper effort to convert underwriting losses to capital losses in violation of GAAP and without disclosure to AIG's auditors, as the restatement acknowledged.

## 2. THE UNION EXCESS TRANSACTIONS

109. In 1991, AIG established Union Excess, an offshore reinsurer, to which it ultimately ceded approximately 50 reinsurance contracts for its own benefit.

110. Although AIG controlled Union Excess, it improperly failed to consolidate Union Excess's financial results with its own. AIG also took steps to conceal its control over Union Excess from its auditors and regulators.

111. As a result, AIG derived a number of advantageous but improper financial results from its reinsurance cessions to Union Excess. In particular, Union Excess was used to

"reinsure" certain AIG liabilities. It was treated as an independent entity, which enabled AIG to reduce, improperly and in material amounts, the amount of expense associated with the underlying insurance. These financial benefits would have evaporated if AIG had consolidated Union Excess's results.

112. AIG established Union Excess for an improper purpose, concealed the true nature of its relationship with Union Excess from auditors and regulators, and fraudulently improved its financial results by ceding reinsurance to Union Excess.

113. In its restatement, AIG admitted that, based on AIG's control over Union Excess and the lack of intent to transfer risk, the accounting for the transaction was improper. AIG should have consolidated Union Excess on its financial statements. The benefits of the Union Excess relationship would thus have been eliminated. AIG's restatement acknowledges that AIG controlled Union Excess.

114. Specifically, the restatement conceded that:

AIG has concluded, based on documents and information identified during the course of the internal review, that reinsurance ceded to Union Excess Reinsurance Company, Ltd., a Barbados-domiciled reinsurer (Union Excess), did not result in risk transfer because of AIG's control over certain transactions undertaken directly or indirectly with Union Excess, including the timing and nature of certain commutations. Eliminating the cessions reduces reinsurance assets, effectively eliminates the inherent discount related to the loss reserves ceded under the contracts, and increases net premiums and losses. It should be noted that any income earned on the deposit assets in future periods would increase net investment income in those periods.

In addition, as a result of certain facts and circumstances related to the formation of Union Excess, as well as certain relationships with Starr International Company, Inc. (SICO), Union Excess is now included in AIG's consolidated financial statements. The facts and

circumstances surrounding SICO's involvement with Union Excess were not properly reflected in AIG's books and records, were not known to all relevant AIG financial reporting personnel and, AIG now believes, were not known to AIG's independent auditors. For example, a significant portion of the ownership interests of Union Excess shareholders are protected against loss under financial arrangements with SICO. Additionally, from its formation in 1991, Union Excess has reinsured risks emanating primarily or solely from AIG subsidiaries, both directly and indirectly. Further, it appears that the employees responsible for the reinsurance related to Union Excess managed that relationship to prevent significant losses or gains to Union Excess so that substantially all of the risks and rewards of the underlying reinsurance inured to AIG. This relationship allowed AIG to absorb substantially all the economic returns, which in turn caused Union Excess to be deemed a variable interest entity (VIE).

115. AIG's restatement consolidated Union Excess's financial results with its own.

### 3. RISK TRANSFER

116. AIG concluded that certain transactions - including but not limited to the Gen Re and Union Excess transactions - did not have the sufficient risk transfer necessary to qualify for reinsurance accounting. AIG has since restated the accounting for these transactions using deposit, rather than reinsurance, accounting.

### 4. NET INVESTMENT INCOME

117. AIG determined that certain transactions and investment strategies that were entered into in order to enhance net investment income had been accounted for incorrectly. The restatement admitted that certain transactions or strategies were "initiated to increase net investment income." In other cases, AIG accounting staff had incorrectly characterized transactions or reclassified certain items to increase net investment income or accrued net investment income on anticipated realizations of gains or carried interest. AIG reversed the accounting in its restatement.



## 5. TOP-LEVEL ADJUSTMENTS

118. A number of accounting entries, originating at the parent company level and directed by former senior management, were unsupported and had the effect of reclassifying income statement items and changing the presentation of certain financial measures. In some cases, top-level entries were made at the parent level affecting subsidiaries without the knowledge of the subsidiaries' management. In other cases, management either was aware of the entries or the entries were subsequently "pushed-down" to the subsidiaries.

119. The effect of these entries included reclassifying capital gains to net investment income, increasing expense deferrals or reducing accruals, both having the effect of increasing reported earnings, and reducing and increasing reserves. The restatement reversed all unsupported "top-level" entries from January 1, 2000 through December 31, 2004.

## 6. CONVERSION OF UNDERWRITING LOSSES TO CAPITAL LOSSES

120. AIG's restatement identified certain transactions and entries that had the principal effect of improperly recharacterizing underwriting losses as capital losses, including but not limited to the Capco transactions. This category also included insurance and reinsurance transactions in which AIG's accounting resulted in errors relating to the timing and classification of income recognition and errors relating to the timing of premium recognition. AIG's restatement conceded that the improper accounting had an effect on underwriting losses in each year. The restatement reversed the accounting by converting the capital losses back into underwriting losses.

## 7. ASSET REALIZATION

121. AIG concluded that adjustments needed to be made to the value of certain assets on its consolidated balance sheet - for example, receivables for which certain doubtful accounts and other accruals were neither properly analyzed nor reconciled in prior periods and for which allowances were not properly recorded in AIG's consolidated financial statements. According to the restatement, certain of these items were known by members of former senior management but were not previously disclosed to AIG's independent auditors. The restatement made these adjustments to the value of the assets.

### FIRST CLAIM FOR RELIEF VIOLATIONS OF SECTION 17(a)(1) OF THE SECURITIES ACT

122. Paragraphs 1 through 121 are realleged and incorporated by reference as if set forth fully herein.

123. AIG, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce or by the use of the mails, directly or indirectly, singly or in concert, has employed or is employing devices, schemes and artifices to defraud.

124. AIG knew or was reckless in not knowing of the activities described above. The knowledge and conduct of its senior officers are attributable to AIG.

125. By reason of the foregoing, AIG has violated, and unless enjoined will again violate, Section 17(a)(1) of the Securities Act [15 U.S.C. Section 77q(a)(1)].

### SECOND CLAIM FOR RELIEF VIOLATIONS OF SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT

126. Paragraphs 1 through 121 are realleged and incorporated by reference as if set forth fully herein.

127. AIG, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce or by the use of the mails, directly or indirectly, singly or in concert, has obtained or is obtaining money and property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and has engaged or is engaging in transactions, practices or courses of business which have operated or would operate as a fraud and deceit upon investors.

128. By reason of the foregoing, AIG has violated, and unless enjoined will again violate, Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. Sections 77q(a)(2) and (3)].

#### THIRD CLAIM FOR RELIEF

##### VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT AND RULES 10b-5(a), 10b-5(b), AND 10b-5(c)

129. Paragraphs 1 through 121 are realleged and incorporated by reference as if set forth fully herein.

130. AIG, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce or of the mails, directly or indirectly, singly or in concert, has employed or is employing devices, schemes and artifices to defraud; has made or is making untrue statements of material fact and has omitted or is omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and has engaged or is engaging in acts, practices and courses of business which have operated or would operate as a fraud and deceit upon investors.

131. AIG knew or was reckless in not knowing of the activities described above. The knowledge and conduct of its senior officers are attributable to AIG.

132. By reason of the activities herein described, AIG has violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. Section 78j(b)] and Rule 10b-5(a), (b) and (c) promulgated thereunder [17 C.F.R. Section 240.10b-5(a), (b) and (c)].

FOURTH CLAIM FOR RELIEF  
VIOLATIONS OF RULE 13B2-L OF THE EXCHANGE ACT

133. Paragraphs 1 through 121 are realleged and incorporated by reference as if set forth fully herein.

134. AIG, directly or indirectly, singly or in concert, falsified or caused to be falsified its books, records and accounts that were subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. Section 78m(b)(2)(A)].

135. By reason of the foregoing, AIG has violated, and unless enjoined will again violate, Rule 13b2-1 of the Exchange Act [17 C.F.R. Section 240.13b2-1].

FIFTH CLAIM FOR RELIEF  
VIOLATIONS OF SECTION 13(a) OF THE  
EXCHANGE ACT AND RULES 12b-20, 13a-L AND 13a-13

136. Paragraphs 1 through 121 are realleged and incorporated by reference as if set forth fully herein.

137. AIG did not file with the Commission such financial reports as the Commission has prescribed, and AIG did not include, in addition to the information expressly required to be stated in such reports, such further material information as was necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, in violation of Section 13(a) of the Exchange Act [15 U.S.C. Section 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. Sections 240.12b-20, 240.13a-1 and 240.13a-13].

138. By reason of the foregoing, AIG has violated, and unless enjoined will again violate, Section 13(a) of the Exchange Act [15 U.S.C. Section 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. Sections 240.12b-20, 240.13a-1 and 240.13a-13].

SIXTH CLAIM FOR RELIEF  
VIOLATIONS OF SECTIONS 13(b)(2)(A),  
13(b)(2)(B), AND 13(b)(5) OF THE EXCHANGE ACT

139. Paragraphs 1 through 121 are realleged and incorporated by reference as if set forth fully herein.

140. AIG did not:

- a. make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of its assets; and
- b. devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:
  - i. transactions were executed in accordance with management's general or specific authorization;
  - ii. transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets;
  - iii. access to assets was permitted only in accordance with management's general or specific authorization; and

- iv. the recorded accountability for assets was compared with the existing assets at reasonable intervals and appropriate action was taken with respect to any differences.

141. Furthermore, AIG knowingly circumvented or knowingly failed to implement a system of internal accounting controls and knowingly falsified books, records, and accounts described above.

142. By reason of the foregoing, AIG has violated, and unless enjoined will again violate, Sections 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act [15 U.S.C. Sections 78m(b)(2)(A), 78m(b)(2)(B), and 78m(b)(5)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests a Final Judgment:

I.

Permanently enjoining AIG, its agents, servants, employees and attorneys and all persons in active concert or participation with AIG who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. Sections 77q(a)(1), 77q(a)(2), 77q(a)(3)], Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act [15 U.S.C. Sections 78j(b), 78m(a), 78m(b)(2)(A), 78m(b)(2)(B), and 78m(b)(5)] and Rules 10b-5(a), 10b-5(b), 10b-5(c), 12b-20, 13a-1, 13a-13, and 13b2-1 [17 C.F.R. Sections 240.10b-5(a), 240.10b-5(b), 240.10b-5(c), 12b-20, 13a-1, 13a-13, and 13b2-1].

II.

Ordering AIG to disgorge any ill-gotten gains from the conduct alleged herein.

III.

Ordering AIG to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. Section 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. Section 78u(d)(3)].

IV.

Granting such other and further relief as to this Court seems just and proper.

Dated: New York, New York  
February 9, 2006

By: /s/ Mark K. Schonfeld

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AGREEMENT BETWEEN THE ATTORNEY GENERAL OF THE STATE OF NEW YORK AND  
AMERICAN INTERNATIONAL GROUP, INC. AND ITS SUBSIDIARIES  
(COLLECTIVELY "AIG") DATED JANUARY 18, 2006

WHEREAS, the New York Attorney General (the "Attorney General") and the Superintendent of Insurance of the State of New York (the "Superintendent") commenced an action against AIG pursuant to Executive Law Section 63 (12), the Martin Act (Gen. Bus. Law Section 352-c), Insurance Law Sections 201, 327 and the common law of the State of New York dated May 26, 2005 (the "Complaint");

WHEREAS, the Attorney General has conducted an investigation related to AIG's practices in the marketing, sale, renewal, placement or servicing of insurance for its policyholders and its accounting and public reporting practices, including those relating to nontraditional and finite insurance (the "Attorney General's Investigation") and the Superintendent, pursuant to Insurance Law Section 310, has conducted an examination of AIG (the "Superintendent's Examination");

WHEREAS, the Attorney General and the Superintendent have alleged the following facts with respect to AIG's participation in schemes relating to the rigging of bids for excess casualty insurance business and the use of contingent commission agreements or placement service agreements to steer business:

- a. Since at least the mid-1990s AIG and other insurers have paid hundreds of millions of dollars in so-called "contingent commissions" to the world's largest insurance brokers, including Marsh & McLennan Companies, Inc. or Marsh Inc. (collectively "Marsh"), Aon Corporation ("Aon"), Willis Group Holding Ltd.



("Willis") and Arthur J. Gallagher & Co. ("Gallagher"), as well as tens of thousands of smaller brokers and independent agents.

- b. AIG entered into a number of contingent commission agreements (also known as "override" agreements) to pay compensation to Producers, (1) such as Marsh, Aon, Willis and Gallagher as a result of which they steered insurance policies to AIG to increase the volume of policies written by AIG, to keep retention levels of existing AIG policies above certain benchmarks, and to direct the most profitable policies to AIG. In most cases, steering took the form of Producers purporting to offer unbiased recommendations to their clients about the selection of insurers when in fact, in many cases, the Producers' recommendations were biased in favor of insurers who paid contingent commissions.
- c. Under these agreements, when Marsh, for example, helped AIG retain its existing business at renewal time, AIG paid Marsh higher contingent commissions. Thus, in the 2002 placement service agreement between the two companies relating to excess casualty, AIG agreed to pay Marsh an aggregate percentage of gross written premium that varied from a minimum of 10% for one dollar of premium, to 15% for four hundred million dollars, to 15.75% of one billion dollars.
- d. Further, when Willis steered business to AIG's Hartford Steam Boiler subsidiary, AIG, in turn, paid Willis higher contingent commissions. When Gallagher gave

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(1) For purposes of this Agreement, "Producer" shall mean any insurance broker as that term is defined in Section 2101(c) of the Insurance Law of the State of New York or any independent insurance agent as that term is defined in Section 2101(b) of the Insurance Law of the State of New York and who offers insurance for a specific product or line from more than one insurer or affiliated group of insurers.

AIG first rights of refusal and made sure AIG got its fair share of business, AIG reimbursed Gallagher for some of its employees' salaries, another way to pay Gallagher higher fees.

- e. In some cases AIG did not enter into formal contingent commission agreements with Producers, but agreed instead to subsidize certain of the Producers' expenses. For example, AIG rewarded Gallagher with "hiring subsidies" of \$2 million in 2002 and \$2.5 million in 2003, to pay for the salaries of certain Gallagher employees. In return, Gallagher agreed to give AIG an exclusive "first right of refusal" for prospective insurance business and to make sure that AIG was successful on a fair share of this business.
- f. In the area of excess casualty insurance, which covers losses above the limits provided by policyholders' primary casualty insurance policies, and in which AIG is a major provider, Marsh, AIG and other insurers rigged the process of bidding for insurance policies and actively deceived clients. AIG underwrote the vast majority of umbrella excess casualty business that was placed through Marsh's Global Broking Excess Casualty Group, and was thus the "incumbent" on most business that came up for renewal. The bid manipulation that AIG and Marsh engaged in generally sought to protect AIG's incumbency and gave AIG an unfair competitive advantage, to the detriment of the insured, whose best interests Marsh was supposed to be serving.
- g. When AIG was the incumbent carrier, or was otherwise chosen by Marsh to win a

client's business, Marsh set a target for AIG which included proposed premium and policy terms for AIG's bid as a part of the renewal process. If AIG met this target, or even if it provided a much less favorable bid from the client point of view, Marsh generally arranged for AIG to win the business, regardless of whether AIG, or any other insurance company, could have quoted better terms for the client.

- h. In order to ensure that AIG won business it wanted, Marsh instructed other insurance companies to provide intentionally losing bids that were inferior to those provided by AIG. These losers were known, among other things, as "fake," "backup," "supportive," or "protective quotes." They were also known as "B Quotes" or simply "B's." Once it had secured such quotes, Marsh would present them to clients as bids obtained through a competitive process. This pretense of competition was intended to, and did, give clients the impression that AIG's bid was the best available. It also had the effect of throwing business to AIG, not at terms best for the client, but rather at terms advantageous to AIG. Certain employees of AIG were aware of this arrangement and of the "B Quotes" supplied by other insurers. Set forth below are specific examples:
  - i. In March 2002, Marsh set a target price of \$690,000 to provide AIG the renewal business for AIG's insured, "Client A." The Marsh employee coordinating the renewal instructed colleagues that "B Quotes" be obtained from Munich and St. Paul insurance companies to ensure that

AIG would win this "[g]ood account." Despite the target price established, toward the end of the month AIG quoted the account at a price of \$825,000, or approximately 20% higher than the price at which Marsh had intended AIG to obtain the business. Nonetheless, once AIG quoted higher than the target price, thereby rendering its bid far less attractive and more vulnerable to competition, the Marsh employee sought greater protection for AIG. On March 25, the Marsh employee circulated an email seeking intentionally losing "B quotes" from two additional insurance companies, Zurich and Liberty. With "competitors" submitting losing quotes that made AIG's increased price seem competitive, AIG obtained the client's business at exactly the price AIG quoted.

- ii. AIG's client, "Client B," had its insurance up for renewal in October 2002. Marsh's broking plan, prepared in August 2002 without specifying any target price, called for AIG to win the business and for other insurance companies to submit intentionally losing quotes in support of AIG's quote. After the plan was issued, AIG quoted \$475,000, a 111% increase in price over the previous year's premium. The Marsh employee overseeing the placement noted to his Marsh colleagues on September 18, 2003 that "[t]he client is not happy with this price and we have asked AIG for consideration on the premium due to the long term relationship." Despite the client's dissatisfaction, on the very same day the Marsh employee

instructed one Marsh colleague that "[w]e need Zurich to quote . . . for something higher." On September 23, 2003, the Marsh employee further directed another Marsh colleague to "have ACE send an email stating they would quote . . . for \$500,000 or higher with a professional liability exclusion and an aircraft products and grounding exclusion." These exclusions were not included in the AIG quote. Just a day later, increasingly concerned about AIG's high bid and the client's unhappiness, the Marsh employee sent an email to colleagues soliciting intentionally losing quotes from two additional insurers to further support AIG's price increase:

Guys,

AIG quoted [the layer] for \$475,000. Premium increase is 111% due to 3MM auto loss AIG paid on this account recently. This is going to be a tough sale so I need some help. Emails would be fine.

St. Paul . . . \$525,000  
Liberty Decline Lead  
ACE . . . \$500,000

All of these options should have the following exclusions:

aircraft products and grounding  
failure to supply  
professional responsibility

AIG thereafter received the protection of these fake quotes and bound the business at its chosen price, terms and conditions.

iii. For the October 2002 policy renewal of "Client C," AIG submitted a bid 65% higher than what it had charged the previous year. A Marsh employee then informed colleagues that "AIG quoted . . . for \$1,300,000 which is in line with the client's expectations," and instructed them "[w]e need email indications as follows: Zurich - 20 x 5 \$1,500,000[;] ACE - 5 x 5 \$1,100,000." In the same month, when AIG raised its quote by 65% for a different policy, the Marsh employee in charge of getting a purportedly competitive quote from Zurich wrote "AIG has quoted the lead on ["Client D"] @ \$320,000 (I am shocked it's only a 65% premium increase), we need Zurich to quote a supportive lead at \$365,000. I will fax you our quote confirmation." And also in the same month, a Marsh underwriter sent the following message to a purported competitor of AIG regarding the ["Client E"] account:

AIG has quoted:

25 x p=\$525,000  
50 x p=\$675,000  
GL attachments 2/4/4  
AL attachments 2mm

Please over price your indications for 25 [x p] or 50 [x p] or both if you can. THIS IS A FAKE QUOTE BOTH OF THEM ARE FAKE.

(Emphasis added).

iv. On December 17, 2002, an ACE assistant vice president of underwriting sent Marsh a fax quoting an annual premium of \$990,000 for an excess

casualty insurance policy for one of AIG's insureds, "Client F." Later that day, ACE revised its bid upward to \$1,100,000. On the fax cover sheet with the revised bid, ACE's assistant vice president wrote: "Per our conversation attached is revised confirmation. All terms & conditions remain unchanged." An email the next day from the ACE assistant vice president to a superior explained the revision as follows: "Original quote \$990,000.... We were more competitive than AIG in price and terms. Marsh requested we increase premium to \$1.1M to be less competitive, so AIG does not loose [sic] the business...."

- v. When the time came for "Client G" to renew its excess casualty insurance in April 2003, Marsh set a target price of \$470,000 for a particular layer. The target also included the provision that AIG's proposed policy would "maintain silence" on whether its insurance would cover claims for injury resulting from EMF, or electromagnetic fields. AIG chose to provide a less attractive bid from the insured's point of view: not only did it quote \$550,000 for the policy, approximately 20% higher than the target at which it was the designated winner, but AIG's quote also included an EMF exclusion. To support AIG's quote, the Marsh employee coordinating the placement nevertheless instructed a colleague, on March 26, 2003, to (1) "get a B quote from Zurich for [Client G] with the EMF exclusion" and (2) "have Zurich provide an e-mail indication in the area of

\$650,000." With this supportive bid rigging, AIG obtained the business.

- vi. For one account, "Client H," with a May 2003 renewal, a Marsh employee instructed the underwriter at one of AIG's purported competitors: "Can you email me a protective indication on this. It is an AIG renewal and AIG already quoted it so just give me a bad price with higher per occ. attachment and then we can be done with this."
- i. In some situations where another carrier was the incumbent, or was chosen by Marsh to win a client's business, AIG provided Marsh with intentionally losing bids to present to the clients. For example, in October 2003, an underwriter at AIG described one such intentionally losing bid that AIG provided as follows: "This was not a real opportunity. Incumbent Zurich did what they needed to do at renewal. We were just there in case they defaulted. Broker...said Zurich came in around \$750K & wanted us to quote around \$900K."

WHEREAS, based on these allegations and those contained in the Complaint, the Attorney General and the Superintendent allege that AIG unlawfully deceived its policyholders, regulators and other authorities and shareholders by: (a) participating in schemes to steer business; (b) participating in rigging of bids for excess casualty insurance through Marsh; (c) underreporting to state insurance departments, taxing authorities and other entities the amount of workers compensation premium it collected; (d) providing false and misleading information and responses to regulators, including misrepresentations concerning certain reinsurance



arrangements; and (e) using fraudulent insurance transactions and "topside" accounting adjustments to bolster the quality, quantity and stability of its earnings;

WHEREAS, AIG has been and is continuing to cooperate with the Attorney General's Investigation and the Superintendent's Examination;

WHEREAS, in the wake of the Complaint, the Attorney General's Investigation and the Superintendent's Examination, AIG has adopted and under this Agreement (the "Agreement") will continue to implement a number of business reforms;

WHEREAS, the Attorney General and AIG wish to enter into this Agreement to resolve all issues related to AIG in the Complaint and the Attorney General's Investigation (with the exceptions of any conduct or activity relating to the Variable Annuity Life Insurance Company and any other AIG subsidiary which sells variable annuities, and any conduct or activity relating to the marketing, purchase, sale or negotiation of life settlements, including AIG's dealings with life settlement brokers, agents, sellers and investors; notwithstanding the above, this Agreement resolves the allegations relating to the Coventry Life Settlement Trust contained in paragraphs 81-91 of the Complaint);

WHEREAS, nothing herein shall be construed to apply to any business or operations involving group and individual: (1) fixed and variable life insurance, (2) fixed and variable, immediate and deferred annuities, (3) accidental death and dismemberment insurance, (4) short and long term disability insurance, (5) long term care insurance, (6) accident and health insurance, including vision and dental insurance, (7) credit insurance, (8) involuntary unemployment insurance, (9) guaranteed investment contracts, and (10) funding agreements

(collectively "AIG's Life Insurance Operations");

WHEREAS, the Superintendent and AIG simultaneously wish to enter into a Stipulation to resolve all issues related to AIG in the Complaint and the Superintendent's Examination (with the exception of any pending or future examination of American International Group, Inc. and its insurer subsidiaries) ("the Stipulation");

WHEREAS, AIG is entering into an agreement with the United States Securities and Exchange Commission ("SEC") to provide a fund to compensate investors for alleged injuries related to AIG's accounting and public reporting practices;

WHEREAS, the Attorney General finds the relief and agreements contained in this Agreement appropriate and in the public interest, and is willing to accept this Agreement as a settlement of the Complaint, and the Attorney General's Investigation (with the exceptions noted above);

WHEREAS, this Agreement is entered into solely for the purpose of resolving the Complaint and the Attorney General's Investigation (with the exceptions noted above) and is not intended to be used for any other purpose; and

WHEREAS, AIG neither admits nor denies the above allegations or the allegations contained in the Complaint;

NOW THEREFORE, AIG and the Attorney General hereby enter into this Agreement with a statement of apology attached as Exhibit 1, and agree as follows:

## MONETARY RELIEF

### A. WORKERS COMPENSATION

1. AIG shall pay a total of \$343.5 million for alleged injury caused by its underpayment of workers compensation premium taxes and all other related fees and assessments including workers compensation residual market assessments for and including tax years 1985 to 1996 but not including workers compensation guaranty fund assessments and any monies owed relating to large deductible policies and related taxes. The \$343.5 million will be apportioned as detailed in paragraphs 2, 3 and 4, below. The State of New York shall not consider any portion of this amount to be a fine or penalty.

2. On or before March 1, 2006, AIG shall pay \$87,801 to the State of New York by wire transfer for alleged injury caused by AIG's underpayment of workers compensation premium taxes and all other related fees and assessments including workers compensation residual market assessments and guaranty fund assessments for and including tax years 1985 to 1996.

3. On or before March 1, 2006, AIG shall pay to each of the other forty-nine states and the District of Columbia ("State," or collectively "States") the total listed for that State on Schedule WC-A to this Agreement for alleged injury caused by AIG's underpayment of workers compensation premium taxes and all other related fees and assessments for and including tax years 1985 to 1996 but not including workers compensation residual market assessments and guaranty fund assessments. The total amount to be paid to the States pursuant to this paragraph shall be \$42,280,740.

4. On or before March 1, 2006, AIG shall pay \$301,216,234 into a fund created by AIG for the settlement of claims with the States and workers compensation residual market pools, including monopolistic or exclusive State funds, competitive State funds, independent State assigned risk plans, the National Workers' Compensation Reinsurance Pool administered by the National Council on Compensation Insurance, Inc. ("NCCI"), State assigned risk plans administered by the NCCI or another third-party administrator, or other workers compensation residual market mechanisms in which one or more of the States participates, for alleged injury caused by AIG's underpayment of workers compensation residual market assessments for and including tax years 1985 to 1996, and additional amounts arising out of any claim for injury described in paragraph 1, but not set forth in paragraphs 2 and 3 of this Agreement (the "Workers Compensation Fund"). A calculation by State of such underpayments and the interest thereon is attached as Schedule WC-B to this Agreement. In no event shall any of the money in the Workers Compensation Fund be paid directly to an insurance company.

5. On or before March 1, 2006, AIG shall send a notice to the Attorney General and Insurance Commissioner of each State (the "Workers Compensation Notice"). The Workers Compensation Notice shall be accompanied by: (a) payment owing, if any, pursuant to paragraph 3 above; (b) a copy of this Agreement, its Exhibits and Schedules (including Schedules WC-A and WC-B); (c) a copy of the Stipulation and exhibits; and (d) a cover letter stating that the Workers Compensation Fund described in paragraph 4 above has been created for the settlement of claims arising from AIG's underpayment of workers compensation residual market assessments for and including tax years 1985 to 1996 and setting forth the amount apportioned to

the noticed State on Schedule WC-B.

6. The form of the Workers Compensation Notice described in paragraph 5 above shall be subject to the prior approval of the Attorney General and the Superintendent.

7. The Workers Compensation Fund shall be held by AIG and invested in a designated money market fund subject to the prior approval of the Attorney General and the Superintendent.

8. Each State which receives a Workers Compensation Notice and which elects to receive a distribution from the Workers Compensation Fund in the amount apportioned to it on Schedule WC-B (a "Participating State," or collectively the "Participating States") shall tender a release in the form attached to this Agreement as Exhibit WC-1 (the "Release") on or before March 1, 2007.

9. For each Participating State that has tendered a Release pursuant to the preceding paragraph, AIG shall pay the Participating State an amount equal to the amount apportioned to the State on Schedule WC-B plus all investment or interest income earned thereon, within ten business days of receiving the Release.

10. In the event that any State elects not to participate and does not tender a Release as provided in paragraph 8 above, AIG may use the money remaining in the Workers Compensation Fund as of but not before March 2, 2007 to satisfy any claim for injury caused by AIG's underpayment of workers compensation residual market assessments or workers compensation premium taxes or any other related fees or assessments by a State, a monopolistic or exclusive State fund, a competitive State fund, an independent State assigned risk plan, the

National Workers' Compensation Reinsurance Pool administered by the NCCI, a State assigned risk plan administered by the NCCI or other third-party administrator, or other workers compensation residual market mechanism in which one or more of the States participates. In no event shall any money in the Workers Compensation Fund be used to settle other claims before all Participating States have been paid their full distribution from the Fund pursuant to paragraph 9. In no event shall any of the money in the Workers Compensation Fund be paid directly to an insurance company.

11. If any money remains in the Workers Compensation Fund as of December 31, 2008, it shall be distributed on or before January 31, 2009 on a pro rata basis to the Participating States pursuant to the Participating States' apportioned shares on Schedule WC-B.

12. The Attorney General shall not seek to impose on AIG any other financial obligation or liability related to any injury caused by AIG's underpayment of workers compensation premium taxes and all other related fees and assessments including residual market assessments for and including tax years 1985 to 1996, but not including any monies owed relating to large deductible policies and related taxes.

13. In no event shall any of the money in the Workers Compensation Fund, or the investment or interest income earned thereon be used to pay or considered in the calculation of attorneys fees.

14. In no event shall any of the money in the Workers Compensation Fund, or the investment or interest income earned thereon, be used to pay or considered in the calculation of commissions, administrative or other fees to AIG.

15. On or before March 20, 2007, AIG shall file an interim report with the Attorney General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Workers Compensation Fund to date.

16. On or before March 1, 2009, AIG shall file a report with the Attorney General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Workers Compensation Fund including any amounts paid pursuant to paragraph 11.

**B. BID RIGGING - EXCESS CASUALTY POLICYHOLDERS**

17. On or before March 1, 2006, AIG shall pay \$375 Million into a fund (the "Excess Casualty Fund") created and held by AIG to be paid to AIG's policyholders who purchased or renewed AIG Excess Casualty policies, excluding Excess Workers Compensation policies) through Marsh during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policyholders"). All of the money paid into the Excess Casualty Fund and any investment or interest income earned thereon shall be paid to Eligible Policyholders pursuant to this Agreement. No portion of the Excess Casualty Fund shall be considered a fine or a penalty.

18. The Excess Casualty Fund shall be invested in a designated money market fund subject to the prior approval of the Attorney General and the Superintendent.

19. AIG shall (a) by May 1, 2006 calculate the amount of money each of the Eligible Policyholders paid for excess casualty insurance placed through Marsh with inception or renewal dates during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policies"); (b) within ten days of completing these calculations, file a report with the Attorney General and the Superintendent, certified by an officer of AIG, setting forth: (i) each Eligible

Policyholder's name and address; (ii) the Eligible Policyholder's Eligible Policy(ies) purchased or renewed and policy number(s); (iii) the amount the Eligible Policyholder paid in premiums for each such policy; and (iv) the amount each policyholder is eligible to receive which shall equal each policyholder's pro rata share of the Excess Casualty Fund as calculated by multiplying the amount in the Excess Casualty Fund by the ratio of the policyholder's gross written premium for Eligible Policies for the period from January 1, 2000 through September 30, 2004, divided by the total gross written premium for all Eligible Policies; and (c) by May 22, 2006, send a notice to each Eligible Policyholder, setting forth items (ii) through (iv), above, and stating that the amount paid may increase if there is less than full participation by Eligible Policyholders in the Excess Casualty Fund (the "Excess Notice"). The form of the Excess Notice shall be subject to the prior approval of the Attorney General and Superintendent.

20. Eligible Policyholders who receive an Excess Notice and who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 2 on or before October 23, 2006.

21. On or before November 30, 2006, AIG shall pay each Participating Policyholder the amount that that Participating Policyholder is eligible to receive from the Excess Casualty Fund as set forth in paragraph 19(b)(iv) above, and any interest or investment income earned thereon.

22. On or before December 27, 2006, AIG shall file an interim report with the Attorney General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Excess Casualty Fund.



23. In the event that any Eligible Policyholder elects not to participate or otherwise does not respond to the Excess Notice (the "Non-Participating Policyholders"), the amount that such policyholder was eligible to receive from the Excess Casualty Fund as set forth in paragraph 19(b)(iv) may be used by AIG to satisfy any pending or other claims asserted by policyholders relating to the excess casualty bid rigging or excess casualty steering allegations set forth in this Agreement, provided that in no event shall a distribution be made from the Excess Casualty Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount set forth in paragraph 19(b)(iv) above, and any interest or investment income earned thereon; nor shall the total payments from the Excess Casualty Fund to any Non-Participating Policyholder exceed 80% of the amount that Non-Participating Policyholder was originally eligible to receive as set forth in paragraph 19(b)(iv).

24. If any money remains in the Excess Casualty Fund as of October 1, 2007, any such funds shall be distributed by November 1, 2007 on a pro rata basis to the Participating Policyholders.

25. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of attorneys fees.

26. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of commissions, administrative or other fees to AIG.

27. On or before November 15, 2007, AIG shall file a report with the Attorney

General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Excess Casualty Fund, including any payments subsequent to the payments described in paragraph 22.

C. FINE

28. On or before March 1, 2006, AIG shall pay \$100 million as a fine, by wire transfer to the State of New York.

BUSINESS REFORMS

29. Within 60 days of the date of this Agreement, AIG shall undertake the following business reforms. AIG will not undertake any transaction for the purpose of circumventing the prohibitions contained in this Agreement.

30. For purposes of this Agreement, Compensation shall mean anything of material value given to a Producer including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses, provided that Compensation shall not mean customary, non-excessive meals and entertainment expenses. AIG shall develop and implement policies for its employees explaining the provisions of this paragraph as part of the Company-wide written standards described in paragraph 42 below. Prior to June 30, 2006, AIG shall submit to the New York Attorney General and the Superintendent a draft of the intended policies.

31. For purposes of this Agreement, Contingent Compensation is any Compensation contingent upon any Producer: (a) placing a particular number of policies or dollar value of premium with AIG; (b) achieving a particular level of growth in the number of policies placed or

dollar value of premium with AIG; (c) meeting a particular rate of retention or renewal of policies in force with AIG; (d) placing or keeping sufficient insurance business with AIG to achieve a particular loss ratio or any other measure of profitability; (e) providing preferential treatment to AIG in the placement process, including but not limited to giving AIG last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements; or (f) obtaining anything else of material value for AIG. This definition does not include Compensation paid to employees of AIG or to AIG's Producers that are captive or are exclusive to AIG with respect to a specific line or product that is clearly and conspicuously identified in marketing materials as AIG's line or product.

32. COMPENSATION DISCLOSURE. Beginning six months from the date of this Agreement, AIG offices, situated and issuing insurance policies in the United States, shall send a notice accompanying the insured's policy, stating that the insured can review and obtain information relating to AIG's practices and policies regarding Compensation on either a website or from a toll-free telephone number. The information on the website or available through the toll-free number shall be sufficient to inform insureds of the nature and range of Compensation, by insurance product, paid by AIG. No later than four months from the date of this Agreement, AIG shall submit to the Attorney General the proposed format and content of the notice, website and the information available via the toll-free telephone number described in this paragraph. The form and content of the notice, website and information available via the toll-free telephone number shall be subject to the prior approval of the Attorney General. AIG shall commence posting the website and operation of the toll-free telephone number no later than six months after

the date of this Agreement.

33. PROHIBITION ON CONTINGENT COMPENSATION FOR EXCESS CASUALTY. During the period of 2006 through and including 2008, AIG offices situated and issuing policies in the United States shall not pay any Producer Contingent Compensation relating to the placement of any excess casualty insurance policy. In addition, AIG offices situated and issuing policies outside the United States shall not pay any Producer Contingent Compensation relating to the placement of any excess casualty insurance policy issued or renewed to any insured domiciled in the United States, which policy is principally associated with covering property or operations situated in the United States. Subsequent to 2008, excess casualty insurance shall be subject to the provisions of paragraph 39.

34. AIG shall undertake the business reforms set forth in paragraphs 35-41 for AIG's offices situated and issuing policies in the United States.

35. Except as set forth in paragraphs 39-41 below, in connection with its issuance, renewal or servicing of insurance policies through a Producer, AIG shall pay as Compensation only a specific dollar amount or percentage commission on the premium set at the time of each purchase, renewal, placement or servicing of a particular insurance policy.

36. PROHIBITION ON PAY-TO-PLAY. AIG shall not offer to pay or pay, directly or indirectly, any Producer any Compensation in connection with the Producer's solicitation of bids for the Producer's clients.

37. PROHIBITION ON BID RIGGING. AIG shall not directly or indirectly knowingly offer or provide to any Producer any false, fictitious, artificial, 'B' or "throw away" quote or

indication. Nothing herein shall preclude AIG from offering to provide or providing any bona fide quote or indication.

38. PROHIBITION ON LEVERAGING. AIG shall not make any promise or commitment to use any Producer's brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon any of the factors listed in paragraph 31 (a)-(f) above.

39. ADDITIONAL LIMITATIONS ON CONTINGENT COMPENSATION. Within 30 days of receipt of a notice from the Attorney General that the Attorney General has made a determination, based on market share information available from the National Association of Insurance Commissioners ("NAIC") or A.M. Best Company (or another agreed upon third-party source of market share data if such data is not available from NAIC or A.M. Best for a given insurance line (or product/segment)), that (a) insurers who do not pay Contingent Compensation in a given insurance line (or product/segment) including but not limited to direct writers and insurers that employ only captive agents in the given insurance line (or product/segment) and (b) insurers who have signed agreements with the Attorney General containing this paragraph as applied to them, together represent more than 65% of the national gross written premiums in the given insurance line (or product/segment) in the calendar year for which market share data is most recently available (the "Notice"), AIG shall stop paying Contingent Compensation for such insurance line (or product/segment) beginning on January 1 of the next calendar year following the date of the Notice. If, in any given calendar year after the date of the Notice described above, the market share used in the Notice falls below 60%, AIG shall notify the Attorney General of

the change. If, within 60 days, the Attorney General does not object to AIG's determination that the market share used in the Notice is below 60%, any prohibition on Contingent Compensation described in the Notice shall cease. If the Attorney General does object to AIG's determination, the Attorney General shall set forth the reasons for such objections in a written notice to AIG within 60 days of AIG's notification to the Attorney General. Resort to court action to resolve a dispute related to the determination of market share or the determination that a given insurer does not pay Contingent Compensation under this paragraph shall not be deemed a violation of this Agreement.

40. Except as provided in paragraph 33, in any insurance line or product in which AIG paid Contingent Compensation for the 2004 calendar year or any part thereof, AIG may continue to pay Contingent Compensation until the receipt of a Notice from the Attorney General that the conditions described in paragraph 39 above have been met. Following receipt of a Notice, AIG may continue to pay any Contingent Compensation accrued or accruing until the end of the calendar year. In no event shall any provisions in paragraphs 39, 40 and 41 be construed to require AIG to take any action that would cause AIG to be in breach of an agreement that is in force as of the date of this Agreement.

41. AIG agrees not to commence the paying of Contingent Compensation in any insurance line (or product/segment) in which it did not pay Contingent Compensation for the 2004 calendar year or any part thereof and where the Attorney General has sent a Notice pursuant to paragraph 39 above. In the event that AIG intends to enter into any agreement potentially obligating it to make Contingent Compensation payments for any insurance line (or product/segment) in which it did not pay Contingent Compensation for the 2004 calendar or any

part thereof, AIG agrees to give the Attorney General written notice and a copy of the intended agreement at least 60 days prior to the execution of any such agreement.

42. STANDARDS OF CONDUCT AND TRAINING. AIG shall implement Company-wide written standards of conduct regarding Compensation paid to Producers, consistent with the terms of this Agreement, subject to approval of the Attorney General and Superintendent, which implementation shall include, inter alia, appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, antitrust and trade practices compliance, and record keeping.

43. AIG agrees to support legislation and regulations to abolish Contingent Compensation for insurance products or lines. AIG further agrees to support legislation and regulations requiring greater disclosure of Compensation.

44. AIG shall not engage or attempt to engage in violations of Executive Law Section 63 (12), the Donnelly Act (Gen. Bus. Law Section 340 et seq.), the Martin Act (Gen. Bus. Law Section 352-c) and New York Insurance Law.

45. This Agreement is contingent upon AIG reaching agreement with the SEC to resolve the SEC's investigation of AIG's accounting and public reporting practices. This Agreement will not be binding and will not go into effect unless and until AIG reaches such agreement with the SEC. In any event, if AIG does not reach such agreement with the SEC by February 24, 2006, this Agreement will be null and void.

46. RETENTION OF A CONSULTANT. Pursuant to the agreement with the SEC, American International Group, Inc. will retain, pay for, and enter into an agreement with a consultant, not

unacceptable to the SEC, in consultation with the Attorney General and Superintendent, to conduct a comprehensive examination and review of the areas specified below and to make recommendations to the Board of Directors of American International Group, Inc., SEC, Attorney General and Superintendent (the "Consultant"). The Consultant's compensation and expenses shall be borne exclusively by American International Group, Inc. The agreement shall provide that the Consultant examine:

- a. American International Group, Inc.'s internal controls over financial reporting (the Consultant may, if appropriate, rely on American International Group, Inc.'s independent accountant's attestation and report on management's assessment of the effectiveness of American International Group, Inc.'s internal control structure and procedures pursuant to Section 404 of the Sarbanes-Oxley Act);
- b. The organization and reporting structure of American International Group, Inc.'s internal audit department and American International Group, Inc.'s disclosure committee (which is described in Exhibit A to American International Group, Inc.'s Consent and Undertakings to be entered with the SEC);
- c. The policies, procedures and effectiveness of American International Group, Inc.'s regulatory, compliance and legal functions, including the operations of any committees established to review and approve transactions or for the purpose of preventing the recording of transactions or financial reporting results in a manner inconsistent with Generally



Accepted Accounting Principles ("GAAP") and Statements of Statutory Accounting Principles ("SSAP");

- d. American International Group, Inc.'s records management and retention policies and procedures;
- e. The adequacy of whistleblower procedures designed to allow employees and others to report confidentially matters that may have bearing on the company's financial reporting obligations;
- f. American International Group, Inc.'s training and education program described below;
- g. The reforms that American International Group, Inc. has implemented that are set forth in Exhibit A to American International Group, Inc.'s Consent to be entered into with the SEC; and
- h. The adequacy and effectiveness of the remediation plan described below.

47. CONSULTANT'S REPORTING OBLIGATIONS. The Consultant shall issue a report to the SEC, Attorney General, Superintendent and American International Group, Inc.'s Board of Directors within three months of appointment, provided, however, that the Consultant may seek to extend the period of review for one or more additional three-month terms by requesting such an extension from the SEC. The SEC shall have discretion, after consultation with the Attorney General and Superintendent, to grant such extensions as it deems reasonable and warranted.

- a. The Consultant's report shall set forth the Consultant's recommendations regarding best practices in the areas specified in paragraph 46 (a)-(h)

above, including the Consultant's recommendations for any changes in or improvements to American International Group, Inc.'s policies and procedures that the Consultant reasonably deems necessary to conform to the law and best practices, and a procedure for implementing the recommended changes in or improvements to American International Group, Inc.'s policies and procedures.

- b. American International Group, Inc. shall adopt all recommendations contained in the report of the Consultant, referred to in paragraph 47(a) above, provided, however, that within forty-five days of receipt of the report, American International Group, Inc. shall in writing advise the Consultant, the SEC, the Attorney General and Superintendent of any recommendations that it considers to be unnecessary or inappropriate. With respect to any recommendation that American International Group, Inc. considers unnecessary or inappropriate, American International Group, Inc. need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.
- c. As to any recommendation with respect to American International Group, Inc.'s policies and procedures on which American International Group, Inc. and the Consultant do not agree, such parties shall attempt in good faith to reach an agreement within ninety days of the issuance of the Consultant's report. In the event American International Group, Inc. and

the Consultant are unable to agree on an alternative proposal acceptable to the SEC, after consultation with the Attorney General and Superintendent, American International Group, Inc. will abide by the determinations of the Consultant.

- d. American International Group, Inc. shall retain the Consultant for a period of three years from the date of appointment in accordance with the provisions of paragraph 48 below. Once the Consultant's recommendations become final, the Consultant shall oversee the implementation of such recommendations and provide a report to the SEC, Attorney General and Superintendent and to American International Group, Inc.'s Board of Directors every three months concerning the progress of such implementation. If, at the conclusion of this three-year period, less than all recommended reforms have been substantially implemented for at least two successive quarters, the SEC may, in its discretion, after consultation with the Attorney General and Superintendent, direct American International Group, Inc. to extend the Consultant's term of appointment until such time as all recommended reforms have been substantially implemented for at least two successive quarters.

48. TERMS OF RETENTION. American International Group, Inc. will submit to the SEC a proposal setting forth the identity, qualifications, and proposed terms of retention of the

Consultant. The SEC, within thirty days of such notice will either (1) deem American International Group, Inc.'s choice of Consultant and proposed terms of retention acceptable or (2) require American International Group, Inc. to propose an alternative Consultant and/or revised proposed terms of retention within fifteen days. This process will continue, as necessary, until American International Group, Inc. has selected a Consultant and retention terms that are not unacceptable to the SEC. American International Group, Inc. shall enter into an agreement with the Consultant that shall contain the following terms:

- a. The Consultant shall provide the SEC, Attorney General, Superintendent and American International Group, Inc.'s Board of Directors with such documents or other information concerning the areas identified in paragraph 46 above, as any of them may request during the pendency or at the conclusion of the review.
- b. The Consultant shall have reasonable access to all of the books and records of American International Group, Inc. and its subsidiaries and the ability to meet privately with personnel of American International Group, Inc. and its subsidiaries. American International Group, Inc. may not assert the attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing the Consultant with contemporaneous documents or other information related to the matters that are the subject of the review. American International Group, Inc. shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant,

and inform its officers, directors, and employees that failure to cooperate with the review will be grounds for dismissal, other disciplinary actions, or other appropriate actions.

- c. The Consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at American International Group, Inc.'s expense, attorneys, accountants, and other persons or firms, other than officers, directors, or employees of American International Group, Inc., to assist in the discharge of his or her obligations under the undertakings. American International Group, Inc. shall pay all reasonable fees and expenses of any persons or firms retained by the Consultant. To the extent the Consultant seeks to retain an accounting firm, he or she shall choose an accounting firm in consultation with the SEC.
- d. The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities, and require all persons and firms retained to assist the Consultant to do so as well.
- e. The Consultant's relationship with American International Group, Inc. shall not be treated as one between an attorney and client. The Consultant will not assert the attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing any information obtained in the review sought by the SEC, Attorney General or Superintendent.

- f. If the Consultant determines that he or she has a conflict with respect to one or more of the areas described in paragraph 46 or otherwise, he or she shall delegate his or her responsibilities with respect to that subject to a person who is chosen by the Consultant and who is not unacceptable to the SEC.
  
- g. For the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consulting, attorney-client, auditing or other professional relationship with American International Group, Inc., or any of its present or former subsidiaries or affiliates, directors, officers, employees, or agents acting in their capacity as such; and shall require that any firm with which the Consultant is affiliated or of which the Consultant is a member, or any person engaged to assist the Consultant in performance of the Consultant's duties, without prior written consent of the SEC, not enter into any employment, consulting, attorney-client, auditing or other professional relationship with American International Group, Inc., or any of its present or former subsidiaries or affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement. For the purposes of this section, representation of a person or firm insured by American International Group, Inc. shall not be deemed a professional relationship with American International Group, Inc.

- h. American International Group, Inc., including the Board of Directors and committees of the Board of Directors of American International Group, Inc., shall not assert, or permit its subsidiaries to assert, the attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing to the Consultant any documents, information, or testimony that American International Group, Inc. provided to the SEC, Attorney General or Superintendent which the Consultant has deemed necessary for his or her review.
- i. The Consultant shall treat and maintain information of American International Group, Inc. and its subsidiaries as strictly confidential and shall not disclose such information other than to the SEC, Attorney General, and Superintendent and to the Consultant's personnel, agents or representatives who need to know such information for the purpose of the review contemplated herein, or as otherwise required by law.
- j. At the conclusion of the Consultant's engagement, subject to the approval of the SEC, after consultation with the Attorney General and Superintendent, the Consultant shall return to American International Group, Inc. all documents reflecting or referring to non-public business and financial information of American International Group, Inc. and its subsidiaries.

49. ADDITIONAL UNDERTAKINGS.

- a. American International Group, Inc. will draft a remediation plan consisting of (i) steps to address and correct the causes of the material weaknesses in internal controls over financial reporting as identified in the 2004 Form 10-K; (ii) a program to test the operational effectiveness of new or enhanced controls; and (iii) completion of management's testing of the relevant significant controls.
- b. American International Group, Inc. agrees that it will establish and maintain a training and education program, completion of which will be required for (i) officers, executives, and employees of American International Group, Inc. and its subsidiaries who are involved in the oversight of accounting and financial reporting functions; (ii) all employees in American International Group, Inc.'s legal division with responsibility for or oversight of American International Group, Inc.'s accounting, financial reporting or disclosure obligations; and (iii) other senior officers and executives of American International Group, Inc. and its subsidiaries, as proposed by American International Group, Inc. and approved by the Consultant (collectively, the "Mandatory Participants").
- c. The structure and operation of the training and education program shall be reviewed and approved by the Consultant. The training and education program shall be designed to cover, at a minimum, the following: (i) the



obligations imposed on American International Group, Inc. by federal and state securities law, including American International Group, Inc.'s financial reporting and disclosure obligations; (ii) the financial reporting and disclosure obligations imposed on American International Group, Inc. and its subsidiaries by New York state insurance law; (iii) proper internal accounting controls and procedures; (iv) discovering and recognizing accounting practices that do not conform to GAAP or SSAP or that are otherwise improper; and (v) the obligations assumed by, and responses expected of the Mandatory Participants upon learning of improper, illegal or potentially illegal acts relating to American International Group, Inc.'s accounting and financial reporting. The Board of Directors shall communicate to Mandatory Participants, in writing or by video, its endorsement of the training and education program.

50. To the extent that any of the provisions of the SEC agreement described in paragraph 45 conflict with the provisions in paragraphs 46 through 49 of this Agreement, the provisions of the SEC agreement will replace such provisions in paragraphs 46 through 49 of this Agreement.

#### REINSURANCE REPORTING OBLIGATIONS

51. For a period of five years beginning May 1, 2006, AIG will provide annually by May 1 of each year to the Superintendent a report, in a format approved by the Superintendent, that includes:

- a. A review of ceded and assumed reinsurance of AIG's property/casualty

insurers required to file statutory financial statements on the NAIC blanks (the "Property/Casualty Insurers") verifying that all contracts comply with SSAP 62 and 75 and the new NAIC disclosure and attestation requirements including the attestation that with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statements, to the best of AIG's knowledge and belief, after diligent inquiry and unless noted as an exception under the attestation requirement:

- i. Consistent with SSAP 62, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed;
- ii. For each such reinsurance contract entered into, renewed or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP 62 and 75, is available for review;
- iii. The reporting entity complies with all the requirements set forth in

SSAP 62 and 75, and any supporting documentation is available for review;

- iv. The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP 62 and 75.
- b. A list of all its affiliated insurers, categorized by domicile, whether controlled through ownership or otherwise under the Insurance Law. The list shall include the percentage of ownership or other means by which AIG controls the affiliated insurer.
- c. A list of its ownership of five percent or more of the voting shares of any non-affiliated insurer entities.
- d. A list of non-affiliated insurers to whom AIG's Property/Casualty Insurers have ceded business during the preceding calendar year either directly, or through retrocession agreements if known, excluding those captive reinsurance entities that do not accept third party business, where the business ceded represents fifty percent or more of the entire direct and assumed premium written by the insurer, based upon such insurer's most recent publicly available financial statements.
- e. A list disclosing any letter of credit for which an AIG insurer is the beneficiary and AIG or an AIG subsidiary is directly or indirectly guaranteeing or providing collateral for the letter of credit or incurring the cost, except for parental letters of credit in accordance with New York

State Insurance Department ("Department") Regulation 20.

Such report shall be certified by the Chief Reinsurance Officer and the Chief Executive Officer of American International Group, Inc. and a copy of such report shall be submitted to the Audit Committee of AIG.

52. The Chief Reinsurance Officer will maintain approved lists of reinsurers. AIG will not cede insurance to any reinsurer not set forth on those lists. Such lists will be available to the Superintendent upon examination. All approved reinsurance relationships will be reviewed by the Chief Reinsurance Officer and such review will include a written determination of whether the reinsurance entity is affiliated or controlled (by ownership, by contract or otherwise) by AIG.

53. AIG agrees not to enter into any arrangement, transaction or relationship with a reinsurer that has characteristics similar to those of Coral Re, Union Excess or Richmond.

COOPERATION WITH THE SUPERINTENDENT

54. AIG will maintain and provide to the Superintendent, upon the Superintendent's request, complete underwriting files, including correspondence and e-mails, and risk transfer analysis to the extent required by SSAP 62 relating to all reinsurance ceded or assumed by AIG. AIG will authorize its independent auditors and direct its internal auditors to make available to the Superintendent upon request all workpapers of its auditors, including but not limited to all Schedules of Unadjusted Differences.

55. AIG will file all holding company transactions in a timely manner in compliance with Article 15 of the New York Insurance Law and Department Regulation 52. The

Superintendent and AIG will agree upon a filing methodology that will recognize efficiencies in such compliance.

56. The Chairs of the Audit Committee and the Regulatory, Compliance and Legal Committee of the Board will meet with the Superintendent and/or a designated official of the Department on an annual basis or more frequently as deemed necessary by the Department. The Chair of the Regulatory Compliance and Legal Committee will serve as the Department's contact for all AIG examinations and such meetings.

57. AIG will cooperate fully on all examinations and on all other regulatory requests and will respond to all Department inquiries in a prompt, timely and complete manner. AIG will provide appropriate staff during examinations in order to provide timely responses. Failure to respond to the Department in a timely manner will constitute violations of this Agreement and the Insurance Law. Any issues that relate to the timeliness of the responses shall be reported to the Chief Financial Officer.

58. AIG will provide the Superintendent with all copies of its remediation plans and regular progress reports relating to its remediation plans to address significant deficiencies in internal controls over financial reporting.

59. AIG has taken appropriate remedial actions with respect to certain employees in management and in the underwriting, accounting, auditing, actuarial and financial reporting functions who were involved in the allegations of the Complaint and has reviewed such actions with the Superintendent.

#### COOPERATION WITH THE ATTORNEY GENERAL

60. AIG shall fully and promptly cooperate with the Attorney General with regard to

his Investigation, and related proceedings and actions, of any other person, corporation or entity, including but not limited to AIG's current and former employees, concerning the insurance industry. AIG shall use its best efforts to ensure that all its officers, directors, employees, and agents also fully and promptly cooperate with the Attorney General in this Investigation and related proceedings and actions. Cooperation shall include without limitation: (a) production voluntarily and without service of subpoena of any information and all documents or other tangible evidence reasonably requested by the Attorney General, and any compilations or summaries of information or data that the Attorney General reasonably requests be prepared; (b) without the necessity of a subpoena, having AIG's officers, directors, employees and agents attend any proceedings at which the presence of any such persons is requested by the Attorney General and having such persons answer any and all inquiries that may be put by the Attorney General (or any of the Attorney General's deputies, assistants or agents) to any of them at any proceedings or otherwise ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing, trial or other proceedings); (c) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession relevant to all inquiries reasonably made by the Attorney General concerning any fraudulent or criminal conduct whatsoever about which it has any knowledge or information; (d) in the event any document is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by AIG indicating: (i) the type of document; (ii) the date of the document; (iii) the author and recipient of the document; (iv) the general subject matter of the document; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document. The Attorney General may challenge such

claim in any forum of its choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by AIG, its officers, directors, employees, or agents; and (e) AIG shall not jeopardize the safety of any investigator or the confidentiality of any aspect of the Attorney General's Investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the Attorney General. Nothing herein shall prevent AIG from providing such evidence to other regulators, or as otherwise required by law.

61. AIG shall comply fully with the terms of this Agreement. If AIG violates the terms of paragraph 60 in any material respect, as determined solely by the Attorney General: (a) the Attorney General may pursue any action, criminal or civil, against any entity for any crime it has committed, as authorized by law, without limitation; (b) as to any criminal prosecution brought by the Attorney General for violation of law committed within six years prior to the date of this Agreement or for any violation committed on or after the date of this Agreement, AIG shall waive any claim that such prosecution is time barred on grounds of speedy trial or speedy arraignment or the statute of limitations.

#### OTHER PROVISIONS

62. AIG, the Board of Directors of AIG, and the Audit Committee will review its relationship with AIG's independent outside auditors on a yearly basis and will conduct a Request For Proposal procedure for its independent auditors in connection with its 2008 fiscal year. Such review shall be made available to the Superintendent.

63. AIG will review its holding company structure with the goal to reducing and simplifying the structure. A report detailing this review and its conclusions shall be provided to

the Superintendent by June 1, 2006.

64. AIG has agreed to restate its 2004 statutory financial statements to properly account for the Union Excess and Richmond transactions identified in the Complaint as well as additional transactions pursuant to its agreement with the Superintendent and other state insurance regulators.

65. AIG agrees to review all of its communications with state insurance regulators to ensure full and complete disclosure.

66. AIG shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Agreement.

67. None of the provisions of this Agreement shall apply to AIG's Life Insurance Operations.

68. None of the provisions of this Agreement shall apply to 21st Century Insurance Group or Transatlantic Holdings Inc. AIG shall not enter into any transaction with either of these entities, or engage in any conduct by virtue of its ownership interests therein for the purpose of circumventing any provision of this Agreement.

69. The Attorney General will promptly file a Stipulation Discontinuing Action with Prejudice, in the form attached hereto as Exhibit 3, voluntarily dismissing the Complaint with prejudice as to American International Group, Inc., and will not initiate a new case against AIG related to the matters set forth in the Complaint and this Agreement or uncovered to date by the Attorney General's Investigation, provided, however, that this Paragraph shall not be construed to include any conduct or activity relating to the Variable Annuity Life Insurance Company and



any other AIG subsidiary which sells variable annuities and any conduct or activity relating to the marketing, purchase, sale or negotiation of life settlements, including AIG's dealings with life settlement brokers, agents, sellers and investors or any conduct or activity relating to AIG's Life Insurance Operations. Notwithstanding the above, this Agreement resolves the allegations relating to the Coventry Life Settlement Trust contained in paragraphs 81-91 of the Complaint. The Attorney General shall not seek to impose on AIG any other financial obligation or liability related to the allegations of excess casualty bid rigging or steering contained in this Agreement.

70. The Attorney General agrees that any prior approval required under the terms of this Agreement shall not be unreasonably withheld.

71. This Agreement is not intended to disqualify AIG, or any current employees of AIG, from engaging in any business in New York or in any other jurisdiction. Nothing in this Agreement shall relieve AIG's obligations imposed by any applicable state insurance law or regulations or other applicable law.

72. This Agreement shall not confer any rights upon any persons or entities besides the Attorney General and AIG.

73. AIG shall maintain custody of, or make arrangements to have maintained, all documents and records of AIG related to this matter for a period of not less than six years.

74. The Attorney General of the State of New York may make such application as appropriate to enforce or interpret the provisions of this Agreement, or in the alternative, maintain any action, either civil or criminal, for such other and further relief as the Attorney General may determine is proper and necessary for the enforcement of this Agreement. If compliance with any aspect of this Agreement proves impracticable, AIG reserves the right to

request that the parties modify the Agreement accordingly.

75. In any application or in any such action, facsimile transmission of a copy of any papers to current counsel for AIG shall be good and sufficient service on AIG unless AIG designates, in a writing to the Attorney General, another person to receive service by facsimile transmission.

76. Facsimile transmission of a copy of this Agreement to counsel for AIG shall be good and sufficient service on AIG.

77. This Agreement shall be governed by the laws of the State of New York without regard to conflict of laws principles.

78. This Agreement may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 18th day of January, 2006.

ELIOT SPITZER  
Attorney General of the State of New York

/s/ Eliot Spitzer

\_\_\_\_\_  
Office of the New York State Attorney General  
120 Broadway, 25th Floor  
New York, New York 10271

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Martin J. Sullivan

\_\_\_\_\_  
Martin J. Sullivan  
President and Chief Executive Officer  
American International Group, Inc.  
70 Pine Street  
New York, New York 10270

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP

By: /s/ Martin Flumenbaum

-----  
Martin Flumenbaum  
1285 Avenue of the Americas  
New York, NY 10019  
Attorneys for AIG

EXHIBIT 1

"AIG regrets and apologizes for the conduct that led to the action brought by the New York Attorney General and the New York Superintendent of Insurance and to today's settlement. Providing incorrect information to the investing public and to regulators was wrong and is against the values of our current leadership and employees.

In response to these events, and to the guilty pleas of our own employees and others, as part of today's settlement, we have and are continuing to aggressively implement business reforms to prevent this conduct from recurring. We are committed to business practices that provide transparency and fairness in the insurance markets. As part of our commitment, among other things, we have agreed not to pay contingent commissions for excess casualty insurance and will support legislation to eliminate contingent commission payments."

RELEASE

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, [the undersigned] for [State], and on behalf of [Workers Compensation Residual Market Pool(s)] and administrators thereof ("Releasers"), hereby releases and discharges American International Group, Inc. ("AIG") and its subsidiaries, agents, representatives, officers, predecessors and each of its present and former officers, directors, and employees, and attorneys, except for those individuals named as defendants in THE PEOPLE OF THE STATE OF NEW YORK, by ELIOT SPITZER, Attorney General of the State of New York, and HOWARD MILLS, Superintendent of Insurance of the State of New York v. American International Group, Inc. et al., Index No. 05-401720 ("Releasees") from and against any claims, liabilities, actions, causes of action whether asserted or unasserted, suits, debts, dues, sums of money, accounting, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, damages, judgments, penalties, claims and demands of any and every character, kind and nature whatsoever in law, admiralty, or equity, whether known or unknown, pending or not pending, and whether or not concealed or hidden which against the Releasees the Releasers ever had, now have, or hereafter can, shall, or may have with respect to:

- (1) Alleged injury caused by AIG's underpayment of workers compensation premium taxes and all other related fees and assessments including workers compensation residual market assessments for and including tax years 1985 to 1996 but not including workers compensation guaranty fund assessments and any monies owed relating to large deductible policies and related taxes;
- (2) Any breach or violation of any provision of any agreement, including any reinsurance agreement, entered into between AIG and [Workers Compensation Residual Market Pool(s)] or the administrators thereof, relating to paragraph (1) above; and
- (3) Any other claim relating to Releasee's participation in [Workers Compensation Residual Market Pool(s)] relating to paragraph (1) above.

[The undersigned] hereby represents and warrants that s/he has all requisite authority to execute this Release on behalf of [State] and [Workers Compensation Residual Market Pool(s)] and the administrators thereof, and that [Workers Compensation Residual Market Pool(s)] shall be deemed to have given the release provided for herein to the same extent as if it was a signatory to this agreement.

Dated: \_\_\_\_\_

RELEASOR: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

SCHEDULE WC-A

WORKERS COMPENSATION PREMIUM TAX

STATE - - - - -	UNDER (OVER) PAYMENT -----	INTEREST(1) -----	STATE TOTAL -----
Alabama	(\$ 962,800)	\$ 0	\$ 0
Alaska	(\$ 17,595)	\$ 0	\$ 0
Arizona	\$ 976,663	\$ 1,603,986	\$ 2,580,649
Arkansas	\$ 262,797	\$ 457,323	\$ 720,120
California	\$ 3,084,036	\$ 4,784,811	\$ 7,868,847
Colorado	\$ 430,211	\$ 758,146	\$ 1,188,357
Connecticut	(\$ 135,790)	\$ 0	\$ 0
Delaware	\$ 63,223	\$ 81,734	\$ 144,957
District of Columbia	(\$ 17,971)	\$ 0	\$ 0
Florida	\$ 1,722,927	\$ 3,234,446	\$ 4,957,373
Georgia	\$ 632,367	\$ 1,271,093	\$ 1,903,460
Hawaii	\$ 99,176	\$ 272,458	\$ 371,634
Idaho	\$ 13,911	\$ 86,693	\$ 100,604
Illinois	(\$ 394,200)	\$ 0	\$ 0
Indiana	(\$ 399,366)	\$ 0	\$ 0
Iowa	\$ 18,869	\$ 31,767	\$ 50,636
Kansas	\$ 143,304	\$ 267,294	\$ 410,598
Kentucky	(\$ 5,386)	\$ 19,104(2)	\$ 13,718
Louisiana	\$ 357,044	\$ 732,476	\$ 1,089,520
Maine	\$ 42,823	\$ 93,828	\$ 136,651
Maryland	\$ 617,300	\$ 1,162,300	\$ 1,779,600
Massachusetts	\$ 283,678	\$ 572,275	\$ 855,953
Michigan	\$ 1,854,325	\$ 3,425,159	\$ 5,279,484
Minnesota	\$ 201,118	\$ 401,773	\$ 602,891
Mississippi	\$ 33,196	\$ 61,917	\$ 95,113
Missouri	(\$ 1,500)	\$ 21,635(2)	\$ 20,135
Montana	\$ 9,318	\$ 18,741	\$ 28,059

Nebraska	\$	72,748	\$	115,655	\$	188,403
Nevada	(\$	50,476)	\$	0	\$	0
New Hampshire	\$	65,374	\$	120,117	\$	185,491
New Jersey	(\$	262,559)	\$	0	\$	0
New Mexico	(\$	61,215)	\$	0	\$	0
New York	\$	20,219	\$	67,582	\$	87,801
North Carolina	\$	119,537	\$	336,764	\$	456,301
North Dakota	(\$	5,541)	\$	0	\$	0
Ohio	(\$	730,792)	\$	0	\$	0
Oklahoma	\$	379,230	\$	535,686	\$	914,916
Oregon	\$	100,050	\$	261,851	\$	361,901
Pennsylvania	\$	700,445	\$	1,113,168	\$	1,813,613
Rhode Island	\$	1,013,556	\$	1,950,194	\$	2,963,750
South Carolina	\$	47,750	\$	96,067	\$	143,817
South Dakota	(\$	63,019)	\$	0	\$	0
Tennessee	(\$	58,574)	\$	0	\$	0
Texas	\$	1,399,131	\$	2,135,832	\$	3,534,963
US	(\$	5,520,088)	\$	0	\$	0
Utah	\$	327,625	\$	628,903	\$	956,528
Vermont	\$	188,176	\$	332,375	\$	520,551
Virginia	(\$	877,159)	\$	0	\$	0
Washington	(\$	18,573)	\$	0	\$	0
West Virginia	\$	12,191	\$	14,335	\$	26,526
Wisconsin	\$	5,334	\$	10,287	\$	15,621
Wyoming	(\$	15,773)	\$	0	\$	0
			TOTAL:		\$42,368,541	

(1) Interest applied at the average of the historical 30-Year Treasury Note, 10-Year Treasury Note and Prime rates; interest begins 18 months after the first-year mid-point and was compounded.

(2) Overall, AIG overpaid premium taxes in this State for the relevant period. However, interest on earlier underpayments is greater than the overpayment.

SCHEDULE WC-B

WORKERS COMPENSATION RESIDUAL MARKET ASSESSMENTS

STATE - - - - -	UNDER (OVER) PAYMENT -----	INTEREST(1) -----	STATE TOTAL -----
Alabama	\$ 4,001,141	\$ 7,375,728	\$ 11,376,869
Alaska	\$ 86,828	\$ 136,648	\$ 223,476
Arizona	\$ 387,245	\$ 810,904	\$ 1,198,149
Arkansas	\$ 70,642	\$ 103,275	\$ 173,917
California	\$ 427,511	\$ 866,356	\$ 1,293,867
Colorado	\$ 4,912	\$ 21,703	\$ 26,615
Connecticut	\$ 925,405	\$ 1,833,038	\$ 2,758,443
Delaware	\$ 112,621	\$ 200,426	\$ 313,047
District of Columbia	\$ 39,313	\$ 79,683	\$ 118,996
Florida	\$ 17,772,164	\$ 35,067,156	\$ 52,839,320
Georgia	\$ 1,641,480	\$ 3,192,461	\$ 4,833,941
Hawaii	\$ 126,836	\$ 354,919	\$ 481,755
Idaho	\$ 45,319	\$ 99,698	\$ 145,017
Illinois	\$ 632,228	\$ 1,255,314	\$ 1,887,542
Indiana	\$ 268,868	\$ 508,904	\$ 777,772
Iowa	\$ 136,591	\$ 261,937	\$ 398,528
Kansas	\$ 1,006,145	\$ 1,883,683	\$ 2,889,828
Kentucky	\$ 1,651,591	\$ 3,050,282	\$ 4,701,873
Louisiana	\$ 10,623,535	\$ 23,210,037	\$ 33,833,572
Maine	\$ 2,642,572	\$ 5,829,104	\$ 8,471,676
Maryland	\$ 175,903	\$ 354,474	\$ 530,377
Massachusetts	\$ 10,841,027	\$ 22,749,474	\$ 33,590,501
Michigan	\$ 824,755	\$ 1,796,118	\$ 2,620,873
Minnesota	\$ 228,707	\$ 410,218	\$ 638,925
Mississippi	\$ 577,545	\$ 1,164,253	\$ 1,741,798
Missouri	\$ 754,892	\$ 1,463,353	\$ 2,218,245
Montana	\$ 180	\$ 614	\$ 794



Nebraska	\$ 234,816	\$ 420,273	\$ 655,089
Nevada	\$ 29,332	\$ 66,812	\$ 96,144
New Hampshire	\$ 600,781	\$ 1,138,476	\$ 1,739,257
New Jersey	\$ 4,201,737	\$ 7,809,105	\$ 12,010,842
New Mexico	\$ 295,156	\$ 705,331	\$ 1,000,487
New York	(\$ 225,250)	\$ 0	\$ 0
North Carolina	\$ 1,502,567	\$ 2,687,353	\$ 4,189,920
North Dakota	\$ 535	\$ 1,013	\$ 1,548
Ohio	(\$ 66,801)	\$ 0	\$ 0
Oklahoma	\$ 13,699	\$ 24,008	\$ 37,707
Oregon	\$ 98,575	\$ 184,569	\$ 283,144
Pennsylvania	\$ 532,452	\$ 1,056,135	\$ 1,588,587
Rhode Island	\$ 33,718,852	\$ 63,992,772	\$ 97,711,624
South Carolina	\$ 241,465	\$ 485,009	\$ 726,474
South Dakota	\$ 21,159	\$ 48,000	\$ 69,159
Tennessee	\$ 2,114,618	\$ 3,589,079	\$ 5,703,697
Texas	(\$ 393,790)	\$ 0	\$ 0
US	\$ 467,709	\$ 656,462	\$ 1,124,171
Utah	\$ 13,917	\$ 33,769	\$ 47,686
Vermont	\$ 1,453,174	\$ 2,599,420	\$ 4,052,594
Virginia	(\$ 1,719,903)	\$ 0	\$ 0
Washington	\$ 18,125	\$ 45,429	\$ 63,554
West Virginia	\$ 9,991	\$ 13,924	\$ 23,915
Wisconsin	(\$ 4,095)	\$ 0	\$ 0
Wyoming	\$ 1,564	\$ 3,355	\$ 4,919
		TOTAL:	\$301,216,234

(1) Interest applied at the average of the historical 30-Year Treasury Note, 10-Year Treasury Note and Prime rates; interest begins 18 months after the first-year mid-point and was compounded.

EXHIBIT 2

RELEASE

This RELEASE (the "Release") is executed this \_\_\_\_ day of \_\_\_\_\_, 2006 by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

"RELEASOR" refers to [FILL IN NAME \_\_\_\_\_] and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of RELEASOR.

"RELEASEE" refers to American International Group, Inc. and any of its subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "AIG").

"AGREEMENT" refers to a certain agreement between AIG and the Attorney General of the State of New York ("NYAG") dated January 18, 2006 and an accompanying stipulation between AIG and the Superintendent of Insurance of the State of New York ("NYSI") dated January 18, 2006, relating to (i) an action commenced against AIG by the NYAG and NYSI dated May 26, 2005, captioned The People of the State of New York v. American International Group, Inc., Maurice R. Greenberg and Howard I. Smith, Index No. 401720/2005, and an investigation by the NYAG and NYSI relating to same (the "COMPLAINT"), (ii) an investigation by the NYAG and NYSI related to AIG's alleged use of contingent commission agreements or placement service agreements to steer business; and (iii) an investigation by the NYAG and NYSI related to AIG's alleged participation in bid rigging schemes.

RELEASE

1. In consideration for the total payment of \$\_\_\_\_\_ in accordance with the terms of the AGREEMENT, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, now existing or hereafter arising, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in

any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, (i) any of the allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of the COMPLAINT, described in the AGREEMENT, or were subject to investigation by NYAG and NYSI as referenced in the AGREEMENT;(ii) any allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of In re Insurance Brokerage Antitrust Litigation, MDL No. 1663, or the actions pending in the United States District Court for the District of New Jersey captioned In re: Insurance Brokerage Antitrust Litigation, Civ. No. 04-5184 (FSH), and In re Employee Benefit Insurance Brokerage Antitrust Litigation, Civ. No. 05-1079 (FSH) or any related actions filed or transferred to the United States District Court for the District of New Jersey that are consolidated into either of the preceding Civil Action dockets; or (iii) any allegations of bid-rigging or of the use of contingent commission agreements or placement service agreements to steer business; provided, however, that RELEASOR does not hereby release, waive, or discharge RELEASOR from any claims that are based upon, arise out of or relate to (a) the purchase or sale of AIG securities; and (b) AIG's Life Insurance Operations (as defined by the Agreement to which this Release is an exhibit).

2. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to AIG in connection with any claims that RELEASOR may assert against AIG, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against AIG.

3. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the internal laws of the State of New York, without giving effect to choice of law principles, except to the extent that federal law requires that federal law governs. Any disputes arising out of or related to this RELEASE shall be subject to the exclusive jurisdiction of the Supreme Court of the State of New York or, to the extent federal jurisdiction exists, the United States District Court for the Southern District of New York.

4. Releasor represents and warrants that the claims have not been sold, assigned or hypothecated in whole or in part.

Dated:\_\_\_

RELEASOR:\_\_\_\_\_

By:\_\_\_\_\_

Print Name:\_\_\_\_\_

Title:

EXHIBIT 3

SUPREME COURT OF THE STATE OF NEW YORK  
NEW YORK COUNTY

THE PEOPLE OF THE STATE OF NEW YORK by  
ELIOT SPITZER, Attorney General of the  
State of New York, and HOWARD MILLS,  
Superintendent of Insurance of the State  
of New York,

Plaintiffs,

v.

Index No. 401720/05  
(Ramos, J.)

STIPULATION DISCONTINUING ACTION  
WITH PREJUDICE

AMERICAN INTERNATIONAL GROUP, INC.,  
MAURICE R. GREENBERG and HOWARD I.  
SMITH,

Defendants.

IT IS HEREBY STIPULATED AND AGREED, by and between plaintiffs and  
defendant American International Group, Inc. that, pursuant to CPLR Section  
3217(a) and the agreement annexed hereto, this action is hereby discontinued  
with prejudice as to American International Group, Inc., as of this date without  
costs to either party against the other.

Dated: New York, New York  
January \_\_, 2006

ELIOT SPITZER,  
Attorney General of the State of New York  
By: \_\_\_\_\_  
David D. Brown, IV  
Assistant Attorney General  
120 Broadway  
New York, NY 10271

(212) 416-8198  
Attorney for Plaintiffs

PAUL, WEISS, RIFKIND, WHARTON  
& GARRISON LLP

By: \_\_\_\_\_  
Martin Flumenbaum  
1285 Avenue of the Americas  
New York, NY 10019  
(212) 373-3000  
Attorneys for American International  
Group, Inc.

[LOGO]

STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

X

In the Matter of

AMERICAN INTERNATIONAL GROUP, INC.  
and its insurer subsidiaries authorized to  
transact insurance business in the State of  
New York,

STIPULATION  
No. 2005-0262-S

Respondents.

X

WHEREAS, Respondent American International Group, Inc. is a Delaware corporation with its principal place of business in New York, New York, and is a holding company within the meaning of Article 15 of the New York Insurance Law ("Insurance Law") which owns and/or controls the following insurers authorized to transact insurance business in the State of New York: AIG Centennial Insurance Company, AIG Indemnity Insurance Company, AIG National Insurance Company, Inc., AIG Preferred Insurance Company, AIG Premier Insurance Company, AIU Insurance Company, American Home Assurance Company, American International Insurance Company, Birmingham Fire Insurance Company of Pa., China America Insurance Company Ltd., Commerce and Industry Insurance Company, Granite State Insurance Company, The Hartford Steam Boiler Inspection and Insurance Company, The Hartford Steam Boiler Inspection and Insurance Company of Ct., Illinois National Insurance Company, Insurance Company of the State of Pa., Landmark Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Indemnity Company, Inc., New Hampshire Insurance Company, United Guaranty Credit Insurance Company, United Guaranty Insurance Company, United Guaranty Mortgage Indemnity Company, United Guaranty Mortgage Insurance Company of North Carolina, United Guaranty Mortgage Insurance Company and United Guaranty Residential Insurance Company (collectively referred to herein as "AIG" or "Respondents");

WHEREAS, the Attorney General of the State of New York (the "Attorney General") and the Superintendent of Insurance of the State of New York (the "Superintendent") commenced a civil action in the Supreme Court of the State of New York, County of New York, entitled The People of the State of New York, by Eliot Spitzer, Attorney General of the State of New York, and Howard Mills, Superintendent of Insurance of the State of New York v. American International Group, Inc., et al., against American International Group, Inc. and two of its former officers pursuant to

Executive Law Section 63 (12), the Martin Act (Gen. Bus. Law Section 352-c), Insurance Law Sections 201 and 327 and the common law of the State of New York (the "Complaint");

WHEREAS, the Superintendent and the New York State Insurance Department ("Department") have conducted an examination of American International Group, Inc. and certain of the Respondents pursuant to Sections 309 and 310 of the Insurance Law (the "Superintendent's Examination") and the Attorney General has conducted an investigation related to AIG's practices in the marketing, sale, renewal, placement or servicing of insurance for its policyholders and its accounting and public reporting practices, including those relating to nontraditional and finite insurance (the "Attorney General's Investigation");

WHEREAS, the Attorney General and the Superintendent allege that AIG unlawfully deceived its policyholders, regulators and other authorities and shareholders by (a) participating in schemes to steer business; (b) participating in rigging of bids for excess casualty insurance through Marsh & McLennan, Inc. or Marsh Inc, (collectively, "Marsh"); (c) underreporting to state insurance departments, taxing authorities and other entities the amount of workers compensation premium it collected; (d) providing false and misleading information and responses to regulators, including misrepresentations concerning certain reinsurance arrangements; and (e) using fraudulent insurance transactions and "topside" accounting adjustments to bolster the quality, quantity and stability of its earnings;

WHEREAS, Respondents have been and are continuing to cooperate with the Superintendent's Examination and the Attorney General's Investigation;

WHEREAS, in the wake of the Complaint, the Attorney General's Investigation and the Superintendent's Examination, AIG has adopted and under this Stipulation (the "Stipulation") will continue to implement a number of business reforms;

WHEREAS, the Attorney General and AIG have entered into an agreement to resolve all issues related to AIG in the Complaint and the Attorney General's Investigation (with the exceptions of any conduct or activity relating to the Variable Annuity Life Insurance Company and any other AIG subsidiary which sells variable annuities, and any conduct or activity relating to the marketing, purchase, sale or negotiation of life settlements, including AIG's dealings with life settlement brokers, agents, sellers and investors; notwithstanding the above, the agreement resolves the allegations relating to the Coventry Life Settlement Trust contained in paragraphs 81-91 of the Complaint) (the "Attorney General's Agreement");

WHEREAS, nothing herein shall be construed to apply to any business or operations involving group and individual: (1) fixed and variable life insurance, (2) fixed and variable, immediate and deferred annuities, (3) accidental death and dismemberment insurance, (4) short and long term disability insurance, (5) long term care insurance, (6) accident and health insurance, including vision and dental insurance, (7) credit insurance, (8) involuntary unemployment insurance, (9) guaranteed investment contracts, and (10) funding agreements (collectively "AIG's Life Insurance Operations");

WHEREAS, the Superintendent and AIG wish to enter into this Stipulation to resolve all issues related to AIG in the Complaint and the Superintendent's Examination (with the exception of any pending or future examination of American International Group, Inc. and its insurer subsidiaries);

WHEREAS, the Superintendent finds the relief and agreements contained in this Stipulation appropriate and in the public interest, and is willing to accept this Stipulation as a settlement of the Complaint and the Superintendent's Examination (with the exception noted above);

WHEREAS, AIG is entering into an agreement with the United States Securities and Exchange Commission ("SEC") to provide a fund to compensate investors for alleged injuries related to AIG's accounting and public reporting practices;

WHEREAS, this Stipulation is entered into solely for the purpose of resolving the Complaint and the Superintendent's Examination (with the exception noted above) and is not intended to be used for any other purpose; NOW THEREFORE

IT IS HEREBY STIPULATED AND AGREED by and between the Respondents and the Department, subject to the approval of the Superintendent, as follows:

WORKERS COMPENSATION

1. AIG shall pay a total of \$343.5 million for alleged injury caused by its underpayment of workers compensation premium taxes and all other related fees and assessments including workers compensation residual market assessments for and including tax years 1985 to 1996 but not including workers compensation guaranty fund assessments and any monies owed relating to large deductible policies and related taxes. The \$343.5 million will be apportioned as detailed in paragraphs 2, 3 and 4, below. The State of New York shall not consider any portion of this amount to be a fine or penalty.

2. On or before March 1, 2006, AIG shall pay \$87,801 to the State of New York by wire transfer for alleged injury caused by AIG's underpayment of workers compensation premium taxes and all other related fees and assessments including workers compensation residual market assessments and guaranty fund assessments for and including tax years 1985 to 1996.

3. On or before March 1, 2006, AIG shall pay to each of the other forty-nine states and the District of Columbia ("State," or collectively "States") the total listed for that State on Schedule WC-A to the Stipulation and the Attorney General's Agreement for alleged injury caused by AIG's underpayment of workers compensation premium taxes and all other related fees and assessments for and including tax years 1985 to 1996 but not including workers compensation residual market assessments and guaranty fund assessments. The total amount to be paid to the States pursuant to this paragraph shall be \$42,280,740.



4. On or before March 1, 2006, AIG shall pay \$301,216,234 into a fund created by AIG for the settlement of claims with the States and workers compensation residual market pools, including monopolistic or exclusive State funds, competitive State funds, independent State assigned risk plans, the National Workers' Compensation Reinsurance Pool administered by the National Council on Compensation Insurance, Inc. ("NCCI"), State assigned risk plans administered by the NCCI or another third-party administrator, or other workers compensation residual market mechanisms in which one or more of the States participates, for alleged injury caused by AIG's underpayment of workers compensation residual market assessments for and including tax years 1985 to 1996, and additional amounts arising out of any claim for injury described in paragraph 1, but not set forth in paragraphs 2 and 3 of this Stipulation and the Attorney General's Agreement (the "Workers Compensation Fund"). A calculation by State of such underpayments and the interest thereon is attached as Schedule WC-B to this Stipulation and the Attorney General's Agreement. In no event shall any of the money in the Workers Compensation Fund be paid directly to an insurance company.

5. On or before March 1, 2006, AIG shall send a notice to the Attorney General and Insurance Commissioner of each State (the "Workers Compensation Notice"). The Workers Compensation Notice shall be accompanied by: (a) payment owing, if any, pursuant to paragraph 3 above, (b) a copy of this Stipulation and the Attorney General's Agreement, their Exhibits and Schedules (including Schedules WC-A and WC-B); and (c) a cover letter stating that the Workers Compensation Fund described in paragraph 4 above has been created for the settlement of claims arising from AIG's underpayment of workers compensation residual market assessments for and including tax years 1985 to 1996 and setting forth the amount apportioned to the noticed State on Schedule WC-B.

6. The form of the Workers Compensation Notice described in paragraph 5 above shall be subject to the prior approval of the Attorney General and the Superintendent.

7. The Workers Compensation Fund shall be held by AIG and invested in a designated money market fund subject to the prior approval of the Attorney General and the Superintendent.

8. Each State which receives a Workers Compensation Notice and which elects to receive a distribution from the Workers Compensation Fund in the amount apportioned to it on Schedule WC-B (a "Participating State," or collectively the "Participating States") shall tender a release in the form attached to this Stipulation and the Attorney General's Agreement as Exhibit WC-1 (the "Release") on or before March 1, 2007.

9. For each Participating State that has tendered a Release pursuant to the preceding paragraph, AIG shall pay the Participating State an amount equal to the amount apportioned to the State on Schedule WC-B plus all investment or interest income earned thereon, within ten business days of receiving the Release.

10. In the event that any State elects not to participate and does not tender a Release as provided in paragraph 8 above, AIG may use the money remaining in the Workers Compensation Fund as of but not before March 2, 2007 to satisfy any claim for injury caused by AIG's underpayment of workers compensation residual market assessments or workers compensation premium taxes or any other related fees or assessments by a State, a monopolistic or exclusive State fund, a competitive State fund, an independent State assigned risk plan, the National Workers' Compensation Reinsurance Pool administered by the NCCI, a State assigned risk plan administered by the NCCI or other third-party administrator, or other workers compensation residual market mechanism in which one or more of the States participates. In no event shall any money in the Workers Compensation Fund be used to settle other claims before all Participating States have been paid their full distribution from the Fund pursuant to paragraph 9. In no event shall any of the money in the Workers Compensation Fund be paid directly to an insurance company.

11. If any money remains in the Workers Compensation Fund as of December 31, 2008, it shall be distributed on or before January 31, 2009 on a pro rata basis to the Participating States pursuant to the Participating States' apportioned shares on Schedule WC-B.

12. The Superintendent shall not seek to impose on AIG any other financial obligation or liability related to any injury caused by AIG's underpayment of workers compensation premium taxes and all other related fees and assessments including residual market assessments for and including tax years 1985 to 1996, but not including any monies owed relating to large deductible policies and related taxes.

13. In no event shall any of the money in the Workers Compensation Fund, or the investment or interest income earned thereon be used to pay or considered in the calculation of attorneys fees.

14. In no event shall any of the money in the Workers Compensation Fund, or the investment or interest income earned thereon, be used to pay or considered in the calculation of commissions, administrative or other fees to AIG.

15. On or before March 20, 2007, AIG shall file an interim report with the Attorney General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Workers Compensation Fund to date.

16. On or before March 1, 2009, AIG shall file a report with the Attorney General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Workers Compensation Fund including any amounts paid pursuant to paragraph 11.

**BID RIGGING - EXCESS CASUALTY POLICYHOLDERS**

17. On or before March 1, 2006, AIG shall pay \$375 Million into a fund (the "Excess Casualty Fund") created and held by AIG to be paid to AIG's policyholders who purchased or renewed AIG Excess Casualty policies (excluding

Excess Workers Compensation policies) through Marsh during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policyholders"). All of the money paid into the Excess Casualty Fund and any investment or interest income earned thereon shall be paid to Eligible Policyholders. No portion of the Excess Casualty Fund shall be considered a fine or a penalty.

18. The Excess Casualty Fund shall be invested in a designated money market fund subject to the prior approval of the Attorney General and the Superintendent.

19. AIG shall (a) by May 1, 2006 calculate the amount of money each of the Eligible Policyholders paid for excess casualty insurance placed through Marsh with inception or renewal dates during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policies"); (b) within ten days of completing these calculations, file a report with the Attorney General and the Superintendent, certified by an officer of AIG, setting forth: (i) each Eligible Policyholder's name and address; (ii) the Eligible Policyholder's Eligible Policy(ies) purchased or renewed and policy number(s); (iii) the amount the Eligible Policyholder paid in premiums for each such policy; and (iv) the amount each policyholder is eligible to receive which shall equal each policyholder's pro rata share of the Excess Casualty Fund as calculated by multiplying the amount in the Excess Casualty Fund by the ratio of the policyholder's gross written premium for Eligible Policies for the period from January 1, 2000 through September 30, 2004, divided by the total gross written premium for all Eligible Policies; and (c) by May 22, 2006, send a notice to each Eligible Policyholder, setting forth items (ii) through (iv), above, and stating that the amount paid may increase if there is less than full participation by Eligible Policyholders in the Excess Casualty Fund (the "Excess Notice"). The form of the Excess Notice shall be subject to the prior approval of the Attorney General and Superintendent.

20. Eligible Policyholders who receive an Excess Notice and who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached to this Stipulation and the Attorney General's Agreement on or before October 23, 2006.

21. On or before November 30, 2006, AIG shall pay each Participating Policyholder the amount that that Participating Policyholder is eligible to receive from the Excess Casualty Fund as set forth in paragraph 19(b)(iv) above, and any interest or investment income earned thereon.

22. On or before December 27, 2006, AIG shall file an interim report with the Attorney General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Excess Casualty Fund.

23. In the event that any Eligible Policyholder elects not to participate or otherwise does not respond to the Excess Notice (the "Non-Participating Policyholders"), the amount that such policyholder was eligible to receive from the Excess Casualty Fund as set forth in paragraph 19(b)(iv) may be used by AIG to satisfy any pending or other claims asserted by policyholders relating to the excess

casualty bid rigging or excess casualty steering allegations set forth in the Attorney General's Agreement, provided that in no event shall a distribution be made from the Excess Casualty Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount set forth in paragraph 19(b)(iv) above, and any interest or investment income earned thereon; nor shall the total payments from the Excess Casualty Fund to any Non-Participating Policyholder exceed 80% of the amount that Non-Participating Policyholder was originally eligible to receive as set forth in paragraph 19(b)(iv).

24. If any money remains in the Excess Casualty Fund as of October 1, 2007, any such funds shall be distributed by November 1, 2007 on a pro rata basis to the Participating Policyholders.

25. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of attorneys fees.

26. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of commissions, administrative or other fees to AIG.

27. On or before November 15, 2007, AIG shall file a report with the Attorney General and the Superintendent, certified by an officer of AIG, listing all amounts paid from the Excess Casualty Fund, including any payments subsequent to the payments described in paragraph 22.

FINE

28. On or before March 1, 2006, AIG shall pay \$100 million as a fine, by wire transfer to the State of New York.

BUSINESS REFORMS

29. This Stipulation is contingent upon AIG reaching agreement with the SEC to resolve the SEC's investigation of AIG's accounting and public reporting practices. This Stipulation will not be binding and will not go into effect unless and until AIG reaches such agreement with the SEC. In any event, if AIG does not reach such agreement with the SEC by February 24, 2006, this Stipulation will be null and void.

30. Pursuant to the agreement with the SEC, American International Group, Inc. will retain, pay for, and enter into an agreement with a consultant, not unacceptable to the SEC in consultation with the Attorney General and Superintendent, to conduct a comprehensive examination and review of the areas specified below and to make recommendations to the Board of Directors of American International Group, Inc., SEC, Attorney General and Superintendent (the "Consultant"). The Consultant's compensation and expenses shall be borne

exclusively by American International Group, Inc. The agreement shall provide that the Consultant examine:

(a) American International Group, Inc.'s internal controls over financial reporting (the Consultant may, if appropriate, rely on American International Group, Inc.'s independent accountant's attestation and report on management's assessment of the effectiveness of American International Group, Inc.'s internal control structure and procedures pursuant to Section 404 of the Sarbanes-Oxley Act);

(b) The organization and reporting structure of American International Group, Inc.'s internal audit department and American International Group, Inc.'s disclosure committee (which is described in Exhibit A to American International Group, Inc.'s Consent and Undertakings to be entered with the SEC);

(c) The policies, procedures and effectiveness of American International Group, Inc.'s regulatory, compliance and legal functions, including the operations of any committees established to review and approve transactions or for the purpose of preventing the recording of transactions or financial reporting results in a manner inconsistent with Generally Accepted Accounting Principles ("GAAP") and Statements of Statutory Accounting Principles ("SSAP");

(d) American International Group, Inc.'s records management and retention policies and procedures;

(e) The adequacy of whistleblower procedures designed to allow employees and others to report confidentially matters that may have bearing on the company's financial reporting obligations;

(f) American International Group, Inc.'s training and education program described below;

(g) The reforms that American International Group, Inc. has implemented, which are set forth in Exhibit A to American International Group, Inc.'s Consent to be entered into with the SEC; and

(h) The adequacy and effectiveness of the remediation plan described below.

31. The Consultant shall issue a report to the SEC, Attorney General, Superintendent and American International Group, Inc.'s Board of Directors within three months of appointment, provided, however, that the Consultant may seek to extend the period of review for one or more additional three-month terms by requesting such an extension from the SEC. The SEC shall have discretion, after consultation with the Attorney General and Superintendent, to grant such extensions as it deems reasonable and warranted.

(a) The Consultant's report shall set forth the Consultant's recommendations regarding best practices in the areas specified in paragraph 30 (a)-(h) above, including the Consultant's recommendations for any changes in or improvements to American International Group, Inc.'s policies and procedures that the Consultant reasonably deems necessary to conform to the law and best practices, and a procedure for implementing the recommended changes in or improvements to American International Group, Inc.'s policies and procedures.

(b) American International Group, Inc. shall adopt all recommendations contained in the report of the Consultant referred to in paragraph 31(a) above, provided, however, that within forty-five days of receipt of the report, American International Group, Inc. shall in writing advise the Consultant, the SEC, the Attorney General and the Superintendent of any recommendations that it considers to be unnecessary or inappropriate. With respect to any recommendation that American International Group, Inc. considers unnecessary or inappropriate, American International Group, Inc. need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.

(c) As to any recommendation with respect to American International Group, Inc.'s policies and procedures on which American International Group, Inc. and the Consultant do not agree, such parties shall attempt in good faith to reach an agreement within ninety days of the issuance of the Consultant's report. In the event American International Group, Inc. and the Consultant are unable to agree on an alternative proposal acceptable to the SEC, after consultation with the Attorney General and Superintendent, American International Group, Inc. will abide by the determinations of the Consultant.

(d) American International Group, Inc. shall retain the Consultant for a period of three years from the date of appointment in accordance with the provisions of paragraph 32 below. Once the Consultant's recommendations become final, the Consultant shall oversee the implementation of such recommendations and provide a report to the SEC, Attorney General and Superintendent and to American International Group, Inc.'s Board of Directors every three months concerning the progress of such implementation. If, at the conclusion of this three-year period, less than all recommended reforms have been substantially implemented for at least two successive quarters, the SEC may, in its discretion, after consultation with the Attorney General and Superintendent, direct American International Group, Inc. to extend the Consultant's term of appointment until such time as all recommended reforms have been substantially implemented for at least two successive quarters.

32. American International Group, Inc. will submit to the SEC a proposal setting forth the identity, qualifications, and proposed terms of retention of the Consultant. The SEC, within thirty days of such notice, will either (1) deem American International Group, Inc.'s choice of Consultant and proposed terms of retention acceptable or (2) require American International Group, Inc. to propose an alternative Consultant and/or revised proposed terms of retention within fifteen days. This process will continue, as necessary, until American International Group, Inc. has selected a Consultant and retention terms that are not unacceptable to the SEC. American International Group, Inc. shall enter into an agreement with the Consultant that shall contain the following terms:

(a) The Consultant shall provide the SEC, Attorney General, Superintendent and American International Group, Inc.'s Board of Directors with such documents or other information concerning the areas identified in paragraph 30 above, as any of them may request during the pendency or at the conclusion of the review.

(b) The Consultant shall have reasonable access to all of the books and records of American International Group, Inc. and its subsidiaries and the ability to meet privately with personnel of American International Group, Inc. and its subsidiaries. American International Group, Inc. may not assert the attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing the Consultant with contemporaneous documents or other information related to the matters that are the subject of the review. American International Group, Inc. shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant, and inform its officers, directors, and employees that failure to cooperate with the review will be grounds for dismissal, other disciplinary actions, or other appropriate actions.

(c) The Consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at American International Group, Inc.'s expense, attorneys, accountants, and other persons or firms, other than officers, directors, or employees of American International Group, Inc., to assist in the discharge of his or her obligations under the undertakings. American International Group, Inc. shall pay all reasonable fees and expenses of any persons or firms retained by the Consultant. To the extent the Consultant seeks to retain an accounting firm, he or she shall choose an accounting firm in consultation with the SEC.

(d) The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities, and require all persons and firms retained to assist the Consultant to do so as well.

(e) The Consultant's relationship with American International Group, Inc. shall not be treated as one between an attorney and client. The Consultant will not assert the attorney-client privilege, the protection

of the work-product doctrine, or any privilege as a ground for not providing any information obtained in the review sought by the SEC, Attorney General or Superintendent.

(f) If the Consultant determines that he or she has a conflict with respect to one or more of the areas described in paragraph 30 or otherwise, he or she shall delegate his or her responsibilities with respect to that subject to a person who is chosen by the Consultant and who is not unacceptable to the SEC.

(g) For the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consulting, attorney-client, auditing or other professional relationship with American International Group, Inc., or any of its present or former subsidiaries or affiliates, directors, officers, employees, or agents acting in their capacity as such; and shall require that any firm with which the Consultant is affiliated or of which the Consultant is a member, or any person engaged to assist the Consultant in performance of the Consultant's duties, without prior written consent of the SEC, not enter into any employment, consulting, attorney-client, auditing or other professional relationship with American International Group, Inc., or any of its present or former subsidiaries or affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement. For the purposes of this section, representation of a person or firm insured by American International Group, Inc. shall not be deemed a professional relationship with American International Group, Inc.

(h) American International Group, Inc., including the Board of Directors and committees of the Board of Directors of American International Group, Inc., shall not assert, or permit its subsidiaries to assert, the attorney-client privilege, the protection of the work-product doctrine, or any privilege as a ground for not providing to the Consultant any documents, information, or testimony that American International Group, Inc. provided to the SEC, Attorney General or Superintendent which the Consultant has deemed necessary for his or her review.

(i) The Consultant shall treat and maintain information of American International Group, Inc. and its subsidiaries as strictly confidential and shall not disclose such information other than to the SEC, Attorney General and Superintendent, and to the Consultant's personnel, agents or representatives who need to know such information for the purpose of the review contemplated herein, or as otherwise required by law.

(j) At the conclusion of the Consultant's engagement, subject to the approval of the SEC, after consultation with the Attorney General and the Superintendent, the Consultant shall return to American International Group, Inc. all documents reflecting or referring to non-public business



and financial information of American International Group, Inc. and its subsidiaries.

33. Additional Undertakings.

(a) American International Group, Inc. will draft a remediation plan consisting of (i) steps to address and correct the causes of the material weaknesses in internal controls over financial reporting as identified in the 2004 Form 10-K; (ii) a program to test the operational effectiveness of new or enhanced controls; and (iii) completion of management's testing of the relevant significant controls.

(b) American International Group, Inc. agrees that it will establish and maintain a training and education program, completion of which will be required for (i) officers, executives, and employees of American International Group, Inc. and its subsidiaries who are involved in the oversight of accounting and financial reporting functions; (ii) all employees in American International Group, Inc.'s legal division with responsibility for or oversight of American International Group, Inc.'s accounting, financial reporting or disclosure obligations; and (iii) other senior officers and executives of American International Group, Inc. and its subsidiaries, as proposed by American International Group, Inc. and approved by the Consultant (collectively, the "Mandatory Participants").

(c) The structure and operation of the training and education program shall be reviewed and approved by the Consultant. The training and education program shall be designed to cover, at a minimum, the following: (i) the obligations imposed on American International Group, Inc. by federal and state securities law, including American International Group, Inc.'s financial reporting and disclosure obligations; (ii) the financial reporting and disclosure obligations imposed on American International Group, Inc. and its subsidiaries by New York state insurance law; (iii) proper internal accounting controls and procedures; (iv) discovering and recognizing accounting practices that do not conform to GAAP or SSAP or that are otherwise improper; and (v) the obligations assumed by, and responses expected of, the Mandatory Participants upon learning of improper, illegal or potentially illegal acts relating to American International Group, Inc.'s accounting and financial reporting. The Board of Directors shall communicate to the Mandatory Participants, in writing or by video, its endorsement of the training and education program.

34. To the extent any of the provisions of the SEC agreement described in paragraph 29 conflict with the provisions in paragraphs 30 through 33 of this Stipulation, the provisions of the SEC agreement will replace such provisions in paragraphs 30 through 33 of this Stipulation.

REINSURANCE REPORTING OBLIGATIONS

35. For a period of five years beginning May 1, 2006, AIG will provide annually by May 1 of each year to the Superintendent a report, in a format approved by the Superintendent, that includes:

- (a) A review of ceded and assumed reinsurance of AIG's property/casualty insurers required to file statutory financial statements on the National Association of Insurance Commissioners ("NAIC") blanks (the "Property/Casualty Insurers") verifying that all contracts comply with SSAP 62 and 75 and the new NAIC disclosure and attestation requirements including the attestation that with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statements, to the best of AIG's knowledge and belief, after diligent inquiry and unless noted as an exception under the attestation requirement:
  - (i) Consistent with SSAP 62, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed;
  - (ii) For each such reinsurance contract entered into, renewed or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP 62 and 75, is available for review;
  - (iii) The reporting entity complies with all the requirements set forth in SSAP 62 and 75, and any supporting documentation is available for review;
  - (iv) The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP 62 and 75.
- (b) A list of all its affiliated insurers, categorized by domicile, whether controlled through ownership or otherwise under the Insurance Law. The list shall include the percentage of ownership or other means by which AIG controls the affiliated insurer.
- (c) A list of its ownership of five percent or more of the voting shares of any non-affiliated insurer entities.
- (d) A list of non-affiliated insurers to whom AIG's Property/Casualty Insurers have ceded business during the preceding calendar year either directly, or through retrocession agreements if known, excluding those captive reinsurance entities that do not accept third

party business, where the business ceded represents fifty percent or more of the entire direct and assumed premium written by the insurer, based upon such insurer's most recent publicly available financial statements.

- (e) A list disclosing any letter of credit for which an AIG insurer is the beneficiary and AIG or an AIG subsidiary is directly or indirectly guaranteeing or providing collateral for the letter of credit or incurring the cost, except for parental letters of credit in accordance with Department Regulation 20.

Such report shall be certified by the Chief Reinsurance Officer and the Chief Executive Officer of American International Group, Inc. and a copy of such report shall be submitted to the Audit Committee of AIG.

36. The Chief Reinsurance Officer will maintain approved lists of reinsurers. AIG will not cede insurance to any reinsurer not set forth on those lists. Such lists will be available to the Superintendent upon examination. All approved reinsurance relationships will be reviewed by the Chief Reinsurance Officer and such review will include a written determination of whether the reinsurance entity is affiliated or controlled (by ownership, by contract or otherwise) by AIG.

37. AIG agrees not to enter into any arrangement, transaction or relationship with a reinsurer that has characteristics similar to those of Coral Re, Union Excess or Richmond.

#### COOPERATION WITH SUPERINTENDENT

38. AIG will maintain and provide to the Superintendent, upon the Superintendent's request, complete underwriting files, including correspondence and e-mails, and risk transfer analysis to the extent required by SSAP 62 relating to all reinsurance ceded or assumed by AIG. AIG will authorize its independent auditors and direct its internal auditors to make available to the Superintendent upon request all workpapers of its auditors, including but not limited to all Schedules of Unadjusted Differences.

39. AIG will file all holding company transactions in a timely manner in compliance with Article 15 of the New York Insurance Law and Department Regulation 52. The Superintendent and AIG will agree upon a filing methodology that will recognize efficiencies in such compliance.

40. The Chairs of the Audit Committee and the Regulatory, Compliance and Legal Committee of the Board will meet with the Superintendent and/or a designated official of the Department on an annual basis or more frequently as deemed necessary by the Department. The Chair of the Regulatory Compliance and Legal Committee will serve as the Department's contact for all AIG examinations and such meetings.

41. AIG will cooperate fully on all examinations and on all other regulatory requests and will respond to all Department inquiries in a prompt, timely and complete manner. AIG will provide appropriate staff during examinations in order to provide timely responses. Failure to respond to the Department in a timely manner

will constitute violations of this Stipulation, the Attorney General's Agreement and the Insurance Law. Any issues that relate to the timeliness of the responses shall be reported to the Chief Financial Officer.

42. AIG will provide the Superintendent with all copies of its remediation plans and regular progress reports relating to its remediation plans to address significant deficiencies in internal controls over financial reporting.

43. AIG has taken appropriate remedial actions with respect to certain employees in management and in the underwriting, accounting, auditing, actuarial and financial reporting functions who were involved in the allegations of the Complaint and has reviewed such actions with the Superintendent.

44. AIG, the Board of Directors of AIG, and the Audit Committee will review its relationship with AIG's independent outside auditors on a yearly basis and will conduct a Request For Proposal procedure for its independent auditors in connection with its 2008 fiscal year. Such review shall be made available to the Superintendent.

45. AIG will review its holding company structure with the goal to reducing and simplifying the structure. A report detailing this review and its conclusions shall be provided to the Superintendent by June 1, 2006.

46. AIG has agreed to restate its 2004 statutory financial statements to properly account for the Union Excess and Richmond transactions identified in the Complaint as well as additional transactions pursuant to its agreement with the Superintendent and other state insurance regulators.

47. AIG agrees to review all of its communications with state insurance regulators to ensure full and complete disclosure.

#### OTHER PROVISIONS

48. AIG shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Stipulation and the Attorney General's Agreement.

49. None of the provisions of this Stipulation and the Settlement Agreement shall apply to AIG's Life Insurance Operations.

50. None of the provisions of this Stipulation and the Settlement Agreement shall apply to 21st Century Insurance Group or Transatlantic Holdings Inc. AIG shall not enter into any transaction with either of these entities, or engage in any conduct by virtue of its ownership interests therein for the purpose of circumventing any provision of this Stipulation.

51. The Attorney General will promptly file a Stipulation Discontinuing Action with Prejudice, in the form attached as Exhibit 3 to the Attorney General's Agreement, voluntarily dismissing the Complaint as to American International Group, Inc. with prejudice.

52. The Superintendent agrees that any prior approval required under the terms of this Stipulation shall not be unreasonably withheld.

53. This Stipulation is not intended to disqualify AIG, or any current employees of AIG, from engaging in any business in New York or in any other jurisdiction. Nothing in this Stipulation shall relieve AIG's obligations imposed by any applicable state insurance law or regulations or other applicable law.

54. This Stipulation shall not confer any rights upon any persons or entities besides the Superintendent, the Department and AIG.

55. AIG shall maintain custody of, or make arrangements to have maintained, all documents and records of AIG related to this matter for a period of not less than six years.

56. Respondents neither admit nor deny the allegations contained in the Complaint or any of the allegations contained in the Attorney General's Agreement or this Stipulation.

57. This Stipulation shall in no way limit the statutory authority of the Superintendent to take regulatory action to enforce this Stipulation, or to examine, investigate and/or take regulatory action against Respondents or any current or former licensee of the Department for any violations of the Insurance Law or Department Regulations other than the specific matters resolved by this Stipulation and the Attorney General's Agreement.

58. The monetary obligations described in paragraphs 1-28 above in this Stipulation are identical to the monetary payment obligations contained in the Attorney General's Agreement and, as a result, AIG need only make one payment with respect to each such obligation.

Dated: New York, NY  
January 18, 2006

NEW YORK STATE INSURANCE DEPARTMENT

By: /s/ Jon G. Rothblatt

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Jon G. Rothblatt  
Principal Attorney

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Martin J. Sullivan

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Name: Martin J. Sullivan  
Title: President and Chief  
Executive Officer

STATE OF New York )  
                          )ss.:  
COUNTY OF New York )

On this 18 day of January, 2006, before me personally came Martin J. Sullivan, to me known, who, being by me duly sworn, did depose and say that he is the President and C.E.O. of American International Group, Inc., the corporation described in and which executed the above instrument; and that he signed his name thereto by order of the board of directors of said corporation.

Andrew R. Holland  
Notary Public, State of New York  
No. 02H05057226  
Qualified in New York County  
Commission Expires March 18, 2006

/s/ Andrew R. Holland  
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Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, NY  
January 18, 2006

HOWARD MILLS  
Superintendent of Insurance

By: /s/ Audrey Samers  
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Audrey Samers  
Deputy Superintendent & General Counsel

NEWS

Contact: Charlene Hamrah (Investment Community)  
212/770-7074

Exhibit 99.1

[AIG LOGO]

Joe Norton (News Media)  
212/770-3144

AIG ANNOUNCES SETTLEMENTS WITH FEDERAL AND NEW YORK AUTHORITIES AND GENERAL  
INSURANCE RESERVE CHARGE

Fourth Quarter 2005 to Include \$1.15 Billion After-Tax  
Charge for Settlements and \$1.10 Billion After-Tax  
Reserve Charge

NEW YORK, February 9, 2006 -- American International Group, Inc. (AIG) announced today that it has reached a resolution of claims and matters under investigation with the United States Department of Justice (DOJ), the Securities and Exchange Commission (SEC), the Office of the New York Attorney General (NYAG) and the New York State Department of Insurance (DOI). These settlements will result in an after-tax charge of approximately \$1.15 billion to be recorded in the fourth quarter of 2005.

The settlements resolve outstanding litigation filed by the SEC, NYAG and DOI against AIG and conclude negotiations with these authorities and the DOJ in connection with the accounting, financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers compensation premium taxes and other assessments.

As a result of these settlements, AIG will make payments totaling approximately \$1.64 billion. A substantial portion of the monies will be available to resolve claims asserted in various regulatory and civil proceedings, including shareholder lawsuits. Specifically, AIG will pay \$800 million, including \$100 million as a penalty, into a fund under the supervision of the SEC to be available to make payments to investors, including investors involved in shareholder litigation relating primarily to AIG's accounting and financial reporting practices. Another \$375 million will be paid into a fund under the supervision of the NYAG and the DOI to be available principally to pay certain AIG insureds who purchased excess casualty policies through Marsh Inc. In addition, approximately \$343 million will be used to compensate each of the fifty states in connection with the underpayment of certain workers compensation premium taxes and other assessments. Finally, the payments include a fine of \$100 million to the State of New York and \$25 million in connection with the DOJ settlement.

In a statement commenting on today's announcement, AIG President and Chief Executive Officer Martin J. Sullivan said, "It was important that we resolve these outstanding investigations by the DOJ, SEC, NYAG and DOI. AIG has fully cooperated with these authorities throughout their investigations, and we will continue to do so."

Mr. Sullivan continued, "These settlements are a major step forward in resolving the legal and regulatory issues facing AIG. We have already implemented a wide range of improvements in our accounting, financial reporting and corporate governance, and will continue to make enhancements in these areas. AIG is committed to business practices that provide transparency and fairness in the insurance markets."

Frank G. Zarb, Chairman of AIG's Board of Directors, added, "The AIG Board believes that these settlements are in the best interest of the company. We support management in its ongoing commitment to enhanced accounting, financial reporting and corporate governance."

As part of its settlements, AIG has agreed to retain for a period of three years an Independent Consultant who will conduct a review that will include the adequacy of AIG's internal controls over financial reporting and the remediation plan that AIG has implemented as a result of its own internal review.

AIG will continue to cooperate with all other pending investigations.

GENERAL INSURANCE RESERVE EVALUATION

As announced previously, AIG commissioned Milliman Inc. (Milliman) to provide an independent, comprehensive review of the loss reserves of AIG's principal property-casualty insurance operations, including an independent ground up study of AIG's asbestos and environmental (A&E) exposures. The Milliman review encompassed nearly all of AIG's carried loss reserves, other than those pertaining to the operations of Transatlantic Holdings, Inc. and 21st Century Insurance Group.

After carefully considering the results of the Milliman review and AIG's own actuarial analyses, AIG will take a fourth quarter 2005 after-tax charge to net income of approximately \$1.10 billion, relating to an increase to its net reserve for loss and loss expenses of approximately \$1.69 billion, or approximately 3 percent of its total net General Insurance loss and loss expense reserves. This net reserve increase comprises approximately \$820 million for non A&E reserves and approximately \$870 million for A&E reserves.

The following table provides details of the loss and loss expense reserve increase:

(in millions)

Domestic Brokerage Group A&E Reserves \$	700	Non A&E Reserves	1,300*	---
			--	
Domestic Brokerage Group Total	2,000	----		
- Foreign General A&E Reserves	170	Non A&E Reserves	(450)	----
- Foreign General Total	(280)	----		
- Personal Lines Mortgage Guaranty Reserve Increase	(30)	Total	\$1,690	---
			--	*Net of applicable discount

Loss reserves for AIG's Domestic Brokerage Group (DBG) for non A&E exposures will increase by approximately \$1.3 billion. The reserve increase is attributable to adverse development from the directors and officers liability, excess



casualty and excess workers compensation classes of business. Together, these three classes of business experienced approximately \$4 billion of adverse development in 2005, primarily related to 2002 and prior accident years, offset by favorable development for the majority of DBG's classes of business for accident years 2003 through 2005. Additionally, DBG will increase loss reserves for A&E by approximately \$700 million, including a provision for insolvent reinsurers and commuted reinsurance.

Loss reserves for AIG's Foreign General business unit will be reduced by approximately \$280 million. The net reduction of reserves in Foreign General reflects a reduction of approximately \$450 million in non A&E reserves, primarily related to financial lines, crisis management and property classes of business, partially offset by an increase of approximately \$170 million in A&E reserves.

AIG also expects to record a fourth quarter after-tax charge of approximately \$150 million, an increase of approximately 9.4 percent from the previous estimate, relating to adverse development from third quarter 2005 catastrophe events, principally Hurricane Katrina. In addition, AIG expects its after-tax insurance related losses from Hurricane Wilma, net of reinsurance recoverables and including net reinstatement premium costs, to be approximately \$400 million for the fourth quarter of 2005, consistent with AIG's prior estimate.

An expanded disclosure of loss development by accident year and carried reserves by class of business and business unit will be included in AIG's Annual Report on Form 10-K for the year ended December 31, 2005.

#### ADDITIONAL INFORMATION

AIG will today file a Current Report on Form 8-K with the SEC, which includes as exhibits all agreements relating to the settlements. The Current Report on Form 8-K and copies of these agreements are also available on AIG's website at [www.aigcorporate.com](http://www.aigcorporate.com).

#### Conference Call and Webcast Information

A conference call for the investment community will be held today at 5:00 p.m. EST. The call will be broadcast live on the internet at [www.aigwebcast.com](http://www.aigwebcast.com). A replay will be archived at the same URL through February 24, 2006.

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It should be noted that the remarks made in this press release or on the conference call may contain projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. Please refer to AIG's Current Report on Form 8-K filed today with the SEC and AIG's past and future filings with the SEC for a description of the business environment in which AIG operates and the factors that may affect its business. AIG is not under any obligation (and expressly disclaims any such obligation) to update or alter its projections and other statements whether as a result of new information, future events or otherwise.

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American International Group, Inc. (AIG), world leaders in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed in the U.S. on the New York Stock Exchange and ArcaEx, as well as the stock exchanges in London, Paris, Switzerland and Tokyo.

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