
August 2008 Monitoring Report
of the Independent Consultant
to American International Group, Inc.

August 15, 2008

August 2008 Monitoring Report
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INTRODUCTION

Attached is the August 2008 Monitoring Report (“Report”) concerning the implementation by American International Group, Inc. (“AIG” or “Company”), of the recommendations made by the Independent Consultant in August and September of 2007. It is structured in the same way as the Report issued in May 2008, however, there were some revisions to the implementation plans for the recommendations and some personnel changes that occurred at AIG that have affected the scoring on the August Report.

As we had noted in the Interim Report issued in April 2008, AIG had developed implementation plans for each of the areas of recommendations that were issued. While most of those plans had been finalized at the time we issued the May Report, we have continued to review them with AIG, and a number of the plans have undergone a rationalization process that made them more uniform. This has allowed us to make the scoring of completion percentages more consistent across the various recommendation areas. As a result of this rationalization process, there has been a lowering of the completion percentage for a few recommendations compared to the completion percentage they had in the May Report. Those minor adjustments are not meant to reflect negatively on AIG’s progress in implementing the applicable recommendations.






There are a few other areas where AIG has received a lower completion score compared to May because the credit for completion had to be reversed. In the instances where this happened, it was usually due to the changes in personnel that AIG experienced since the May Report and the need to perform some of the implementation steps again because of those changes. In this regard, since the May Report AIG has lost its CEO (Martin Sullivan has been replaced by Robert Willumstad), its Chief Compliance Officer (Kathleen Chagnon has been replaced on an interim basis by the newly hired Chief Regulatory Officer, Suzanne Folsom), and its CFO (Steve Bensinger is still serving in a temporary capacity until his replacement is hired).

In a number of areas, we have marked the status of the recommendation as yellow. As we defined it in the May Report, this does not signify that the progress is currently off track, but rather because of some circumstance or event the area warrants caution to make sure it does not go off track. In some areas, we have marked the status of the recommendation as red. This signifies that the progress has fallen off track and work will need to be done to bring it back to a satisfactory status. In most of the instances where we have given a yellow or red mark, we have given a reason for the mark in the comments section of the report (the exception to this is in the Records and Information Management area, where the area generally is in a red and yellow status, but we only included comments for the recommendations that are or should be active at this time).

With the personnel changes that AIG has experienced since the last Report, it has increased its challenges in achieving the level of change represented in the recommendations that it has committed to implementing. Our monitoring over the next few quarters will be mindful of this and will focus on the extent to which AIG maintains that commitment.


Independent Consultant August 2008 Monitoring Report - Compliance - General

Reporting Structure and Budget

Rec. #	Recommendations	Comments	Completion	Status
RSB 01.1	AIG's Chief Compliance Officer ("CCO") will report to AIG's General Counsel and will regularly report to the Regulatory, Compliance and Legal Committee of the AIG Board.		100%	
RSB 02.1	All other AIG compliance professionals, including those at the jurisdictional and Local Operating Company ("LOC") levels, will report through AIG's compliance structure, and their job assignments will be dedicated exclusively to the compliance function.	AIG's Chief Compliance Officer ("CCO") left the company in July 2008. There is presently an interim CCO who is also the newly hired Chief Regulatory Officer. The interim CCO will have to become familiar with the Independent Consultant's ("IC") compliance recommendations and the implementation plans that have been developed around them, and take on the responsibility for building AIG's global compliance structure and program. While doing this, she will also be responsible for building AIG's global regulatory structure and program. There is a concern about whether the creation and realignment of AIG's compliance function will be delayed because of this circumstance.	15%	
RSB 02.2	Supervising compliance professionals will determine salaries and bonuses and will make hiring and termination decisions for compliance personnel.	Although this recommendation is not due to be completed until June 30, 2009, the Office of Compliance and Human Resources have not yet begun the process of formally transitioning salary, bonus, and hiring decisions for compliance personnel to the compliance function.	0%	
RSB 02.3	Compliance professionals will have a matrix reporting relationship to the applicable business professionals who will provide input into decisions to hire compliance professionals and give detailed evaluations of their performance, including whether they effectively collaborate with the business professionals in helping the business achieve its financial goals while complying with all applicable legal requirements and AIG policies.	Work has not yet begun on identifying the appropriate training concerning the operation of the relevant businesses that each compliance professional should receive.	0%	
RSB 03.1	The budget for AIG's corporate and regional compliance programs will be developed and controlled by AIG's CCO and will be separate and independent from the business operation budgets.		16%	




Independent Consultant August 2008 Monitoring Report - Compliance - General

Reporting Structure and Budget

Rec. #	Recommendations	Comments	Completion	Status
RSB 04.1	The compliance budget for the jurisdictional and LOC compliance programs will be developed by the Office of Compliance ("OC") in consultation with the relevant business professionals. Once such a compliance budget has been set, it cannot be modified without the approval of AIG's CCO.		0%	





Independent Consultant August 2008 Monitoring Report - Compliance - General

Risk Assessment

Rec. #	Recommendations	Comments	Completion	Status
RA 01.1	Each LOC, segment, business unit, division, and profit center will conduct an annual, comprehensive risk assessment that will include the appropriate business and risk function personnel.		1%	
RA 04.1	LOCs will identify and maintain a database of applicable legal requirements.		0%	
RA 07.1	Once the risks have been identified, the LOC will send the list of identified risks to the corporate Risk Control Functions (i.e., legal, compliance, human resources ("HR"), and risk management). The corporate Risk Control Functions will determine which unit within AIG is best suited to work with the LOC to design appropriate controls for the identified risks.		0%	







Independent Consultant August 2008 Monitoring Report - Compliance - General

Creation of Compliance Plans

Rec. #	Recommendations	Comments	Completion	Status
CCP 03.1	The OC's support segment will generate templates for controls and policies and procedures concerning global legal requirements and serve as a subject matter resource for the LOCs.		0%	
CCP 03.2	In the few instances where a compliance function is assigned to a part of AIG other than the OC, that unit will be responsible for creating its own templates and engaging in the same processes as the OC.		0%	
CCP 04.1	The regional substantive business unit and local compliance professionals will tailor controls appropriately.		0%	
CCP 08.1	Each compliance plan will be submitted to the OC for review and approval to ensure that the plan has adequately provided controls for addressing all identified compliance risks.		0%	

Independent Consultant August 2008 Monitoring Report - Compliance - General

Monitoring Compliance Plans

Rec. #	Recommendations	Comments	Completion	Status
MCP 01.1	The OC will coordinate with AIG's Internal Audit Division ("IAD") to ensure that IAD's audits test adherence by AIG personnel to the requirements of the compliance plans.		50%	
MCP 02.1	Each LOC, with the assistance of regional, business unit, and OC personnel, will design procedures that will contemporaneously monitor adherence to those controls.		0%	
MCP 04.1	The monitoring process will be described clearly in writing.		0%	
MCP 05.1	AIG personnel will be informed in writing that AIG will monitor and audit its businesses to ensure that AIG personnel are complying with all applicable legal requirements and AIG policies.		100%	
MCP 06.1	The results of all monitoring and audit reports will be documented in a written report.		50%	
MCP 06.2	Written reports will be provided to the relevant compliance and business personnel who will assess the need to amend current controls or create new compliance controls.		0%	



Independent Consultant August 2008 Monitoring Report - Compliance - General

Compliance Reporting System

Rec. #	Recommendations	Comments	Completion	Status
CRS 01.1	The OC should develop policies and procedures governing the scope and operation of the Compliance Reporting System ("CRS"). To the extent practicable and legally permissible, AIG's CRS policies and procedures should apply throughout the Company's operations worldwide.	The development of AIG's CRS policies and procedures is dependent on the development of AIG's Investigative Protocols. The development of the Investigative Protocols has been delayed, which can affect AIG's ability to implement this recommendation on schedule.	7%	
CRS 02.1	To the extent permissible by law, AIG should create a single Compliance Helpline that will receive all employee and non-employee telephone calls related to Compliance Concerns (compliance issues, accounting, internal accounting controls, auditing matters, and complex structured finance transactions).	The expansion of AIG's Helpline to France requires an application to the French CNIL seeking its approval. A copy of AIG's Investigative Protocols must be included with that application. The delay in the development of the Investigative Protocols can affect AIG's ability to implement this recommendation on schedule.	56%	
CRS 03.1	AIG should establish a web-based CRS reporting system and alternate CRS mechanisms that permit reporting of Compliance Concerns and, if desired and permissible by local law, to allow such reporting to be anonymous.	The expansion of AIG's compliance web-based reporting system to France requires an application to the French CNIL seeking its approval. A copy of AIG's Investigative Protocols must accompany that application. The delay in the development of the Investigative Protocols can affect AIG's ability to implement this recommendation on schedule.	40%	
CRS 04.1	CRS contact information should be easily identifiable and accessible to AIG personnel.		17%	
CRS 05.1	AIG should ensure that the Compliance Helpline is made available to the public for the reporting of Compliance Concerns.	The expansion of AIG's Helpline to France requires an application to the French CNIL seeking approval. A copy of AIG's Investigative Protocols must accompany that application. The delay in the development of the Investigative Protocols can affect AIG's ability to implement this recommendation on schedule.	0%	
CRS 06.1	The Deputy CCO--Investigations or his or her designee should review all reports received through the CRS in the first instance.	The implementation of this recommendation is dependent on the development of the Investigative Protocols. The delay in the development of the Investigative Protocols can affect AIG's ability to implement this recommendation on schedule.	55%	
CRS 07.1	The Deputy CCO--Investigations should supervise all investigations of CRS reports to ensure that investigators are using appropriate practices.	The implementation of this recommendation is dependent on the development of the Investigative Protocols. The delay in the development of the Investigative Protocols can affect AIG's ability to implement this recommendation on schedule.	7%	






Independent Consultant August 2008 Monitoring Report - Compliance - General

Compliance Reporting System

Rec. #	Recommendations	Comments	Completion	Status
CRS 08.1	The CRS policies and procedures should be issued Company-wide.		0%	
CRS 09.1	The OC should periodically evaluate the use and effectiveness of the CRS.		0%	







Independent Consultant August 2008 Monitoring Report - Compliance - General

Investigative Protocols

Rec. #	Recommendations	Comments	Completion	Status
INV 01.1	AIG will define categories of routine compliance issues that can be readily addressed at the LOC level.	AIG has decided to reconsider its approach to addressing the IC's recommendations concerning Investigative Protocols. A revised implementation plan has been submitted, but is not yet finalized. The delay in the development of the Investigative Protocols can affect AIG's ability to implement this recommendation on schedule.	40%	
INV 01.2	The OC will design policies and procedures to govern how the Company handles routine compliance issues.	See INV 01.1 above.	0%	
INV 02.1	All other compliance matters should be referred to the OC.	See INV 01.1 above.	7%	
INV 03.1	The AIG CCO, or her designee, will determine the need to conduct further inquiry into compliance issues.	See INV 01.1 above.	25%	
INV 04.1	Whenever a compliance issue is identified, either from a whistleblower, compliance monitoring, regulatory review, internal investigation, or otherwise, business unit, regional, jurisdictional and LOC compliance professionals, working with the OC, will take appropriate steps to remediate the cause of the compliance issue.	See INV 01.1 above.	0%	





Independent Consultant August 2008 Monitoring Report - Compliance - General

Implementation

Rec. #	Recommendations	Comments	Completion	Status
IMP 01.1	AIG will ensure that policies and procedures are clearly drafted and translated into the local language, where necessary. The regional compliance officers will be responsible for ensuring that the translations are faithful to the spirit and intent of the policies and procedures.	AIG has not begun the steps it set out to implement this recommendation. The implementation is dependent on the hiring of the Regional Compliance Officers, which has not yet been done.	0%	
IMP 02.1	All AIG personnel and appropriate third party agents will have ready access, whether in hardcopy or electronically, to all policies and procedures that are relevant to their jobs.	AIG has not begun the steps it set out to implement this recommendation. Given the large number of employees and third party agents, the size of AIG's geographic scope, and its lack of automated systems for centrally tracking employee information, there is a risk that this recommendation will not be implemented on schedule.	0%	
IMP 06.1	Compliance budgets at all levels will provide sufficient funding to carry out the training described in this section.		0%	
IMP 07.1	AIG will ensure that the performance evaluations of all business personnel include appraisals of the extent to which they have contributed to the successful operation of AIG's and the LOC's compliance plan. The performance evaluations will play a role in setting compensation for business personnel.		0%	
IMP 08.1	AIG'S Chief Executive Officer ("CEO") will meet with his executive management team to describe the implementation of AIG's corporate compliance program.	With the departure of the former CEO, the new CEO will have to repeat this process to ensure that the company's commitment to the implementation of the compliance recommendations is understood.	2%	
IMP 09.1	The CEO and/or president of each segment, business unit, division, profit center, and LOC will meet with their respective executive management teams to describe the implementation of AIG's compliance program.	Implementation of this recommendation is linked to the implementation of the recommendation in 8.1.	0%	









Independent Consultant August 2008 Monitoring Report - Compliance - General

Codes of Conduct

Rec. #	Recommendations	Comments	Completion	Status
CC 01.1	AIG should adopt appropriate revisions to its codes of conduct.	The Code of Conduct needs to be approved by the new CEO before it can be issued and implemented. This has not been done yet and can affect AIG's ability to implement this recommendation on schedule.	50%	
CC 03.1	AIG should designate an individual to be responsible for monitoring compliance with the codes of conduct.		0%	
CC 04.1	AIG should adopt procedures to implement the codes of conduct, including, but not limited to, procedures to ensure appropriate AIG employees and all AIG directors are informed of the codes of conduct.		23%	
CC 06.1	Training on the codes of conduct and related procedures should be provided periodically to all AIG directors and employees.	Training on the Code of Conduct cannot begin until the Code of Conduct is finalized. The delay in finalizing the Code of Conduct can affect AIG's ability to implement this recommendation on schedule.	20%	





Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Anti-Money Laundering

Rec. #	Recommendations	Comments	Completion	Status
AML 01.1	OC should determine which of AIG's Legal Entities ("LEs") are required by applicable U.S. and local laws, regulations, and regulatory guidance to have Anti-Money Laundering/Combating Financing of Terrorism ("AML/CFT") programs.		0%	
AML 01.2	Based on the results of AIG's global risk assessment process, the OC should determine which additional LEs and LOCs should establish their own AML/CFT programs if not legally required to have such programs.		0%	
AML 02.1	In conducting the AML/CFT portion of the global risk assessment, each LOC and LE should consider the Money Laundering ("ML") and Financing of Terrorism ("FT") risks associated with: (1) the products and services it offers; (2) its customers/counterparties; (3) representatives, agents, brokers, and third party service providers ("Partners") and employees; (4) its delivery channels; and (5) geographies.		0%	
AML 02.2	The OC should consider ways to assess its ML/FT risk on a consolidated basis across all of the Company's activities, business lines, LEs, and geographies.		0%	
AML 02.3	An ML/FT risk assessment should be undertaken whenever a new LOC or LE is formed, chartered, or acquired.	Documentation of the identification of the people responsible for administering this activity was due by July 15, 2008 and had not been provided.	0%	
AML 03.1	The OC should develop and implement an enterprise-wide AML/CFT compliance policy and assist regional and Covered Entity compliance personnel to supplement the enterprise-wide policy to comply with local legal requirements.	An enterprise-wide AML policy was to have been finalized and approved by July 16, 2008. It has not been finalized, and we have not received the latest draft of the policy.	10%	
AML 03.2	Provide training on the enterprise-wide AML/CFT compliance policy to AIG personnel and third parties, as appropriate.		0%	
AML 04.1	In regard to performing due diligence concerning customers/counterparties, employees, and Partners, the AML/CFT compliance policy should include appropriate factors.		0%	











Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Anti-Money Laundering

Rec. #	Recommendations	Comments	Completion	Status
AML 05.1	In addition to compliance with AIG's global records management program, the AML/CFT compliance policy should include appropriate AML/CFT record keeping requirements.		0%	
AML 06.1	The AML/CFT policy should include appropriate provisions for filing reports with government agencies.		0%	
AML 07.1	The OC and each AIG entity with an AML/CFT program must develop contemporaneous monitoring procedures.		0%	
AML 08.1	AIG should establish a plan to test the adequacy of its AML/CFT compliance programs at least once annually, if required by applicable law, or at other intervals depending on the results of a particular entity's risk assessment.		0%	







Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Antitrust

Rec. #	Recommendations	Comments	Completion	Status
AT 01.1	The OC should hire corporate antitrust counsel who has specific experience with antitrust issues in the insurance industry.		100%	
AT 01.2	Based on the results of the antitrust component of the global risk assessment, the OC and corporate antitrust counsel should determine the regions and/or LOCs which require antitrust legal expertise and hire such.		0%	
AT 02.1	In conducting the antitrust portion of the risk assessment, various factors, including, but not limited to, the following should be considered: Horizontal Activity, Vertical Activity, Unilateral Activity, and Mergers/Acquisitions/Joint Ventures.		0%	
AT 03.1	Develop and implement appropriate antitrust policies, procedures, and controls.		25%	
AT 04.1	The OC should establish guidelines concerning interaction with competitors in accordance with applicable antitrust or competition legal requirements.	Draft guidelines were due by June 30, 2008 and have not been received.	0%	
AT 05.1	The OC should establish guidelines concerning how AIG personnel must interact with suppliers, distributors, agents, and brokers.	Draft guidelines were due by June 30, 2008 and have not been received.	0%	
AT 06.1	The OC should develop guidelines concerning permissible market behavior.	Draft guidelines were due by June 30, 2008 and have not been received.	0%	
AT 07.1	The OC should establish guidelines to ensure that mergers, acquisitions, and joint ventures are reviewed by appropriate regional and OC antitrust counsel.		0%	
AT 08.1	Provide training on antitrust policies, procedures, and controls to AIG personnel and third parties, as appropriate.		0%	
AT 09.1	Monitor compliance with antitrust policies, procedures, and controls.		0%	







Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Banking and Consumer Finance

Rec. #	Recommendations	Comments	Completion	Status
BCF 01.1	The OC should identify all LOCs and LEs that engage in the business of banking or the provision of consumer finance products or services or that are regulated as a bank or other financial institution ("Financial Institution") and determine applicable regulatory authorities.		0%	
BCF 02.1	A Financial Institution should determine all the legal and regulatory requirements to which the Financial Institution is subject, based on the consideration of relevant factors.		0%	
BCF 03.1	In conducting the Financial Institution segment of the global risk assessment, each Financial Institution should consider appropriate factors.		0%	
BCF 04.1	Develop and implement appropriate banking and consumer finance policies, procedures, and controls.		0%	
BCF 05.1	Provide training on banking and consumer finance policies to AIG personnel and third parties, as appropriate.		0%	
BCF 06.1	Monitor compliance with banking and consumer finance policies.		0%	






Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Employment

Rec. #	Recommendations	Comments	Completion	Status
EMP 01.1	AIG should designate an individual to assume responsibility for overseeing LOC compliance with all applicable U.S. and local legal requirements related to employment law as well as compliance with the Company's HR/personnel policies and procedures.		15%	
EMP 02.1	As part of the LOC risk assessment process, appropriate areas related to employment law and HR/personnel practices should be considered.		0%	
EMP 03.1	In addition to any other training undertaken in the employment law area, AIG should mandate training on illegal harassment (related to sex, age, religion, race, etc.) and its policy against illegal harassment for both management and non-management employees.		0%	
EMP 04.1	Formulate a standard format for exit interviews of departing employees that provides departing employees with the opportunity to relate any AIG compliance issues of which they have knowledge.		0%	
EMP 05.1	The OC will work with HR to design policies and procedures to ensure that AIG personnel are disciplined in a manner that is consistent throughout the Company and complies with all applicable legal requirements.		0%	
EMP 06.1	The OC, working with HR and business unit, regional, jurisdictional, and LOC compliance professionals, will design a procedure that ensures that information about disciplinary decisions is communicated to AIG employees and appropriate agents in a manner that informs them of the consequences of failure to adhere to compliance standards and, to the extent necessary, that protects the privacy of the individual who has been disciplined.		0%	







Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

FCPA

Rec. #	Recommendations	Comments	Completion	Status
FCPA 01.1	AIG should designate a subject matter expert in the Foreign Corrupt Practices Act ("FCPA") and in anti-corruption program compliance who reports directly to AIG's CCO.		100%	
FCPA 02.1	In conducting the FCPA and anti-corruption portion of the global risk assessment, the LOCs should assess whether and what type of individual employees, agents, and others acting on behalf of AIG, its business units, and its LOCs interact or may need to interact with covered foreign officials.		20%	
FCPA 03.1	Develop and implement appropriate compliance policies, procedures, and controls in the FCPA and anti-corruption area.		55%	
FCPA 04.1	Provide training on FCPA policies, procedures, and controls to AIG employees and third parties, as appropriate.		0%	
FCPA 05.1	Monitor compliance with FCPA policies, procedures, and controls.		0%	






Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Insurance and Reinsurance

Rec. #	Recommendations	Comments	Completion	Status
IR 01.1	The OC should oversee and track LOC compliance with insurance and reinsurance regulations.		6%	
IR 02.1	In conducting the insurance and reinsurance portion of the risk assessment appropriate factors should be considered.		0%	
IR 03.1	AIG should establish a database for each admitted and surplus lines company that underwrites business for the Company.		0%	
IR 04.1	Develop and implement additional appropriate policies, procedures, and controls for insurance and reinsurance as necessary.		0%	
IR 05.1	Provide training on insurance and reinsurance policies to AIG employees and third parties, as needed.		0%	
IR 06.1	Monitor compliance with insurance and reinsurance policies, procedures, and controls.		0%	






Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

International Trade

Rec. #	Recommendations	Comments	Completion	Status
TR 01.1	AIG should designate a subject matter expert with expertise in international trade regulatory compliance issues.		100%	
TR 02.1	In conducting the trade regulatory portion of the risk assessment, appropriate factors should be considered.		0%	
TR 03.1	Develop and implement appropriate policies, procedures, and controls to ensure compliance with all applicable US and local trade regulatory laws and regulations.		27%	
TR 04.1	Provide training on international trade policies, procedures, and controls to AIG employees and third parties, as appropriate.		0%	
TR 05.1	Monitor compliance with international trade policies, procedures, and controls.		0%	








Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Political Activities

Rec. #	Recommendations	Comments	Completion	Status
PCLA 01.1	The OC should designate an individual to assume responsibility for overseeing AIG's compliance with the applicable U.S. and local legal requirements governing the Company's political contributions, government relations, and lobbying activities ("Political Activities") in the U.S. and abroad.		100%	
PCLA 02.1	In conducting the portion of the risk assessment concerning AIG's Political Activities, address appropriate factors.		20%	
PCLA 03.1	Develop and implement additional appropriate policies, procedures, and controls for political activities as needed.		0%	
PCLA 04.1	Provide training on Political Activities policies, procedures, and controls to AIG employees and third parties, as appropriate.		0%	
PCLA 05.1	Monitor compliance with Political Activities policies, procedures, and controls.		0%	







Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Privacy

Rec. #	Recommendations	Comments	Completion	Status
PDS 01.1	The OC should appoint a chief privacy officer with responsibility for ensuring privacy and data security compliance on a global scale.		67%	
PDS 02.1	The OC should retain a third party consultant to conduct a privacy and data security audit that includes appropriate factors.		25%	
PDS 03.1	Determine AIG's legal obligations under all applicable U.S. and local laws and regulations, including its obligations with regard to cross-border transfers of information.		0%	
PDS 04.1	In conducting the privacy and data security portion of the risk assessment, appropriate factors should be considered.		20%	
PDS 05.1	Develop and implement appropriate compliance policies, procedures, and controls in the privacy and data security area.		0%	
PDS 06.1	Provide training on privacy and data security policies, procedures, and controls to AIG employees and third parties, as appropriate.		0%	
PDS 07.1	Monitor compliance with privacy and data security policies, procedures, and controls.		0%	





Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Securities and Commodities

Rec. #	Recommendations	Comments	Completion	Status
SCFL 01.1	The OC should identify and designate counsel with experience in overseeing compliance programs for U.S. registered broker dealers, investment advisers, investment companies, and futures intermediaries.		5%	
SCFL 02.1	The OC should identify all LOCs and LEs that are involved in the business of buying or selling securities or commodities futures or that provide investment advice.		0%	
SCFL 03.1	The portions of the global risk assessment related to AIG's broker dealers, investment advisers, and investment companies should include appropriate factors.		0%	
SCFL 04.1	Develop and implement additional appropriate securities and commodities futures policies, procedures, and controls as needed.		0%	
SCFL 05.1	Provide training on securities and commodities futures policies, procedures, and controls for AIG employees and third parties, as appropriate.		0%	
SCFL 06.1	Monitor compliance with securities and commodities futures policies, procedures, and controls.		0%	




Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Compliance with Regulation BTR

Rec. #	Recommendations	Comments	Completion	Status
BTR 01.1	AIG should adopt a formal policy regarding compliance with Regulation BTR.		25%	
BTR 01.2	AIG should designate an individual to be responsible for monitoring compliance with the Regulation BTR policy.		0%	
BTR 01.3	Training on the Regulation BTR policy and related procedures should be provided periodically to appropriate AIG personnel.		0%	
BTR 01.4	AIG individual account plans covered by Regulation BTR should be evaluated to determine whether they contain appropriate safeguards that will block prohibited trades during a blackout period.		0%	






Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Compliance with Regulation FD

Rec. #	Recommendations	Comments	Completion	Status
FD 01.1	AIG should adopt a formal disclosure policy for its communications with analysts, brokers, and stockholders and its interaction with the media to ensure compliance with Regulation FD.		25%	
FD 01.2	AIG should designate an individual to be responsible for monitoring compliance with the Regulation FD Policy.		0%	
FD 01.3	Training on the Regulation FD policy and related procedures should be provided periodically to appropriate AIG personnel.		20%	





Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Insider Trading

Rec. #	Recommendations	Comments	Completion	Status
IPT 01.1	AIG should adopt appropriate revisions to the Insider Trading Policy.		75%	
IPT 01.2	AIG should adopt procedures to implement the Insider Trading Policy.		0%	
IPT 01.3	The Insider Trading Policy should be maintained on the AIG intranet in an easily identifiable and accessible manner.		0%	
IPT 01.4	AIG should provide appropriate training for all directors and employees regarding the prohibitions on insider trading and the requirements of AIG's Insider Trading Policy. This training should be repeated periodically and provided to all new hires.		0%	
IPT 02.1	Monitor compliance with Insider Trading Policy.		0%	


Independent Consultant August 2008 Monitoring Report - Compliance - Specific Topics

Related Party Transactions

Rec. #	Recommendations	Comments	Completion	Status
RPT 01.1	AIG should adopt appropriate revisions to the Related-Party Transactions Approval Policy.		100%	
RPT 01.2	AIG should adopt procedures to implement the policy, including, but not limited to, procedures to ensure that the policy is provided to appropriate AIG employees and all AIG directors and maintained in an easily identifiable and accessible manner.		0%	
RPT 01.3	Training on the policy and related procedures should be provided periodically to all directors and appropriate AIG personnel.		50%	
RPT 01.4	A formal process should be established for the regular review of all transactions submitted for review and approval to monitor the application of approval criteria and reporting of approved transactions.		0%	





Independent Consultant August 2008 Monitoring Report - Corporate Governance

Accounting and Financial Reporting Training

Rec. #	Recommendations	Comments	Completion	Status
AFRT 01.1	Ensure that mandatory participants, including members of the Complex Structured Finance Transaction Committee, periodically receive effective training in AIG's Accounting, Financial Reporting, and Disclosure Obligations.		4%	





Independent Consultant August 2008 Monitoring Report - Corporate Governance

Corporate Governance

Rec. #	Recommendations	Comments	Completion	Status
CG 01.1	The respective responsibilities of each Committee of the Board of Directors should be set out clearly in their charters. In doing this, the Board should ensure that all appropriate responsibilities are covered by a Committee, that redundancies of function are eliminated to the extent practicable, and that each Committee can effectively perform the duties assigned to it.		65%	
CG 01.2	For AIG's Corporate Governance Guidelines, By-laws, Certificate of Incorporation, Charters of the Committees of the Board and all policies and procedures approved by the Board, an office or department shall be designated to periodically evaluate whether it is achieving its intended objectives and whether it is being applied consistently.		15%	
CG 01.3	AIG should assign sufficient qualified personnel to AIG's corporate governance office or department to ensure corporate governance measures are implemented effectively and in a timely manner.		30%	
CG 01.4	Each committee of the Board of Directors should establish procedures to adhere to its respective charter and committee best practices.	No written procedures have been provided.	40%	



Independent Consultant August 2008 Monitoring Report - Corporate Governance

Corporate Governance Guidelines

Rec. #	Recommendations	Comments	Completion	Status
CGG 01.1	The Corporate Governance Guidelines should state under what circumstances they may be amended or waived.		100%	
CGG 01.2	AIG should adopt programs, policies, and procedures as needed to implement the Corporate Governance Guidelines.	In light of the change in CEO, there is a need for a new management succession plan for senior corporate management. The adequacy and rate of participation in the director orientation and director education programs need more attention.	39%	
CGG 01.3	A formal process should be established for the regular review and updating of the Corporate Governance Guidelines and related processes and procedures to reflect changes in laws, regulations, policies, and other relevant matters.		85%	
CGG 01.4	The Corporate Governance Guidelines should be posted on the AIG website in an easily identifiable and accessible manner.		100%	






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Disclosure Committee

Rec. #	Recommendations	Comments	Completion	Status
DC 01.1	The Disclosure Committee should set forth in writing the appropriate personnel that will serve as its members.		65%	
DC 02.1	The Disclosure Committee should have a clearly articulated written policy and procedure for reporting its findings.	The charter, policies, and procedures do not adequately address reporting protocols.	0%	






Independent Consultant August 2008 Monitoring Report - Corporate Governance

Disclosure Controls

Rec. #	Recommendations	Comments	Completion	Status
DCP 01.1	AIG should adopt written disclosure controls and procedures as defined by Rule 13a-15(e) under the Securities Exchange Act of 1934.	Written controls do not adequately address disclosures other than Forms 10K and 10Q.	0%	
DCP 02.1	AIG's Financial Statement Disclosure Committee should have a written charter.		30%	
DCP 03.1	The Financial Statement Disclosure Committee should appoint an individual to be responsible for monitoring compliance with the disclosure controls and procedures.		50%	
DCP 04.1	Training on the disclosure controls and procedures should be provided periodically to appropriate AIG personnel.		0%	
DCP 05.1	A formal process should be established for the regular review and updating of disclosure controls and procedures.	Written controls and procedures do not adequately address disclosures other than Forms 10K and 10Q.	0%	



Independent Consultant August 2008 Monitoring Report - Corporate Governance

Established Committees

Rec. #	Recommendations	Comments	Completion	Status
EC 01.1	The Accounting Policy Committee should be responsible for resolving accounting and financial reporting issues and serve as the final accounting and financial reporting authority for AIG, with the concurrence of AIG's Chief Financial Officer ("CFO").		100%	
EC 01.2	The purpose and responsibilities of the Accounting Policy Committee should be set out in a written charter.	No draft charter has been provided.	0%	
EC 01.3	Meetings and determinations of the Accounting Policy Committee should be appropriately documented, retained, and disseminated to LOC CFOs.	No draft charter establishing a procedure has been provided.	0%	
EC 02.1	The Derivatives Committee should be responsible for providing an independent review of proposed derivative transactions or programs entered into by all AIG entities other than AIG Financial Products Corp. ("AIG-FP").		100%	
EC 02.2	The purpose and responsibilities of the Derivatives Committee should be set forth in a written charter.		100%	




Independent Consultant August 2008 Monitoring Report - Corporate Governance

Examination of Internal Audit and Compliance

Rec. #	Recommendations	Comments	Completion	Status
EIAC 01.1	The Audit Committee should establish procedures to carry out the responsibility for reviewing the organization of AIG's IAD, the adequacy of its resources, and the competence of its staff.		85%	
EIAC 01.2	The Regulatory, Compliance and Legal Committee should be responsible for reviewing the plan for the establishment of the compliance function within AIG's legal department.	Due to the recent change in leadership of both the Regulatory, Compliance, and Legal Committee and the Office of Compliance, extra attention will need to be paid to this area.	70%	





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Internal Audit Division

Rec. #	Recommendations	Comments	Completion	Status
IAD 01.1	IAD should have a centralized corporate structure with regional and local offices throughout the Company.		80%	
IAD 01.2	The Company should ensure that adequate personnel and other resources are made available to implement the IAD audit plan.		50%	
IAD 02.1	IAD should report operationally to the Audit Committee of the Board of Directors and administratively to the CFO.		100%	

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Sarbanes Oxley Certifications

Rec. #	Recommendations	Comments	Completion	Status
SOX 01.1	AIG should designate a person responsible for the certification process.		100%	
SOX 01.2	AIG should develop processes and procedures to ensure the accuracy of the certifications.		100%	
SOX 01.3	AIG should adopt procedures to ensure that all persons involved in the certification and sub-certification process are informed of relevant processes and procedures.		100%	
SOX 01.4	A formal process should be established for the periodic review of all sub-certification exceptions to monitor the effectiveness of the certification process.	Not currently applicable as a result of the implementation of Recommendation No. SOX 01.2.	0%	










Independent Consultant August 2008 Monitoring Report - Records Management

Organization

Rec. #	Recommendations	Comments	Completion	Status
RM 01.1	Create a Records and Information Management organization ("AIG RIM") which has primary responsibility for overseeing all records management activities across the company.	The RIM organizational structure and positions have not been filled, and there is no indication that a budget has been approved by corporate, O&S, or the business units.	0%	R
RM 02.1	Create a new position of Chief Records Officer ("CRO") to lead the AIG RIM organization. The CRO should report directly to the AIG Chief Compliance Officer.	A CRO was in place for a short time and with little effect. The position has been vacant for several months.	0%	R
RM 03.1	A Records and Information Management Coordinating Council ("RIM Coordinating Council"), should be formed to resolve RIM Program issues that affect more than one AIG business or function.	The RIM Coordinating Council has not been formed.	0%	R
RM 04.1	Regional Records Managers ("RRMs") should be appointed to oversee the implementation of the RIM Program at the regional level. RRM's should report directly to the CRO, and have dotted-line reporting responsibility to the business professionals of their respective LOCs.	RRMs have not been appointed.	0%	R
RM 05.1	Local Records Coordinators ("LRCs") should be designated to manage the day-to-day records management operations of LOCs. LRCs should report directly to the business professionals of their respective LOCs and have dotted-line reporting responsibility to the RRM of the respective region.	LRCs have not been designated.	0%	R
RM 06.1	Create a corporate-level Discovery Response Team ("DRT") within the Legal Department comprised of dedicated personnel who are responsible for executing and overseeing all discovery-related activity in the company. The DRT should be headed by the "DRT Managing Attorney," who should report directly to the AIG General Counsel and have dotted-line reporting to the CRO.	The DRT Managing Attorney has been appointed. We are awaiting an implementation plan for the DRT.	5%	Y
RM 07.1	AIG's Operations & Systems ("O&S") organization should oversee the design and implementation of systems and applications that allow for the electronic management of records and information according to RIM policies and procedures.	Some attention has been given to RIM issues by O&S, but a dedicated team has not been appointed, and an implementation plan has not been fully developed.	5%	Y










Independent Consultant August 2008 Monitoring Report - Records Management

Managing Records and Information

Rec. #	Recommendations	Comments	Completion	Status
RM 08.1	The CRO should draft a new, corporate-level Records and Information Management Policy ("RIM Policy") that defines the overall framework for managing records and information across AIG and applies to all of its businesses.	Global RIM Policy has been drafted and is near finalization.	85%	
RM 09.1	AIG should develop standards for and train employees on the appropriate method of creating and recording business information.	Training materials have been created, but no employees have been trained.	10%	
RM 10.1	Each RRM should develop a "File Plan" to classify the types of records and information within its region.		0%	
RM 11.1	The CRO should develop guidelines and standard filing practices to be used for managing hardcopy records.		0%	
RM 12.1	The CRO should develop standard requirements for the indexing of hardcopy records that are stored offsite to enable employees to identify and retrieve the materials they need to conduct business.		0%	
RM 13.1	AIG should develop an Electronic Records and Information Management system (an "ERIM system") to allow employees to manage their records efficiently.		0%	
RM 14.1	The CRO should develop procedures to maintain the security and privacy of stored records so that the records are safe from hazards and only authorized users may add, access, retrieve, change or dispose of them.		0%	
RM 15.1	The CRO should develop procedures to ensure the quality and trustworthiness of hardcopy and electronic records so they can be authenticated as reliable and defensible.		0%	
RM 16.1	The CRO should develop a Vital Records identification protection and recovery plan to ensure that AIG has the capability to reconstruct operations within a reasonable time and cost following a disaster.		0%	








Independent Consultant August 2008 Monitoring Report - Records Management

Managing Records and Information

Rec. #	Recommendations	Comments	Completion	Status
RM 17.1	The CRO and O&S should develop standards for the preservation and access to Historical Preservation information to ensure that it is available for the Company's use.		0%	
RM 18.1	The CRO and Human Resources should develop procedures to identify, review, reassign and/or dispose of materials in an employee's custody before the employee departs from the company or a department.	No procedures have been provided.	0%	
RM 19.1	The CRO should develop requirements for AIG to use for the selection and operation of both AIG and third party offsite storage facilities.		0%	
RM 20.1	The CRO should develop requirements for agents and third-party representatives who create AIG company records to ensure that those records are managed appropriately for the type of record involved.		50%	
RM 21.1	AIG should require third-party vendors who are hired for the purpose of managing or storing AIG information to adhere to AIG recordkeeping requirements in their treatment of AIG's records.		0%	
RM 22.1	O&S, in coordination with the CRO, should develop processes to ensure that electronically-stored Company Records can be retrieved during their useful life.		0%	
RM 23.1	The CRO should develop a corporate Record Retention Schedule that identifies the legal requirements for the retention of all categories of records.		15%	
RM 24.1	RRMs and LRCs should conduct a company-wide clean-out event within 12 months of the issuance of the corporate Record Retention Schedule, and thereafter at least every two years.		0%	
RM 25.1	The CRO should develop standards and methods for the review, approval and destruction of hardcopy Company Records whose retention period has expired.		0%	







Independent Consultant August 2008 Monitoring Report - Records Management

Managing Records and Information

Rec. #	Recommendations	Comments	Completion	Status
RM 26.1	The DRT Managing Attorney, in coordination with the CRO, should develop a Legal Hold Policy for all AIG personnel that defines requirements governing the creation, execution and management of legal holds, and associated preservation of data potentially responsive to legal holds.		75%	
RM 27.1	The DRT-Managing Attorney in conjunction with the RRM's and Local Discovery Coordinators should ensure that discovery procedures are in place and in compliance with the corporate Discovery Plan.		0%	
RM 28.1	O&S personnel responsible for operations should develop standard procedures to enable identification, preservation, collection and production of electronic information in compliance with the corporate Discovery Plan.		0%	
RM 29.1	The CRO should oversee development of a plan to train and certify all employees on all aspects of the RIM Program.		0%	
RM 30.1	The CRO, in coordination with Internal Audit, should develop a process to monitor and measure compliance by the Company's employees, departments, LOCs and ERIM systems with AIG records management policies.		0%	
RM 31.1	The CRO, RRM's and LRCs should review the current inventory lists of all paper records stored offsite and in onsite file rooms and evaluate the accuracy and completeness of the inventories. A plan should be developed to update (or create) the inventories to comply with the RIM Standards for indexing hardcopy records.		0%	
RM 32.1	O&S personnel, in conjunction with the CRO, should evaluate the destruction dates for electronic Company Records and initiate full destruction of items designated for deletion consistent with RIM policy.		0%	








Independent Consultant August 2008 Monitoring Report - Remediation

Accounting for Income Taxes

Rec. #	Recommendations	Comments	Completion	Status
IT 01.1	The Company's corporate Tax Department should be a centralized tax oversight function that operates in both a compliance and control capacity.		65%	
IT 01.2	The corporate Tax Department should hire tax personnel at the LOCs and on a regional basis. Such personnel should have a dual reporting relationship to the corporate Tax Department and the LOC's CFO.		85%	
IT 02.1	The Company should retain sufficient qualified, experienced personnel knowledgeable in Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes and other corporate tax compliance matters.		100%	
IT 03.1	The Company should develop and maintain for appropriate use a deferred tax inventory of the differences between the Generally Accepted Accounting Principles ("GAAP") basis and tax basis of all assets and liabilities for all material entities.		78%	
IT 04.1	The purpose and need for each existing and new legal entity should be evaluated in order to eliminate unnecessary entities and make the income tax reporting process manageable.		0%	
IT 05.1	The corporate Tax Department should have a pre-approved list of qualified income tax service providers from which LOC CFOs can choose.		0%	










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Accounting Policy

Rec. #	Recommendations	Comments	Completion	Status
AP 01.1	Establish an Office of Accounting Policy ("OAP") as the governing body that issues AIG accounting policies and oversees the proper application of these policies.		100%	
AP 02.1	The Director of Accounting Policy should be appointed as a voting member of the CSFTC, the Financial Statement Disclosure Committee ("FSD") and the AIG Derivatives Committee.		100%	
AP 03.1	OAP should have appropriately staffed regional offices.		0%	
AP 04.1	The Company should hire additional qualified accounting personnel in the OAP.	The recommendation has been revised to remove the reference to LOCs, as the accounting staffing for those entities is covered in recommendation CE 2.1. This recommendation now only covers the staffing for OPA.	100%	
AP 05.1	The Company should implement a program that is focused on internally developing employees at the LOC level into GAAP and, to the extent applicable, IFRS knowledgeable accounting professionals.		100%	
AP 06.1	Once regional OAPs have been established, graduates (past and future) of the program described in 5.1 should be assigned as staff to the regional offices and have a direct reporting line to the corporate OAP. They may also be assigned to significant LOCs, under appropriate circumstances.		0%	
AP 07.1	The Company should designate a person at the LOC level who is responsible for elevating non-standard and significant transactions to OAP and for preparing the appropriate accounting memoranda for such transactions. This individual will have a dual reporting relationship to OAP and the LOC CFO.		0%	








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Accounting Policy

Rec. #	Recommendations	Comments	Completion	Status
AP 08.1	Standard Internal Reporting Package ("SI reporting package") company personnel should be responsible for adhering to and implementing the AIG Accounting Policy and Procedural Guidance Manual and have ultimate responsibility for financial statements and all supporting financial accounting conclusions.		100%	
AP 08.2	All SI reporting package company accounting personnel should have the responsibility to elevate significant and non-standard accounting issues.		100%	
AP 09.1	The AIG Accounting Policy and Procedural Guidance Manual should be maintained in an easily identifiable and accessible format/medium.		90%	
AP 10.1	A reference to the authoritative guidance that the policy addresses should be provided in the forepart of each AIG accounting policy.		80%	
AP 11.1	The Company should identify statutory accounting and reporting requirements applicable to each of its LOCs and make such information available to the relevant accounting and finance personnel.		0%	
AP 11.2	LOC accounting personnel should advise OAP of positions taken and seek OAP's concurrence when statutory accounting differs significantly from generally accepted accounting principles or practices.		0%	
AP 11.3	The LOC should monitor updates from appropriate sources and ensure that their prescribed and permitted practices are current.		0%	
AP 12.1	The AIG Accounting Policy and Procedural Guidance Manual should be reviewed and updated on a current basis to ensure that all policies and procedures are consistent with GAAP.		90%	
AP 12.2	Local CFOs, comptrollers and those designated under AP 07.1 should be included in accounting policy training as appropriate.		50%	








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Accounting Policy

Rec. #	Recommendations	Comments	Completion	Status
AP 13.1	The Company should establish training requirements and standards for employees involved with accounting policy and financial reporting. Adherence to these training requirements and standards should be tracked and be part of periodic personnel performance reviews and evaluations.	There does not appear to be a clear process for establishing training requirements and standards for employees involved with accounting policy and financial reporting, and the automated systems for tracking training and incorporating it into performance evaluations is not scheduled to be completed for three years.	0%	
AP 14.1	The Company should hold annual and quarterly comptroller meetings during which professional education on new accounting pronouncements is provided and best practices are shared among business units.		100%	
AP 15.1	The Company's Accounting Policy and Procedural Guidance Manual uses the terms "significant" and "non-standard" as guidelines for which types of transactions and accounting issues require a heightened degree of financial reporting review and thus necessitate elevation to OAP. The Company should provide interpretive guidance of these phrases to avoid inconsistent interpretation and application.	There is a question whether the interpretive guidance for "significant" and "non-standard" is sufficient to cover all transactions and accounting issues that should be elevated to OAP.	20%	
AP 16.1	The Company should provide checklists and other protocols to help accounting and finance personnel perform the necessary accounting and financial reporting research for non-standard and significant accounting transactions and accounting issues (e.g., accounting for leasing transactions, mergers & acquisitions).		100%	
AP 17.1	The Company should create and implement templates for the documentation of accounting issues that are non-standard and significant.		20%	
AP 18.1	The Company should extend the comment period for updates, modifications, and additions to the AIG Accounting Policy and Procedural Guidance Manual from 15 days to 30 days in order to provide accounting and finance personnel with adequate time to respond.		100%	
AP 19.1	OAP should make technical accounting materials (including interpretations by OAP) available to accounting and finance personnel throughout the Company.		100%	


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Accounting Policy

Rec. #	Recommendations	Comments	Completion	Status
AP 20.1	LOC accounting and finance personnel should prepare contemporaneous supporting documentation for all significant and non-standard transactions. All such documentation should be reviewed and approved by OAP.		80%	
AP 21.1	OAP should establish procedures for the submission and review of non-standard and significant transactions and accounting issues that the LOCs elevate to its attention.		100%	
AP 21.2	Records of such submissions should be maintained by the OAP, including a log which will show the source of the submission, the date it was submitted, a description of the submission, a description of the disposition, and the date of the disposition.		100%	
AP 21.3	The Company should develop standards to determine which issues require elevation to the Audit Committee of the Board of Directors.		0%	
AP 22.1	The Company should develop an easily accessible and usable database application to house accounting and financial reporting decisions reached by OAP.		0%	
AP 24.1	Frequent meetings between the Company's external auditors and executive accounting personnel, including, but not limited to, the AIG Comptroller and Director of Accounting Policy, should be held to ensure timely communication of accounting and financial reporting issues.		100%	
AP 25.1	SI reporting package companies' comptrollers, CFOs and CEOs should be required to certify on a quarterly basis that they have read the AIG Accounting Policy and Procedural Guidance Manual, that the companies are in compliance with all aspects of the AIG Accounting Policy and Procedural Guidance Manual, and that the financial records, reports, and statements are maintained and reported in accordance with the AIG Accounting Policy and Procedural Guidance Manual or, in the absence of a specific AIG accounting policy, in accordance with GAAP and the appropriate statutory requirements.		100%	






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Accounting Policy

Rec. #	Recommendations	Comments	Completion	Status
AP 26.1	IAD's annual work plan should include audits specifically designed to test that accounting conclusions reached on transactions by the LOCs are consistent with the guidance provided in the AIG Accounting Policy and Procedural Guidance Manual.		100%	







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Balance Sheet Reconciliation

Rec. #	Recommendations	Comments	Completion	Status
R 01.1	Create and institutionalize a formal accounting policy for balance sheet reconciliations.		100%	
R 02.1	Detailed instructions on how to prepare specific account reconciliations should be documented and describe the specific procedures to follow in reconciling various accounts.		100%	
R 03.1	The Company should ensure that all entities are compliant with the Company's balance sheet reconciliation accounting policy by monitoring and performing quality control activities.	No plan for the implementation of the recommendation at applicable local operating companies has been submitted.	50%	
R 04.1	Create a new position responsible for monitoring the overall reconciliation process and being the point of contact for reconciliation related issues and/or inquiries for all LOCs.		100%	
R 05.1	A Financial Accounting Standards Statement No. 5, Accounting for Contingencies ("FAS 5") reserve monitoring process related to balance sheet reconciliations should be established to ensure that the appropriate accounting treatment is applied as unreconciled balances are resolved.	No plan for the implementation of the recommendation has been submitted.	50%	








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Control Environment

Rec. #	Recommendations	Comments	Completion	Status
CE 01.1	Develop formal, comprehensive financial statement review procedures to identify, accumulate, track, and assess recorded and unrecorded adjustments for the purpose of identifying possible material misstatements to the year-end and quarter-end financial statements.		93%	
CE 01.2	Concurrent with the development of such procedures, the Company should develop an education program to facilitate dissemination of these review procedures and ensure accounting and finance employees understand and apply them correctly.		100%	
CE 02.1	The Company should develop a comprehensive corporate accounting and reporting plan.	The process for developing a comprehensive accounting plan has not sufficiently progressed.	60%	
CE 03.1	Performance evaluations that determine the compensation of SI reporting package companies' leaders should include financial reporting and internal control factors.		0%	
CE 04.1	Segment CFOs should report directly to the corporate CFO, with matrix-reporting to the segment CEO. SI reporting package company CFOs should report directly to the segment CFO, with matrix-reporting to the SI reporting package company CEO.	There is a concern that the memo realigning reporting relationships in this area was not sufficiently disseminated.	25%	
CE 05.1	Create mechanisms and tools to facilitate consistent categorization and reporting of internal controls deficiencies.		50%	



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Derivative Hedge Accounting

Rec. #	Recommendations	Comments	Completion	Status
D 01.1	Create and institutionalize a formal AIG accounting policy that provides guidance on accounting for derivatives and hedging activities and certain hybrid financial instruments (e.g., embedded derivatives).		100%	
D 02.1	The Company should create a document that describes each approved hedging strategy (i.e., Strategy Memoranda) outlining the eligible hedged items and eligible hedging instruments that can be applied to each approved hedging strategy.		100%	
D 03.1	Retain qualified, experienced personnel knowledgeable in Financial Accounting Standard No. 133, Accounting and Reporting for Reinsurance of Short-Duration and Long Duration Contracts ("FAS 133") at both corporate and SI reporting package company level.		100%	
D 04.1	The OAP should be responsible for evaluating and approving new hedging strategies before implementation and approving any amendments to existing hedging strategies throughout the Company.		100%	
D 05.1	Establish controls to provide reasonable assurance that AIG financial Products Corp. ("AIG-FP") captures the transactional data necessary to properly account for derivative transactions in compliance with FAS 133.	Not currently applicable as a result of the adoption of FAS 159 on January 1, 2008 by AIGFP.	0%	
D 06.1	Develop an automated solution that allows for the application of hedge accounting for AIG-FP's hedging relationships in a systematic and controlled manner and in accordance with the requirements of FAS 133.	Not currently applicable as a result of the adoption of FAS 159 on January 1, 2008 by AIGFP.	0%	
D 07.1	For purposes of performing the prospective and retrospective assessments of hedge effectiveness, the risk management strategy should require historical changes in fair values of the hedged item and hedging instrument be obtained from a data sample that is consistent with the intended duration of the hedge.		100%	









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Derivative Hedge Accounting

Rec. #	Recommendations	Comments	Completion	Status
D 07.2	Such guidance should be stated in the Company's accounting for derivatives and hedging activities policy.		100%	
D 08.1	Create a centralized function that is responsible for overseeing that the application of FAS 133 by non-AIG-FP entities is performed in a controlled manner that is consistent with GAAP.		100%	



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Legal Contingencies

Rec. #	Recommendations	Comments	Completion	Status
LC 01.1	Create and institutionalize a corporate policy that provides guidance on accounting for contingencies in conformity with FAS 5.		100%	
LC 02.1	The Company should make its definitions, examples, and standards within the AIG Accounting Policy for Contingencies consistent with FAS 5.		50%	
LC 03.1	The Company should provide clear instructions to employees on how to recognize and report situations or events that indicate a reasonable likelihood of litigation, governmental investigation or inquiry, or administrative proceeding.	Implementation of this recommendation needs to be coordinated with the development of the records management policy. The delay in developing that policy can affect the ability of AIG to implement this recommendation on schedule.	0%	
LC 04.1	Create and formalize a standard quarterly legal contingencies reporting process for use by SI reporting package companies to report legal contingencies to corporate legal and corporate comptrollership.		80%	
LC 05.1	AIG should create a formal quarterly litigation report and corresponding template to be completed and submitted to corporate legal on a quarterly basis for all litigation matters that are deemed to be significant.		90%	
LC 06.1	The Company should develop a formal process to ensure that corporate legal obtains all necessary information from the local operating company general counsel to (1) monitor the status of matters already known that are being supervised by corporate legal and (2) support the quarterly legal contingencies reporting process.		60%	
LC 07.1	Corporate legal should create and formalize a standard quarterly legal contingencies reporting process.	AIG has not provided draft standards concerning the elevation of significant matters from the Corporate Legal Department.	0%	
LC 08.1	Create and formalize a quarterly review process for potential and pending legal matters between corporate legal and corporate comptrollership.		30%	





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Legal Contingencies

Rec. #	Recommendations	Comments	Completion	Status
LC 09.1	Establish a review and assessment process for determining which legal contingencies and subsequent events regarding legal contingencies require disclosure in the Company's financial statements.		50%	
LC 10.1	Establish a process to communicate legal contingency matters to AIG's Board of Directors.		100%	









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Logical Access Controls

Rec. #	Recommendations	Comments	Completion	Status
AC 01.1	Create and institutionalize a formal logical user access policy that includes appropriate factors.		36%	
AC 02.1	The Company should establish a Project Management Office ("PMO") that is responsible for overseeing the successful implementation of the Logical User Access Policy throughout the various LOCs.		50%	
AC 03.1	The Company should utilize automated technologies and solutions, to the extent practicable, to implement the Logical User Access Policy.		10%	
AC 04.1	Establish an information technology security position that is responsible for overseeing and ensuring that the Company is in compliance with the Logical User Access Policy. This person should report to the Deputy CCO who is responsible for privacy and data security.		50%	

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Risk Transfer

Rec. #	Recommendations	Comments	Completion	Status
RT 01.1	Create and institutionalize a formal risk transfer policy for direct insurance, assumed reinsurance, and ceded reinsurance.		0%	
RT 02.1	The Risk Transfer Policy should require LOCs to obtain approval from the Office of Accounting Policy ("OAP") regarding Risk Transfer Policy interpretations that may impact financial reporting for non-standard transactions that are significant either individually or in the aggregate.		0%	
RT 03.1	The definition of AIG's governing contract principle and its basis in accounting literature should be documented with review and approval by OAP.	AIG is submitting this issue to the AICPA Insurance Expert Panel for its review. This may cause a delay in the completion of this recommendation.	50%	
RT 03.2	The Risk Transfer Policy should provide in appropriate definition of AIG's governing contract principle.		0%	
RT 04.1	The risk transfer analysis of any direct insurance contract or group of contracts must determine if related reinsurance cessions are going either directly or indirectly to the insured. If the reinsurance cession is going either directly or indirectly to the insured, the direct insurance risk transfer sufficiency evaluation must consider its impact.		45%	
RT 05.1	The Risk Transfer Policy should provide statutory accounting guidance to the extent the risk transfer sufficiency assessment under statutory accounting would differ from GAAP.		0%	
RT 06.1	Safe harbor documentation should serve as the tangible documentation evidencing compliance with the Risk Transfer Policy and include an analysis substantiating the sufficiency of risk transfer.		45%	
RT 06.2	Safe harbor documentation should be reviewed and approved by SI reporting package companies' CFO and Chief Underwriting Officer and corporate Actuarial Department at inception and at least annually thereafter, or when a product changes.		0%	

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Risk Transfer

Rec. #	Recommendations	Comments	Completion	Status
RT 07.1	AIG should develop and implement procedures to monitor compliance with the Risk Transfer Policy.	AIG has asked for an extra two weeks to complete some of the implementation steps in this recommendation.	30%	Y
RT 08.1	Management production and compensation metrics should eliminate any possible incentive to record financially oriented transactions as insurance.	AIG has asked for an extra two weeks to complete some of the implementation steps in this recommendation.	0%	Y