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Letters to the Editor  
The New York Times  
620 Eighth Avenue  
New York, N.Y. 10018

To: The Editor

“Where Did the Cash Go?” (October 30) overlooked readily available facts that would have answered that question. As is widely known by now, the severe deterioration of the residential mortgage market began a chain of events that led to rapid valuation losses in AIG’s credit default swap portfolio as well as other investment losses. Although our insurance businesses remain healthy and well-capitalized, AIG needed support from the Federal Reserve to post collateral against this portfolio, satisfy obligations in our securities lending program and meet immediate liquidity needs, thus avoiding dire financial consequences that would have reached worldwide.

The broad implication in the article – that AIG’s liquidity problems are somehow tied to accounting compliance issues – is fundamentally wrong.

AIG has consistently reported in its 10-K and 10-Q financial filings with the Securities and Exchange Commission the balance of unrealized losses on AIG Financial Products Corp.’s credit default swaps -- and not just in footnotes as the story claims. The losses were also extensively discussed during earnings calls and included in detailed presentation slides that were publicly available. To imply that the recorded charges were hidden is factually inaccurate, and in our view, inflammatory.

Even more troubling, the story fundamentally misinterprets the nature of the disclosed losses, confusing unrealized valuation losses with realized losses. The story also neglected to point out that posting collateral to counterparties is an obligation under the credit default swap contracts – it has nothing to do with “realized losses.”

It’s true that AIG did have to borrow heavily from the Fed early on for the reasons mentioned above. However, the pace of borrowing has slowed substantially and AIG is hard at work implementing a plan to address its liquidity issues and sell some of its world-class businesses to repay all it has borrowed from the Federal Reserve. Our goal, which we intend to achieve, is to emerge as a leaner but competitive global insurer that contributes to the economy and returns value to taxpayers, shareholders and customers.

A handwritten signature in black ink that reads "Anastasia D. Kelly". The signature is written in a cursive, flowing style.

