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BODY : Supervisory Plan

For

American International Group, Inc. (AIG)

2007

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Mandate for the examination of AIG

American International Group, Inc. (AIG, the firm, or the conglomerate) is subject to the OTS's program of continuous supervision undertaken by the OTS. This is the supervisory plan (plan) for 2007 for AIG under this program. AIG, through its ownership of AIG Federal Savings Bank (AIG FSB), an OTS-chartered savings association, is designated as a complex diversified, unitary thrift holding company, and is subject to consolidated supervision by OTS pursuant to the authority provided by Section 10 of the Home Owners' Loan Act (HOLA).

In addition to the mandate under HOLA, AIG has requested that OTS become its consolidated supervisor, for purposes of the European Union's (EU) Financial Conglomerates Directive (FCD). Because of its operations in the EU, under the terms of the FCD, AIG is required to have a home country consolidated supervisor within the meaning of the FCD. For a non-EU based regulator to serve as a consolidated supervisor, a special designation must be made by an EU coordinating supervisor. AIG's EU coordinating supervisor is Commission Bancaire of France (CB). The staff of CB and OTS have shared information to facilitate the equivalency designation and participated in examinations at AIG entities located in the EU and in the US. With the designation of equivalency by CB, OTS will be officially recognized as the consolidated supervisor for AIG in the EU. For the past two examination cycles, the OTS has approached the examination of AIG on the basis that it is carrying out its responsibilities as a consolidated supervisor for EU purposes. The OTS has been informed by the CB that it has been designated as the consolidated home country supervisor for AIG, under both the Banking Directive of the EU and the FCD, via letter dated January 17, 2007. The formal designation of the OTS will be issued very soon.

OTS Goals

It is CIO's goal for 2007 to evaluate AIG for: financial strength (capital, earnings & liquidity); compliance with applicable laws and regulations; and transparency (including reliability of financial reporting), and to report our findings and recommendations in a report of examination (ROE) to be issued at the end of 2007 (exact date?). Our assessment will be reported according to the "CORE" assessment framework, set forth in OTS's Holding Company Handbook. We will assess AIG's capital, earnings, and liquidity under the "C" and "E" of CORE, which stand for "capital" and "earnings". And we will assess the design and execution of AIG's enterprise wide risk management program under the "O" and the "R" of CORE, which stand for "Organization" and "Risk Management". Also, in the ROE we will report a single, composite rating for the firm. Both the 4-part CORE ratings and the single composite rating will be based on a 5-point scale, with a "1" being the highest rating. This particular rating scheme is a new draft scheme, which is being developed as the next generation successor to the existing scheme, presently contained in the OTS's 940 program. In effect, the 2007 ROEs issued by CIO for the three CIO firms are the test source used for revisions to the 940 program, which applies to all OTS-regulated holding companies.

Approach Used to Achieve the Goals

We will approach this examination, primarily, by assessing the enterprise management framework of AIG in terms of its achievement of AIG's CORE-related goals. We have chosen to address CORE through AIG's enterprise management framework because AIG is vast in size and complexity, as well as being widely dispersed geographically; compared to the resources we have. Also, this is our approach because a strong CORE is entirely consistent with AIG's own goals. AIG has organized itself with the specific intent of accomplishing and sustaining a strong CORE. CORE is merely an OTS categorization of AIG's goals. We will do direct examination work on a limited slate of targeted reviews, to test our findings regarding AIG's

organization, policies, processes and procedures.

The board of directors has ultimate responsibility for is at the top of AIG's enterprise management framework. The AIG's board is responsible for setting the goals of the organization and for putting in place a management team with an appropriate structure and policies to achieve the goals set out. The board, along with executive management, is also responsible for assessing success and taking corrective action, if necessary. The organization (the many entities within AIG, including units of management, business segments, and board committees), policies, systems and procedures, designed to assure the sufficiency (return on investment) and sustainability (risk adjusted returns, i.e., risk management) of earnings, capital, liquidity, compliance (laws & regulations) and transparency (financial reporting), and the system designed to assess the achievement of these goals, are collectively referred to herein as the firm's enterprise management framework. Following, we set forth a work program for the risk-focused review of the design and execution of AIG's enterprise management framework.

Work Program to Achieve CIO Goals

Our work program consists of several parts, as set forth below, which will be executed somewhat in the order listed. However, during the examination cycle, there will be some items executed in parallel with others, and updating activities will occur throughout the year in several of the areas:

Review of the Design of the Enterprise Management Framework ? We will review the design of the framework, first, to gain an understanding, before we review the execution. We will review AIG's organization, policies, methods and procedures, designed to assure capital adequacy, profitability, liquidity, and manage risk management;

Communication Between OTS, and the Board and Executive Management ? Essential to the successful conduct of the examination is regular contact and communication between the OTS and the firm's board and executive management.

Coordination with Functional Regulators - Assessment of the coverage by the functional regulators both domestic and foreign, to ascertain where and to what extent OTS can rely upon the work of functional regulators to achieve our objectives;

Review of Execution of the Enterprise Management Framework ? The review of the execution of the enterprise management framework has three parts:

Targeted Examination Work - Direct review and examination work carried out by the our examiners, to verify that the enterprise management program is functioning at the business line level;

Direct Assessment of Capital, Earnings, and Liquidity ? This includes on-site work by the examination team and the off-site monitoring program carried out by the program manager. Capital, earnings and liquidity are directly assessed by the OTS for adequacy, on the basis of information contained in external and internal reports provided by the firm.

Strategic and Special Targets ? This examination work relates to items such as: follow-up of recommendations from prior ROEs, the remediation project, the economic capital model project, and leads and issues sourced from functional regulators.

Impact of Enterprise Risk Management on the Risk Matrix assessment ? Incorporates internal risk management findings into the ongoing risk matrix effort conducted by OTS.

Preparation of the ROE ? The final step in the work program is the comprehensive assessment of all of the information gathered. We will arrive at conclusions regarding recommendations for the firm and the CORE ratings to be assigned.

Review of the Holding Company Risk Control Centers

The first step in the examination process is that we will review the design of the firm's enterprise management framework. The framework has many parts and exists at many levels within the firm. At the top of the framework is the board of directors and executive management, which are responsible for planning, organizing, staffing, directing, and controlling the enterprise. The board has a number of committees, the most important in the context of our goals being the audit committee. Executive management has many levels within the organization but our primary focus will be on the top level. parts. At the top, executive management is organized into seven entities, which we refer to as "risk control centers": Controller's; Treasury; Corporate Compliance Group (CCG); Enterprise Risk Management (ERM); and the Internal Audit Department (IAD); Global Reinsurance Division and the Actuarial Control Function.. These five centers are the top tier of entities charged by the board with achieving AIG's CORE objectives. In many cases, these entities have direct lines of reporting to the board or a committee of the board. It should be noted that "risk" is used in the broadest sense, in that the term encompasses both positive and negative aspects of risk. An example of a positive aspect is the risk that the firm may miss out on a strategic opportunity due to factors such as reputational or compliance risk. Therefore, when we speak of "risk", we are actually referring to all essential aspects of firm management.

Other parts of executive management include special committees organized for special functions, such as

the Complex Structured Financial Transaction Review Committee (which supports the goal of transparency) and the Remediation Steering Committee. We will also review the work of these committees. In addition, the firm's outside public accounting firm contributes to the transparency goal of the firm, especially regarding the accuracy of the firm's financial statements and the SEC-required annual independent assessment of firm management's assessment of the control environment over financial information.

Within the four business segments, there are numerous entities, which are part of the enterprise management framework and mirror the holding company management entities. The four segments are: General Insurance; Life Insurance & Retirement Services; Financial Services; and Asset Management. (Background information on the segments is presented later.) The entities contained within the four business segments share the same functional purpose as the five risk control centers, but operate at the segment level or below. The segments contain a number of public corporations and, therefore, have their own boards, executive management and management committees. For example, in the financial services business segment is found AIG Financial Products (AIG FP) and International Lease Finance Corporation (ILFC). These are public companies, which respectively offer derivative products and lease (i.e., finance) aircraft. The management entities within the segments and within the companies which are within the segments are responsible for managing their respective parts of the enterprise. They have the full gamut of management responsibility which is found at the holding company level, but they specialize in the particular business lines contained in their part of the firm. Although the responsibilities are generically the same at each level within the firm, the granularity is progressively less as one looks higher in the organization.

We will focus on the content of the roles of each of the component entities of the firm's enterprise management framework, and we will assess how well these roles have been fulfilled. We will take into account what the appropriate role is for each of the entities at each tier of the firm, from the holding company on down to the business line level. Following is a brief description of the holding company level enterprise management entities (including the outside public accountants):

Board of Directors

The board is responsible for establishing and overseeing (hiring, firing, compensating) the firm's executive management team in all aspects of the firm's operations. Approves major strategic decisions, including the budget and major acquisitions and dispositions. Because the operations of this entity are not transparent, there is little we can do in the way of direct review of its operations. However, we will review that its structure and composition are in accord with SEC, NYSE and PCAOB requirements.

Committees of the Board

We will review the role of the committees of the board, as necessary to achieve our goals. For our purposes at this time, the Audit Committee is the primary committee of the board, because the committee is responsible for financial reporting and internal control matters, Sarbanes-Oxley compliance, and oversight of IAD. It is also responsible for monitoring the firm's remediation of matters arising out of the February 2006 settlement with law enforcement authorities. In this regard it provides oversight to the remediation steering committee, which is a committee made up of top AIG executives, which directly manages the remediation and reports to the Audit Committee. Due to the importance of the remediation, we will follow up on this project closely. As time permits, we may review the mandates of other board committees. We will assess the information we have obtained in our review of the remediation project for consideration in selecting targets for our targeted reviews. (See discussion of targeted reviews below.)

Public Accounting Firm

The accounting firm is responsible for certifying the firm's financial statements and attestation regarding AIG management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting. Finally, we will assess the information we have obtained in this review for consideration in selecting targets for our targeted reviews. (See discussion of targeted reviews below.)

Controller's Department

The department is responsible for implementing accounting policy, financial reporting, internal controls over financial reporting and budgetary matters. We will assess this unit particularly with respect to how it assures the achievement of the profitability and transparency goals of the firm. Finally, we will assess the information we have obtained in this review for consideration in selecting targets for our targeted reviews. (See discussion of targeted reviews below.)

Treasurers Department

The department is responsible for funding and liquidity management. We will assess this unit particularly with respect to how it assures the achievement of the goal of maintaining sufficient capital and liquidity. This function is highly orchestrated at the holding company level, due to the fungibility of money. Finally, we will assess the information we have obtained in this review for consideration in selecting targets for our targeted reviews. (See discussion of targeted reviews below.)

Corporate Compliance Group (CCG)

The group is responsible for establishing a world-wide legal and compliance program, including support of business line legal and compliance programs. We will assess this unit particularly with respect to how it assures the proper management of legal, regulatory and compliance risk. In our targeted reviews we will assess the adequacy of the business line compliance function and the oversight of the business line functions by CCG. We will assess how CCG works to establish a culture of compliance within the business lines. We will assess the adequacy of information collected by CCG to carry out its mission, and what actions CCG takes in response to non-compliance situations discovered. Finally, we will assess the information we have obtained in this review for consideration in selecting targets for our targeted reviews. (See discussion of targeted reviews below.)

Enterprise Risk Management (ERM)

The group is responsible for the design of the firm's risk management systems, execution of holding company level risk management activities, assisting business line units with risk management, and the development of the firm's economic capital model. We will assess this unit particularly with respect to how it assures the management of market and credit risk at the holding company level. It should be noted that not all the risks of the business lines are appropriately managed at this level. For each of our targeted reviews, we will ascertain that an appropriate level of granularity regarding risk management is achieved at each level of the firm, from the particular business line up to the holding company. Given the specialized nature of the business conducted within each of the firm's 4 business segments, we expect to find a robust risk management function within each of the segments. And, we expect to see a highly granular level of risk management oversight at the holding company level, conducted by ERM. We will also review ERM's submissions and other communications with the board and its committees, particularly regarding the firm's risk appetite, including high risk projects and strategic moves, as well as the responses from the board and its committees on these matters. Finally, we will assess the information we have obtained in this review for consideration in selecting targets for our targeted reviews. (See discussion of targeted reviews below.)

Internal Audit Department (IAD)

The department is responsible for verifying that enterprise management units (i.e., Controller's, Treasury, CCG and ERM) and support systems are operating as they should. We will begin our assessment of this important function by following up on the several issues raised in the past two ROEs. Then, we will review the department's work plan for 2007. In this regard, we will obtain an understanding of and assess the goals (scope) of the department, the process by which IAD establishes its work program for the year, the nature of the procedures executed at each entity selected for audit, how it tracks whether it is meeting its work program schedule for the year, and how it follows up on issues discovered. We will judge whether the program is of sufficient scope and whether its staffing and funding appear to be sufficient, given AIG's history of compliance issues. We will also review IAD's submissions and other communications with the board and its committees, as well as the responses from the board and its committees. Finally, we will assess the information we have obtained in this review for consideration in selecting targets for our targeted reviews. (See discussion of targeted reviews below.)

Global Reinsurance Division (GRD)

The GRD oversees, administers and controls AIG's usage of reinsurance that is supplied by outside firms. Given the nature of reinsurance contracts and the fact that AIG deals with hundreds of reinsurance providers, the GRD employs continuous tracking, monitoring, collection and legal efforts to manage this \$23.4 billion balance sheet asset. The GRD works closely with AIG's general insurance units (and to a lesser extent with the life companies) to determine AIG's need for reinsurance and then sets out to find eligible reinsurance entities that can meet AIG's reinsurance capacity needs and possess the financial strength required to be approved by AIG's credit review committee. A targeted review of the GRD is scheduled for the 2nd quarter of 2007. AIG also is engaged in providing reinsurance; however, that activity is conducted out of a majority-owned subsidiary called Transatlantic Holding Inc., an entity that has a long track record in that business and will not be the subject of the targeted review since it is functionally regulated by the State of New York.

Actuarial Control Function (ACF)

The ACF provides a key control through its periodic assessment of the sufficiency of AIG's general insurance reserves and its interaction with both PwC's actuaries and the independent firms (such as Milliman) that independently assess and validate AIG's reserves. The ACF serves as a key control on the amount of insurance written by AIG's general insurance companies and the level of other risk mitigants such as reinsurance and off-balance sheet risk transfer structures (i.e. side cars), that are employed. The ACF also ensures that AIG's life insurance businesses contain their per insured risk to no more than \$10 million domestically and \$1.7 million in its foreign life companies. This risk control is accomplished through obtaining third party reinsurance for any coverage that exceeds these limits.

As noted above, these entities represent are merely the top tier of enterprise management entities. In

addition to these, in many cases there are similar entities, which are in place at lower levels of the firm, including at the segment levels and the business unit levels, which mirror the holding company level entities. This is particularly true for controller's, compliance, and risk management activities, which should have a strong presence in the form of mirror entities, at the business line level.

Coordination with Functional Regulators

In its role as the holding company supervisor, OTS coordinates with other domestic supervisors and foreign supervisors in countries where AIG already has a sizeable investment or is building its presence. In compliance with the Gramm-Leach-Bliley Act, we also coordinate with functional regulators responsible for the direct supervision of entities within the holding company structure. Lastly, OTS performs a coordinating and consolidating role for issues that span several consolidated regulated entities, where appropriate. To facilitate the flow of information, OTS has entered into information sharing and cooperation agreements with relevant supervisors. As we did in the past year, we will continue building our relationships with other supervisors, such as the French banking supervisor, Commission Bancaire (CB), the Financial Services Agency of both the UK and Japan, various state insurance supervisors in the U.S., and supervisors from Mexico, the United Kingdom, China, India, and the Central Bank of Brazil. We will continue to improve our understanding of the processes regarding the supervision of AIG's licensed subsidiaries operating in those jurisdictions. As directed in the "New Directions" memo, wherever possible we will leverage off of the work other functional regulators perform, and consolidate the material findings of the other functional regulators into our overall examination conclusions.

Review of Execution of the Enterprise Management Framework

We have broken the review of the execution of the enterprise management framework into several parts: Direct Assessment of Capital, Earnings, and Liquidity

This includes on-site work by the examination team and the off-site monitoring program carried out by the program manager. In particular, we directly assess the adequacy and sustainability of capital, earnings and liquidity on the basis of information contained in external and internal reports. We plan to focus a great deal of our efforts on the SCAR calculation, including AIG's controls to assure completeness and accuracy. CIO's off-site monitoring program is an ongoing financial surveillance of the firm's condition. Formal financial tracking is performed on a quarterly cycle, and news items reviewed as they appear.

Targeted Reviews ? Direct Examination Work

A "targeted examination" refers to the examinations conducted by the OTS at the business unit level. The unit may be a separate corporate entity or it may be a business line, which encompasses multiple corporate entities. (This is, often, the case in the insurance business lines.) Targeted reviews are the primary means the exam team employs to verify that the firm's enterprise management framework is working as represented to us by the executive management of the holding company. Making a logical and risk-based selection of targets for the targeted reviews and setting the scope involves several steps. First, the OTS examination team at AIG will begin the current examination by updating our understanding of AIG's enterprise management framework. Through our reviews of the five risk management centers within the firm, our briefings by the firm's outside public accounting firm, and our review of the work of board committees, particularly the audit committee, we will focus first on identifying deficiencies, weaknesses, and gaps in the design of the framework. We will, also, attempt to identify weaknesses in the execution of the framework, at the holding company level.

We will use the opportunity to perform examination work at the business level to assure ourselves that the framework is operating as it should. We will accomplish this by reviewing selected business lines to identify their unique risks. Then, we will assess whether the identified risks were properly handled within the holding company's enterprise management framework. In selecting business line units for review, we will also make reference to what we already know about the firm, as documented in prior ROEs. Our preliminary conclusions regarding the targeted reviews we have selected will be documented by the preparation of the newly-developed "Risk Matrix". The importance of this process is referred to in the "New Directions 06-12" memo from the Managing Director of the OTS, which states:

"Risk Assessment is fundamental for continuous supervision and examination. Examination staff will be responsible for documenting the risk profile for an organization and cataloguing the systems and controls the organization enacts to manage and mitigate those risks. The risk assessment should include a clear summary of the operations of the consolidated organization in order to form a basis for the examination scope. It is a living document that the examination team will update as the organization evolves; however, the examiner-in-charge (EIC) should formally document, update, and finalize the risk assessment no less than annually."

Execution of the Matrix

The Matrix (attached) provides discipline and transparency to the otherwise subjective process of selecting targets for our targeted reviews. Based upon our preliminary review steps, we selected several targets for targeted reviews. Following is a summary of the thinking that went into the selection of targets, as represented in the attached Matrix:

Activity ? The segmentation of business lines utilized for assessing risk. The activity column of the Functional Tier Risk Matrix (FTRM) utilized the September 30, 2006 10Q and financial supplement breakout of business line activities to capture the material business lines of AIG. Lines were added for non-business line activities such as reinsurance, life products hedging, given that AIG is predominantly an insurance concern, and has exposure to these activities based on involvement in these industries. As we in the field interpreted Matrix instructions, activity (rows) is defined as business lines and major activities. Corporate Control and Information Systems are reflected in the Risk Mitigation section.

Exposure ? For AIG, the solvency column reflects capital required to operate a given business line. The H, M, L assessment is based upon 9/30/06 SCAR Report, which compares business line capitalization with required capital. The assessment for AIG business lines is either low or medium. This is supported in VAR analysis as reported in the 10Q. VAR levels reported in SEC Filings for all insurance and financial services business lines reflect losses of fair value resulting from adverse fluctuations in interest rates, f(x), commodities and equity prices. Reported VAR levels indicate low to moderate exposure. This column also reflects the level of functional regulation of business lines, with the majority of AIG insurance business being heavily regulated and most of the financial services business lines operations as being predominantly unregulated. We have quantified exposure under the relative weight column based upon an assessment of impact (low, medium, high) based on (1) size of operations and (2) earnings contribution. AIG is primarily an insurer, with diversity added from financial services and asset management operations. The % column considers operating income as calculated from the 9/30/06 10Q, and is reflective of each business line's earnings contribution to the conglomerate. In future years, this column could be utilized to reflect the results of the AIG economic capital model project (more advanced analysis), which will measure exposure through enhanced capital 'at risk' model methodology.

Level of Inherent Risk - We attempt to capture the volume, size or nature of each activity (within business lines, reinsurance and life products hedging activities) and, before consideration for risk mitigation offered by corporate control groups/functions in place, what level of risk each activity poses (minimal, moderate or high) that could result in significant harm or loss. The ratings do reflect the nature of the business (conservative-aggressive) and how AIG management has typically underwritten products and activities. We considered the definitions provided in the Risk Assessment Matrix Manual for each column to reflect inherent risk of each category. The strategic and execution column reflects Medium to High risk levels for most activities, reflecting the fact that strategy, execution and resources are critical to achieving the scale necessary to maintain profitability. A high level of management expertise is required to measure and manage inherent risk of these activities and given the overall size and complexity of the conglomerate. Also, industry influences are considered, such as availability of companies (reinsurance) and products (SPVs/Side Cars) to lay-off risk. Specialty columns ?reserving? and ?pricing/underwriting? were added to the functional tier matrix to fact unique risks posed by the conglomerates activities and business lines. Linda Duzick provided input into these ratings (?overall, since AIG is an industry leader in P/C both in product knowledge and size, it would be unlikely that they would be rated high in any individual line of business or for underwriting risk overall.?) Reserves column ratings reflect historical adequacy of reserves and a new process to update prior years experience and current year experience quarterly. Also, the successful use of pooling arrangements between AIG entities to share underwriting risk is reflected here.

Risk Mitigation - Considering a five point scale (strong, acceptable or weak), these columns reflect risk mitigation in effect within the conglomerate in the form of corporate control groups, policies, procedures, limits, and risk reporting in place. The assessments are based on accumulated knowledge of these functions as document in examination reports and work papers over the past two exam cycles. The past two years have produced a significant overhaul to policies, procedures and internal controls. The company has devoted significant resources to correcting I/C deficiencies as part of PwC and internal remediation projects. The adequate rating reflects the substantial progress in remediation and low risk of financial loss expected based on new procedures implemented and/or reserves for exposure established (against Material Weaknesses). Strong ratings will not be given until sustainability of the newly implemented practices is achieved.

Additional Considerations - However, we should discuss consistent treatment of areas where PwC sSignificant control dDeficiencies exist. Presently ?W? the Weak rating is not utilized for any business lines, as the manual defines Weak as ?cause for more than normal supervisory attention? and ?sound risk management less than acceptable? and ?lacking in important aspects.? Whereas, Acceptable is defined as ?lacking in some modest degree? and ?management demonstrates responsiveness? and ?problems recognized and in the process of being resolved? ?problems should not have a significant effect on safety and soundness of the institution.? Presently, Acceptable is utilized for much of risk mitigation given that management and PwC have already identified problems and are working through well defined solutions; financial impact is also not expected to be material. Weak could be inserted in certain business line ratings (LFC, General Insurance [(DBG]), if the presence of a significant deficiencies or material weaknesses, even though well under way to corrective action, are not fully implemented or as of yet validated in terms of

sustainability. The only composite rating that ?W? changes would likely impact is ILFC, given that certain aspects of inherent risk are high; therefore, if we downgraded risk mitigation ratings to ?W?, the composite would likely be ?High.? This is all a process of documentation, however, as we?ve already established that this should be our priority Target Exam to begin 2007.

Perspective for this exercise was initially intended to reflect the current view of business lines and companies. We can certainly update these ratings after each Target Exam and after we finish updating our files with regard to Corporate Control Functions, to be completed in the first half of 2007.

Composite - This column reflects composite risk level of activities (and functions and products underlying each business line) in consideration of the inherent risk adjusted for risk mitigation activities (appropriateness of risk management systems in place). AIG activities are mainly considered moderate in terms of composite risk, reflective of appropriate risk mitigation systems and resources, especially where inherently risky activities are undertaken.

Direction - Reflects a generally stable environment expectation for the next 12 months based on the examiners? anticipation of the risk environment applicable to each activity.

Supervisory Sequence - Ties into the 2007 Work Plan for scheduled Target Examinations and Continuous Supervision. The Risk Matrix supports where examiner resources will be expended. OTS will leverage off of outside sources such as PwC and the work of corporate control functions to accomplish the assessments, including refreshing the CORE ratings by year-end. A supervision plan is being created to document supervisory goals, examinations and monitoring activities to be carried out over the next three years.

Targets Selected ? As indicated in the Matrix, we have selected five targets: Reinsurance, Life Products hedging, aircraft finance, consumer finance (international), and asset management (investment accounting and private equity). Scopes are presently being drafted. So far, scopes have been completed for aircraft finance (ILFC) and consumer finance (Consumer Finance Group).

Strategic and Special Targets

These are special projects and issues, which we have identified as requiring follow up or review. No separate reports will be issued for any of them. Rather, they are part of the overall review and are to be covered in the annual ROE, including recommendations for management, if any. Important findings and recommendations will be delivered to management as soon as possible, rather than waiting for the completion of the examination. Following are the items currently on the agenda for the current examination cycle:

- Follow up of recommendations from prior ROEs at AGF and AIGFP
- Follow up on Regulatory Issues in the SE Asian Region
- Follow up on Corporate Governance Recommendations
- Review all material Yellow and Blue Book filings
- Follow up of status of remediation project: balance sheet reconciliations, income tax accounting, FAS133, etc.
- Follow development of economic capital model project
- Follow development of the FIRE project (financial reporting enhancement)
- SCAR ? review quarterly reporting and refinement
- Ratings agencies reviews ? gain understanding of the process for the benefit of our own assessment of AIG.
- IGTs ? quarterly review of transactions for anomalies.

Preparation of the annual ROE

At the end of the examination cycle (presently schedule for November 2007), we will prepare an ROE, which is the culmination of all of our work throughout the year. As stated in the ?New Directions? memo, this process is necessary to refresh information and to aggregate each area of review into one cohesive summary. This guarantees that OTS updates the organization?s supervisory ratings to reflect organizational changes and findings. In making our assessment under the CORE framework and arriving at a final overall rating for the firm, we will base our conclusions on facts assembled from various sources. We will have reviewed of various internally and externally prepared documents and reports, held numerous discussions with management and the firm?s internal and external audit staff. We will have assessed AIG?s compliance posture in various regulated settings through our discussions with and reviews of reports prepared by other functional supervisors, filings made with the Securities and Exchange Commission (SEC), and rating agency and investment analyst reports. We will have closely followed and systematically tracked and documented AIG?s efforts to adopt recommendations provided in prior reviews and various work programs to remediate prior issues. Finally, as noted above, we will have performed a number of ? targeted reviews? of AIG business line operations. These targeted reviews will be the most important part

of assessing the effectiveness of the firm's enterprise management framework. The information gathered from all of these sources will be used in making our CORE and overall assessment at the conclusion of this annual examination cycle. The ROE, going forward after its issuance, will also serve as a basis for the EIC to follow-up, track, and monitor examination findings, corrective actions, and management's progress in addressing outstanding items.

Communication Between OTS and the Board and Executive Management

As is the OTS's usual practice at the conclusion in all of its examinations, at the conclusion of this examination, depending upon the seriousness of any recommendations contained therein we may have, the OTS examination team management will meet with either the board of directors or a designated the audit committee of the board, to present the findings and recommendations contained in the ROE. Our continuous examination approach also requires regular meetings with all levels of management at all levels at appropriate intervals. In the case of senior executive management, including the CEO, the Chief Financial Officer, and the General Counsel, as well as the heads of all of the risk control entities, the OTS holds regular quarterly meetings. Also, the OTS meets with the outside accountants at least quarterly. In addition to providing for an exchange of views, these meetings have facilitated the cooperation of the lower echelons of AIG management with the examination staff, because the meetings show to the lower management that top management believes that cooperation with the OTS in its examination is important.

Limitations of the Review

It should be recognized that there is no absolute assurance that the OTS's evaluation of a firm will uncover not be undeservedly high or that all serious problems or deficiencies which may exist. will be found. This is because the accuracy of the CORE ratings and overall rating of the firm are influenced by many factors, including: the amount, kind and quality of the information requested by the OTS and provided by the firm; the openness and cooperation of the firm; the choice of business lines for the targeted reviews; the openness and cooperation of the firm's functional regulators; the quality of the examination approach; the knowledge and skill of our examiners and examination management; and the resources made available for the task.

Time Tables and Resources

Matrix

Insert the Matrix here, directly, if possible.

Risk Matrix 1