

AMERICAN INTERNATIONAL GROUP INC
Form DEF 14A
April 05, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A.
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant [X]
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Check the appropriate box:
 [] Preliminary Proxy Statement
 [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 [X] Definitive Proxy Statement
 [] Definitive Additional Materials
 [] Soliciting Material Pursuant to Section 240.14a-12

American International Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
 [X] No fee required

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

AMERICAN INTERNATIONAL GROUP, INC.

70 Pine Street, New York, N.Y. 10270

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 19, 2004**

April 5, 2004

To the Shareholders of

AMERICAN INTERNATIONAL GROUP, INC.:

The Annual Meeting of Shareholders of AMERICAN INTERNATIONAL GROUP, INC. (AIG) will be held at the offices of AIG at 72 Wall Street, Eighth Floor, New York, New York, on Wednesday, May 19, 2004, at 11:00 o'clock A.M., for the following purposes:

1. To elect 15 directors of AIG to hold office until the next annual election and until their successors are duly elected and qualified;
2. To act upon a proposal to adopt a Chief Executive Officer Annual Compensation Plan;
3. To act upon a proposal to adopt a Director Stock Plan;
4. To act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as independent accountants for 2004;
5. To act upon a shareholder proposal relating to political contributions;
6. To act upon a shareholder proposal relating to executive officer compensation;
7. To act upon a shareholder proposal relating to investments in tobacco equities; and
8. To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 26, 2004 will be entitled to vote at the meeting. During the ten days prior to the meeting, a list of the shareholders will be available for inspection at the offices of AIG at 70 Pine Street, New York, New York.

By Order of the Board of Directors

KATHLEEN E. SHANNON
Secretary

If you plan on attending the meeting, please remember to bring photo identification with you. If you cannot be present at the meeting, please sign the enclosed proxy card and return it at once in the accompanying postage prepaid envelope *or* vote your shares by telephone or over the Internet.

AMERICAN INTERNATIONAL GROUP, INC.

70 Pine Street, New York, N.Y. 10270

PROXY STATEMENT

April 5, 2004

The enclosed proxy is solicited on behalf of the Board of Directors for use at the Annual Meeting of Shareholders of American International Group, Inc., a Delaware corporation (AIG), to be held on May 19, 2004, or at any adjournment thereof. It may be revoked at any time prior to its use. Proxies will be voted as specified and, unless otherwise specified, will be voted for the election of directors, for the adoption of the Chief Executive Officer Annual Compensation Plan, for the adoption of a Director Stock Plan, for the ratification of the selection of PricewaterhouseCoopers LLP as independent accountants for 2004, against the shareholder proposal relating to political contributions, against the shareholder proposal relating to executive officer compensation and against the shareholder proposal relating to investments in tobacco equities. These proxy materials are being mailed to shareholders of AIG commencing on or about April 5, 2004.

Only shareholders of record at the close of business on March 26, 2004 will be entitled to vote at the Annual Meeting. On that date, 2,608,348,927 shares (exclusive of shares held by AIG and certain subsidiaries) of common stock, par value \$2.50 per share (AIG Common Stock), were outstanding, each such share of AIG Common Stock having one vote.

Proxies marked as abstaining, and any proxies returned by brokers as non-votes on behalf of shares held in street name because beneficial owners' discretion has been withheld as to one or more matters on the agenda for the Annual Meeting, will be treated as present for purposes of determining a quorum for the Annual Meeting. With respect to the election of directors, any shares not voted as a result of an abstention or a broker non-vote will have no impact on the vote. With respect to the adoption of the Chief Executive Officer Annual Compensation Plan, the adoption of the Director Stock Plan, the ratification of the selection of PricewaterhouseCoopers LLP as independent accountants, and the three shareholder proposals, a broker non-vote will have no impact on the vote while an abstention will effectively be treated as a vote against the proposal.

ELECTION OF DIRECTORS

Fifteen directors are to be elected at the meeting to hold office until the next annual election and until their successors are duly elected and qualified. It is the intention of the persons named in the accompanying form of proxy to vote for the election of the nominees listed below, all of whom except Donald P. Kanak are currently members of your Board of Directors. Barber B. Conable, Jr., who had served as a director since 1991, died on November 30, 2003. Current directors Jay S. Wintrob and Frank G. Wisner are not standing for re-election as the Board, upon the recommendation of the Nominating and Corporate Governance Committee, has determined to increase the percentage of non-employee directors on the Board. They will continue to serve as executive officers of AIG. It is not expected that any of the nominees will become unavailable for election as a director, but if any should prior to the meeting, proxies will be voted for such persons as the persons named in the accompanying form of proxy may determine in their discretion. Directors will be elected by a plurality of the votes cast. The nominees and certain information supplied by them to AIG are as follows:

M. BERNARD AIDINOFF

Director since 1984

Retired Partner, Sullivan & Cromwell

(Attorneys)

Age 75

Director, First SunAmerica Life Insurance Company, a wholly-owned subsidiary of AIG

PEI-YUAN CHIA

Director since 1996

Retired Vice Chairman, Citicorp and Citibank, N.A.

Age 65

Director, Baxter International Inc.

MARSHALL A. COHEN

Director since 1992

Counsel, Cassels Brock & Blackwell (Barristers and Solicitors); Former President and Chief Executive Officer, The Molson Companies Limited

Age 69

Director, Barrick Gold Corporation

Collins & Aikman Corporation

Lafarge North America Inc.

Metaldyne Corporation

Premcor Inc.

Toronto Dominion Bank

WILLIAM S. COHEN

Elected February 2, 2004

Chairman and Chief Executive Officer, The Cohen Group; Former United States Secretary of Defense; Former United States Senator

(The Cohen Group provides business consulting services and advice in international markets)

Age 63

Director, The Nasdaq Stock Market, Inc. Viacom, Inc.

MARTIN S. FELDSTEIN

Director since 1987

Professor of Economics, Harvard University; President and Chief Executive Officer, National Bureau of Economic Research

(Nonprofit Economic Research Center)

Age 64

ELLEN V. FUTTER

Director since 1999

Director, Eli Lilly and Company HCA Inc.

President, American Museum of Natural History

Age 54

Director, Bristol-Myers Squibb Company

Consolidated Edison, Inc. (also serves

as Trustee of Consolidated Edison

Company of New York, Inc.) J.P.

Morgan Chase & Co.

MAURICE R. GREENBERG

Director since 1967

Chairman and Chief Executive Officer, AIG

Age 78

Director, Transatlantic Holdings, Inc.

(Transatlantic), which is owned 59

percent by AIG

Also serves as Chairman of Transatlantic, a director,

President and Chief Executive Officer of C.V. Starr & Co.,

Inc. (Starr), and a director of Starr International Company,

Inc. (SICO) and International Lease Finance Corporation

(ILFC); Starr and SICO are private holding companies (see

Ownership of Certain Securities); ILFC is a wholly-owned

subsidiary of AIG

CARLA A. HILLS

Director since 1993

Chairman and Chief Executive Officer, Hills & Company; Former United States Trade Representative

(Hills & Company provides international investment, trade and risk advisory services)

Age 70

Director, Time Warner Inc. ChevronTexaco

Corporation Lucent Technologies Inc.

FRANK J. HOENEMEYER

Director since 1985

Financial Consultant;

Retired Vice Chairman,

Prudential Insurance Company of America

Age 84

Director, Carey Fiduciary Advisors, Inc.

Cincinnati, Inc.

RICHARD C. HOLBROOKE	Vice Chairman, Perseus LLC; Former United States Ambassador to the United Nations; Former Vice Chairman, Credit Suisse First Boston
Director since 2001	
	Age 62
	<i>Director, Human Genome Sciences, Inc. Quebecor World Inc.</i>
DONALD P. KANAK	Vice Chairman and Co-Chief Operating Officer, AIG
	Age 51
	<i>Also serves as a director of Starr and SICO</i>
HOWARD I. SMITH	Vice Chairman, Chief Administrative Officer and Chief Financial Officer, AIG
Director since 1997	
	Age 59
	<i>Director, Transatlantic 21st Century Insurance Group (21st Century), which is owned 63 percent by AIG</i>
MARTIN J. SULLIVAN	Vice Chairman and Co-Chief Operating Officer, AIG
Director since 2002	
	Age 49
	<i>Also serves as a director of Starr and SICO</i>
EDMUND S.W. TSE	Senior Vice Chairman Life Insurance, AIG
Director since 1996	
	Age 66
	<i>Also serves as a director of Starr and SICO</i>

FRANK G. ZARB

Director since 2001

Former Chairman, National Association of Securities Dealers, Inc. and The Nasdaq Stock Market, Inc.; Senior Advisor, Hellman & Friedman LLC (Private Equity Investment Firm)

Age 69

Director, FPL Group, Inc.

The principal occupation or affiliation of the nominees is shown in bold face type. Each of the directors who is also an executive officer of AIG has, for more than five years, occupied an executive position with AIG or companies that are now its subsidiaries, and, except as hereinafter noted, each other director has occupied an executive position with his company or organization listed above for at least five years. Mr. William Cohen served as United States Secretary of Defense from 1997 to January 2001. Mr. Holbrooke served as United States Ambassador to the United Nations from 1999 to 2001. Mr. Zarb served as Chairman and Chief Executive Officer of the National Association of Securities Dealers, Inc. from February 1997 until October 2000 and The Nasdaq Stock Market, Inc. from February 1997 until January 2001 and as Chairman of those organizations until September 2001.

CORPORATE GOVERNANCE, BOARD OF DIRECTORS AND COMMITTEES

Governance Principles

AIG's Board has established the AIG Corporate Governance Guidelines (the Guidelines) to promote the effective functioning of the Board and its committees, to promote the interests of shareholders and to establish a common set of expectations for the governance of the organization. The Guidelines are included with this proxy statement as Appendix A. Also included as Appendices B through F are AIG's Director Independence Standards, the Charters of AIG's Audit, Nominating and Corporate Governance and Compensation Committees, and AIG's Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics. All of AIG's corporate governance materials, including the Guidelines and Committee charters, as well as AIG's Code of Conduct for employees, are published on the governance section of AIG's website at www.aigcorporate.com. AIG's Board regularly reviews corporate governance developments and modifies its guidelines, charters and practices as warranted. Any modifications will be reflected on AIG's website. In addition, any amendment to AIG's Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics and any waiver applicable to AIG's directors, executive officers or senior financial officers will be posted on AIG's website within the time period required by the Securities and Exchange Commission and the New York Stock Exchange.

Using the Independence Standards described in Appendix B, the Board, upon the recommendation of the Nominating and Corporate Governance Committee, determined that Mrs. Hills and Messrs. Aidinoff, Chia, Marshall Cohen, William Cohen, Feldstein, Hoenemeyer, Holbrooke and Zarb are independent under the current New York Stock Exchange rules.

In making their independence determinations, the Nominating and Corporate Governance Committee and the Board reviewed the charitable contributions made by The Starr Foundation to the organizations with which the directors are affiliated. The Starr Foundation was established and principally funded by C.V. Starr and his estate. Mr. Greenberg is chairman and a director of The Starr Foundation and Mr. Smith is a director and treasurer.

The Starr Foundation made the following contributions to the National Bureau of Economic Research (the Bureau) to establish the C.V. Starr Research Fund for International Economics (the Research Fund): in 2001, \$1,325,000; in 2002, \$1,325,000. Mr. Feldstein is president and chief executive officer of the Bureau. These donations were made solely to establish the Research Fund, and Mr. Feldstein has advised the Nominating and Corporate Governance Committee that there is no present intention to seek additional funding for the Bureau from The Starr Foundation. The Board, upon the recommendation of the Nominating and Corporate Governance Committee, has determined that these contributions do not impair Mr. Feldstein's independence for purposes of the New York Stock Exchange listing standards. Mr. Feldstein is not a member of AIG's Audit Committee, Nominating and Corporate Governance Committee or Compensation Committee.

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There were four regularly scheduled meetings and four special meetings of the Board during 2003. All of the directors attended at least 75 percent of the aggregate of all meetings of the Board and of the committees of the Board on which they served. The non-management directors meet in executive session, without any management directors present, either before or after each regularly scheduled Board meeting. Mr. Zarb presides at these executive sessions.

AIG has adopted policies on reporting of concerns regarding accounting and other matters and on communicating with non-management directors, which are available on the governance section of AIG's website at www.aigcorporate.com.

Audit Committee

The Audit Committee, which held nine meetings during 2003, assists the Board's oversight of AIG's financial statements and compliance with legal and regulatory requirements, the qualifications and performance of AIG's independent auditor and the performance of AIG's internal audit function. Mr. Hoenemeyer chaired the Audit Committee, which included Messrs. Aidinoff, Chia (commencing in May), Conable (until May) and Zarb and Mrs. Hills during 2003. The Board has determined, upon the recommendation of the Nominating and Corporate Governance Committee, that all members of the Audit Committee are independent under both New York Stock Exchange and Securities and Exchange Commission rules. The Board has also determined that each member of the Audit Committee is financially literate within the meaning of the New York Stock Exchange listing standards and that Mr. Hoenemeyer is an audit committee financial expert for purposes of the rules of the Securities and Exchange Commission and has accounting or related financial management expertise for purposes of the New York Stock Exchange listing standards.

Nominating and Corporate Governance Committee

Mr. Aidinoff chairs the Nominating and Corporate Governance Committee, which held four meetings in 2003 and which also included Messrs. Marshall Cohen and Zarb and Mrs. Hills, all of whom the Board has determined, upon the recommendation of the Nominating and Corporate Governance Committee, are independent under New York Stock Exchange rules. The primary purposes of the Nominating and Corporate Governance Committee are to recommend individuals to the Board of Directors for nomination, election or appointment as members of the Board and its committees and to review on an ongoing basis the corporate governance principles and practices that should apply to AIG. In early 2004, the Nominating and Corporate Governance Committee nominated Mr. William Cohen to serve as a director, and the Board accepted the recommendation and elected him a director on February 2, 2004. Mr. Cohen was initially identified by the Chief Executive Officer as a potential nominee for director and thereafter was recommended by several non-management directors.

The Nominating and Corporate Governance Committee will consider nominees recommended by the shareholders. The Guidelines included as Appendix A hereto include a listing of the characteristics that the Nominating and Corporate Governance Committee considers important for nominees for director. The Nominating and Corporate Governance Committee will evaluate shareholder nominees on the same basis as all other nominees. Shareholders who wish to submit nominees for director for consideration by the Nominating and Corporate Governance Committee for election at the 2005 Annual Meeting of Shareholders may do so by submitting in writing such nominees' names, in compliance with the procedures described under Shareholder Proposals For 2005 Annual Meeting in this Proxy Statement.

Compensation Committee

The Compensation Committee, which held four meetings during 2003, oversees the administration of AIG's compensation programs, establishes the compensation of the Chief Executive Officer and makes recommendations with respect to compensation programs applicable to senior executives and other employee compensation. Messrs. Marshall Cohen, Hoenemeyer and Holbrooke are the current members of the Compensation Committee, with Mr. Cohen serving as the Chairman. The Board has determined, upon the recommendation of the Nominating and Corporate Governance Committee, that all members of the Compensation Committee are independent under the New York Stock Exchange rules. Mr. Conable served on the Compensation Committee until his death in November 2003 and chaired the Committee until May 2003.

Other Committees

The principal function of the Executive Committee, which acted only by unanimous written consent in 2003, is to act for the Board between Board meetings. Messrs. Aidinoff, Greenberg, Hoenemeyer, Smith and Zarb and Mrs. Hills are the current members of the Executive Committee, with Mr. Zarb serving as the Chairman.

The Finance Committee, which oversees the financial affairs and investment activities of AIG and its subsidiaries, held 12 meetings during 2003. Ms. Futter and Messrs. Aidinoff, Chia, Conable (until May), Feldstein, Greenberg, Hoenemeyer, Holbrooke, Smith, Wintrob and Zarb served as members of the Finance Committee during 2003.

Ownership of Certain Securities

The only persons who, to the knowledge of AIG, own in excess of five percent of the AIG Common Stock are FMR Corp., 82 Devonshire Street, Boston, Massachusetts 02109, which filed a Schedule 13G on February 17, 2004, with respect to the 145,079,199 shares of AIG Common Stock held by it, and SICO, P.O. Box 152, Hamilton, Bermuda. According to the Schedule 13G filed by FMR Corp., it is the parent company of various entities (collectively, Fidelity) which provide investment advisory and management services to the Fidelity Group of mutual funds. The Schedule 13G states that Fidelity is the beneficial owner of an aggregate of 5.56 percent of the outstanding AIG Common Stock, 141,061,406 shares as a result of providing these services to the funds, and that Fidelity International Limited, which operates as an entity separate from FMR Corp. and Fidelity, is the beneficial owner of 4,017,793 shares of AIG Common Stock. At January 31, 2004, SICO held 311,513,496 shares, or 11.94 percent, of the outstanding AIG Common Stock. The Starr Foundation and Starr (both having executive offices at 70 Pine Street, New York, New York) held 53,547,406 shares and 47,348,270 shares (including 18,844,309 shares held by the C.V. Starr & Co., Inc. Trust), or 2.05 percent and 1.81 percent, respectively, of the outstanding AIG Common Stock on that date.

The following table summarizes the ownership of equity securities of AIG, Starr and SICO by the directors, by Messrs. John A. Graf, Donald P. Kanak and Rodney O. Martin, Jr., who together with Messrs. Greenberg and Sullivan are the current executive officers named in the Summary Compensation Table (as set forth under the caption Compensation of Directors and Executive Officers), and by the directors and current executive officers as a group.

Director or Executive Officer	Equity Securities of AIG, Starr and SICO					
	Owned Beneficially as of January 31, 2004(1)					
	AIG		Starr		SICO	
	Common Stock		Common Stock		Voting Stock Amount	
Amount and Nature of Beneficial Ownership(2)(3)(4)(5)	Percent of Class	Amount and Nature of Beneficial Ownership(6)	Percent of Class	Amount and Nature of Beneficial Ownership	Percent of Class	
M. Bernard Aidinoff	99,302	(7)	0		0	
Pei-yuan Chia	50,324	(7)	0		0	
Marshall A. Cohen	78,035	(7)	0		0	
William S. Cohen	0		0		0	
Martin S. Feldstein	121,562	(7)	0		0	
Ellen V. Futter	12,487	(7)	0		0	
John A. Graf	611,369	.02	250	1.03	0	
M.R. Greenberg	45,307,097	1.74	4,000	16.41	10	8.33
Carla A. Hills	83,257	(7)	0		0	
Frank J. Hoenemeyer	120,096	(7)	0		0	
Richard C. Holbrooke	10,800	(7)	0		0	
Donald P. Kanak	60,419	(7)	1,000	4.10	0	
Rodney O. Martin, Jr.	726,303	.03	250	1.03	0	
Howard I. Smith	460,547	.02	1,875	7.69	10	8.33
Martin J. Sullivan	94,054	(7)	1,125	4.62	0	
Edmund S.W. Tse	1,280,335	.05	1,750	7.18	10	8.33
Jay S. Wintrob	2,056,792	.08	750	3.08	0	
Frank G. Wisner	30,478	(7)	0		0	
Frank G. Zarb	11,900	(7)	0		0	
	54,093,471	2.07	18,000	73.85	50	41.67

All Directors and Executive Officers of AIG as a Group
(38 individuals)
(footnotes on following page)

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(footnotes from previous page)

- (1) Amounts of equity securities of Starr and SICO shown represent shares as to which the individual has sole voting and investment power. With respect to shares of AIG Common Stock, totals include shares as to which the individual shares voting and investment power as follows: Feldstein 23,727 shares with his wife, Greenberg 43,475,501 shares with his wife and 103,082 shares with co-trustees, Tse 3,555 shares with his wife, and all directors and executive officers of AIG as a group 44,137,579 shares.
- (2) Amount of equity securities shown includes shares of AIG Common Stock subject to options which may be exercised within 60 days as follows: Aidinoff 63,233 shares, Chia 31,593 shares, M. Cohen 63,233 shares, Feldstein 63,233 shares, Futter 10,500 shares, Graf 607,124 shares, Greenberg 1,728,514 shares, Hills 63,233 shares, Hoenemeyer 63,233 shares, Kanak 36,703 shares, Martin 687,053 shares, Smith 259,217 shares, Sullivan 59,468 shares, Tse 377,889 shares, Wintrob 855,436 shares, Wisner 29,874 shares, and all directors and executive officers of AIG as a group 6,560,183 shares. Amount of equity securities shown excludes 375 shares granted to each non-employee director during 2003 with delivery deferred until retirement from the Board.
- (3) Amount of shares shown for each of Mr. Greenberg and Mr. Smith does not include 18,844,309 shares held as trustee for the C.V. Starr & Co., Inc. Trust, as to which each of them disclaims beneficial ownership. Inclusion of these shares would increase the percentage ownership of AIG Common Stock shown above for each of them by .72 percent.
- (4) Amount of equity securities shown also excludes the following securities owned by members of the named individual's immediate family as to which securities such individual has disclaimed beneficial ownership: Aidinoff 2,364 shares, Zarb 4,945 shares, and all directors and executive officers of AIG as a group 35,648 shares.
- (5) Amount of shares shown for Mr. Greenberg also excludes 4,677,500 shares owned directly by Starr (representing 16.41 percent of the shares owned directly by Starr) as to which Mr. Greenberg disclaims beneficial ownership.
- (6) As of January 31, 2004, Starr also had outstanding 6,000 shares of Common Stock Class B, a non-voting stock, and 3,838 shares of Preferred Stock, Series X-1. None of the named individuals holds such shares. As of January 31, 2004, the named individuals beneficially owned the following aggregate shares of various series of Starr Preferred Stock (out of an aggregate total outstanding of 363,733 shares): Greenberg (114,000); Kanak (3,375); Smith (18,375); Sullivan (4,600); Tse (18,750); and Wintrob (3,000). These named individuals received dividends of Starr Series V Preferred Stock in 2003 out of a total issued of 28,750 shares as follows: Greenberg (4,000); Graf (250); Kanak (750); Martin (250); Tse (1,750); Smith (1,750); Sullivan (750); and Wintrob (750). Mr. Greenberg also beneficially owned 100 shares of Starr's 5% Senior Preferred Stock as of January 31, 2004.
- (7) Less than .01 percent.

At January 31, 2004, Mr. Greenberg owned 22,500 shares of Transatlantic common stock and the named individuals also held options which may be exercised within 60 days with respect to shares of Transatlantic and 21st Century as follows: Transatlantic common stock, \$1.00 par value per share: Greenberg 118,750 shares, and Smith 17,875 shares; 21st Century common stock, without par value: Smith 28,000 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors, executive officers and ten percent holders of AIG Common Stock to file reports concerning their ownership of AIG equity securities. Based