

United States Senate Committee on Finance

For Immediate Release

Wednesday, March 18, 2009

Grassley, Baucus Seek Details of AIG Bonuses, Any Claw-back Policies

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, and Sen. Max Baucus, chairman, today asked the head of the American International Group, Inc. (AIG) for details of how it decided to allocate \$160 million in bonuses after taking \$170 billion in rescue money from taxpayers and any policies to prevent the awarding of bonuses to executives who did not perform well.

The text of the senators' letter to Edward M. Liddy, chairman and chief executive officer of AIG, follows here.

March 18, 2009

Via Electronic Transmission

Mr. Edward M. Liddy
Chairman and Chief Executive Officer
American International Group, Inc.
2929 Allen Parkway
Houston, Texas 77019

Dear Mr. Liddy:

On March 14, 2009, you wrote to Treasury Secretary Timothy Geithner that American International Group, Inc. (AIG) plans to pay \$165 million in bonuses to AIG executives, despite the fact that these executives were partly responsible for the company's near collapse. You state that, although you do not agree with the contracts awarding these bonuses, the contracts are "legal, binding obligations of AIG" and AIG cannot get out of these contracts without there being "serious legal, as well as business, consequences for not paying." Although these payments were ostensibly part of an employee retention plan, there are press reports that many bonus recipients are no longer with the company.

Because taxpayers have a deep interest in making sure their money is not squandered by financial institutions receiving bailout money, we are interested in receiving information on these executive bonuses. Thank you for promptly providing the Finance Committee with a copy of the employee retention plan and legal opinions regarding the litigation risk of failure to pay the bonuses in question. However, in order to gain a more complete understanding of facts and

circumstances, please provide the Committee with the following additional information by March 25, 2009:

- 1) a list of the titles, descriptions, names and position descriptions for each employee to whom AIG paid a bonus of \$1 million or more on March 15, 2009;
- 2) the length of time each such person was employed by AIG;
- 3) an explanation why it is critical to retain that particular employee;
- 4) whether that employee was still employed by AIG on March 15, 2009; and
- 5) to what extent the employee has committed to remain with AIG and for what length of time.

Surveys indicate that a large number of companies have “claw-back” policies to recoup money if an executive or manager (or the company itself) does not perform as well as originally believed, or where compensation was paid based on sales or other performance goals that were later found to be illusory. Does AIG have a meaningful “claw-back” policy, and if so, please describe it in your response.

The documents and information should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov. Any questions or concerns should be directed to John Angell of Senator Baucus’s staff and Emilia DiSanto or Chris Condeluci of Senator Grassley’s staff at (202) 224-4515. Thank you for your cooperation in this matter.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member