Frequently Asked Questions

September 19, 2008 3:00 p.m. CDT

AIG American General

Q. What did the Federal Reserve Bank do for American International Group Inc. (AIG)?

On September 16th, the Federal Reserve Bank (Fed) agreed to provide AIG with a two year secured revolving credit facility for $85 billion to help AIG with its short term liquidity needs. The AIG Board approved the transaction because it was the best solution for all of AIG's constituencies, including policyholders.

Q. Is there a new CEO of AIG?

A. Yes. AIG Chairman and Chief Executive Officer, Robert Willumstad, has resigned his position with AIG. Edward M. Liddy, former Chairman of the Allstate Corporation, has been named AIG's new Chief Executive Officer.

Q. I have heard that companies within AIG will be sold. If you are sold, will my policy be safe?

A. Although it is unclear if assets will be divested of the parent, the insurance policies written by AIG companies are direct obligations of its regulated insurance companies. These companies are well capitalized and meet or exceed local regulatory capital requirements. Regardless of ownership, AIG American General insurance companies will maintain the resources to meet the long-term obligations of their policyholders.

New York State Insurance Department Superintendent Eric Dinallo stated in an interview on CNBC on 09/17/08 that, "I believe that the policies were always safe. There was always core solvency of the insurance companies, and they are now even more enhanced because no one has to worry about any kinds of withdrawals or run on the insurance companies."

In a press release issued 09/17/08, NAIC President and Kansas Insurance Commissioner Sandy Praeger said, "The key distinction [about the revolving credit facility from the Fed] is that AIG's insurance subsidiaries did not cause this crisis — rather, they will play a critical role in the solution."

Q. I heard AIG has been downgraded. By which agencies?

A. The following agencies have downgraded American International Group, Inc. (AIG) and many of its subsidiaries:

A.M. Best Company downgraded AIG and most of its subsidiaries. Specifically, A.M. Best downgraded the financial strength rating (FSR) of the domestic life insurance and retirement services subsidiaries, including AIG American General, one notch to A (Excellent) from A+ (Superior) and issuer credit ratings (ICR) to "a" from "aa" for the domestic life insurance and retirement services subsidiaries of AIG, which includes AIG American General.

Fitch Ratings downgraded AIG's issuer default ratings (IDR) to A from AA-. The domestic life companies and retirement services financial strength ratings (FSR), including AIG American General, were downgraded two notches to AA- from AA+. On September 17, 2008, Fitch Ratings revised its Rating Watch on American International Group, Inc. (AIG) to Evolving from Negative. Fitch's action follows AIG's announcement that its board has approved a transaction under which the Federal Reserve Bank of New York will provide AIG with a two-year $85 billion secured revolving credit facility. Fitch views this transaction as a favorable development that alleviates significant near-term liquidity concerns.

Standard & Poor's Ratings Services (S&P) downgraded AIG's long-term counterparty rating to A- from AA-. The FSRs for the domestic life insurance and retirement services, including AIG American General, were downgraded to A+ from AA+. S&P's press release says "the main reason for the rating actions is the combination of reduced flexibility in meeting additional collateral needs and concerns over increasing residential mortgage-related losses. Mark-to-market losses from mortgage-related investments….have placed significant pressure on AIG's ability to access capital and liquidity. This is happening concurrently with significant dislocation across the financial markets. Despite these factors, the ratings also reflect the group's strong and diversified global competitive position in life and general insurance as well as its historically strong operating result." On September 17, 2008, S&P revised its outlook on AIG from Credit watch negative to credit watch developing.

Moody's Investors Service downgraded AIG's senior unsecured debt rating to A2 from Aa3. The

American General Life **Financial Strength Ratings** *as of September 19, 2008*

Agency	Rating	Descriptor	Definition
Standard & Poor's[1]	A+	Strong	"An insurer rated 'A' has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings."
Moody's Investors Service[2]	Aa3	Excellent	"Insurance companies rated Aa offer EXCELLENT financial security. Together with the Aaa group, they constitute what are generally known as high-grade companies."
Fitch Ratings[1]	AA-	Very Strong	"Denote a very low expectation of ceased or interrupted payments. They indicate VERY STRONG capacity to meet policyholder and contract obligations on a timely basis. This capacity is not significantly vulnerable to foreseeable events."
A.M. Best Company[2]	A	Excellent	"Assigned to companies that have, in our opinion, an EXCELLENT ability to meet their ongoing insurance obligations."

1 Outlook emerging 2 Outlook negative

domestic life insurance and retirement services, including AIG American General, were downgraded one notch to Aa3 from Aa2.

Q. What do ratings mean?

A. Independent ratings agencies, such as A.M. Best and Standard & Poor's, provide opinions on an organization's ability to meet its financial obligations to its policy holders, creditors and shareholders. Generally there are two components to ratings – a credit rating (e.g., IDR referenced above) and a financial strength rating (FSR).

Credit ratings, or long-term debt ratings, are an evaluation by the ratings agencies of the creditworthiness of an organization and its ability to pay its short- and long-term debt. Financial strength ratings are an evaluation by the ratings agencies of an insurer's ability to meet its obligations to its policy holders.

Q. What is AIG doing to address the current situation?

A. This past year has been very troubling for the financial markets and many fine companies, including AIG, have been impacted. AIG has undertaken a comprehensive review of all its businesses with a goal of improving results, reducing AIG's risk profile and protecting its capital base.

AIG's life insurance, general insurance and retirement services businesses remain adequately capitalized and fully capable of meeting their obligations to policy holders.

AIG is actively evaluating alternatives to increase its short-term liquidity. However, the insurance policies written by AIG companies are direct obligations of its regulated insurance companies. These companies are well capitalized, meet or exceed local regulatory capital requirements, and continue to operate in the normal course to meet obligations to policy holders.

Recent events do not change our continuing commitment to providing our clients with world-class coverage and the highest levels of service. It is important to note that AIG's core operations remain sound and that we have strong franchises that provide valuable products and services that are much needed by American consumers. In addition, we continue to remain absolutely committed to fulfilling the long-term financial obligations to our customers.

Q. What can you tell me about my policy?

A. AIG American General wants to reassure policyholders that our member insurance companies continue to maintain sufficient capital to meet policyholder obligations.

Insurance is a highly regulated industry. All insurance companies doing business in the United States are regulated by state law, and required to maintain enough capital and surplus to satisfy their obligations to their policy holders. The type and quantity of investments in which insurance companies may invest surplus capital is also limited by state law. Although various companies owned by AIG are part of a larger insurance holding company system – including the member insurers of AIG American General – each company is individually responsible for the liabilities associated with the business that it sells. In addition, each insurer is individually regulated by its state of domicile for compliance and financial solvency independent of its parent or affiliates. This includes ongoing financial reporting to the regulator and undergoing periodic financial examination.

In accordance with state insurance requirements and investment guidelines, AIG American General's general account is primarily invested in high quality investment grade fixed income securities (bonds). The investment objective of the general account is to optimize yield, adjusting for credit risk, liquidity and liability characteristics.

State insurance regulations are substantial and are designed to preserve and enhance the solvency of the general account and to assure that the contractual obligations to our policy holders are fulfilled. These regulations, along with the conservative investment requirements, help to safeguard client assets.

It is important to note that the guarantees related to individual AIG American General life policies and annuity contracts are backed by the general account of the respective issuing companies. These general accounts support only the obligations of AIG American General life insurance companies and are not obligated to support any other AIG businesses.

Q. Who are AIG American General's re-insurers?

A. AIG American General utilizes many re-insurers. The major companies are Swiss Re, RGA Reinsurance, Transamerica Reinsurance, Munich Re, and Gen Re.

Q. Is my policy insured under the FDIC?

A. No. The FDIC insures bank accounts – checking, savings, trust, certificates of deposit (CDs), IRA retirement accounts held at the bank and also money market deposit accounts. All of these bank accounts generally are insured by the FDIC up to the legal limit of $100,000.

The FDIC does not insure products such as mutual funds, annuities, life insurance policies, stocks and bonds.

AIG® American General