

# Frequently Asked Questions for Producers and CSRs

March 16, 2009 8 a.m. CDT

**American  
General**  
Life Companies

We know your clients have questions. We are providing you with this frequently asked questions document to help you provide answers and reassurance.

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## **Executive compensation**

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**Q.** I heard that AIG is paying bonuses. Is this true?

**A.** The contractual bonus programs for the AIG Financial Products division that were paid out this weekend and widely discussed in the media were contractual commitments to those employees made months ago — long before the government loan was received.

AIG will continue to closely scrutinize all ongoing compensation planning to ensure that decisions are absolutely critical to the business and in the best interests of taxpayers. All future compensation actions, including raises, incentive awards and other forms of compensation, have been put on hold pending further review.

**Q.** I heard AIG was making retention bonuses. Is this true?

**A.** These are contractual compensation arrangements made to key employees in order to stabilize AIG's businesses and to prevent the loss of key employees to competitors.

AIG recognizes that retaining key employees will maximize the ultimate value of AIG's businesses for the benefit of all of AIG's stakeholders, including taxpayers. A loss of key employees could reduce the value of AIG's businesses and impair its ability to enact a successful asset disposition plan.

**Q.** Are there other bonuses, retention payments or other similar awards that AIG is considering paying out?

**A.** Over the past six months AIG has actively embraced the evolving standards of compensation governance. This has resulted in significant sacrifices being made by AIG's most senior officers and the rest of AIG's senior partner group. AIG's top seven executives will not receive a bonus for 2008 and the next level of executives may receive a bonus that is significantly less than target and subject to various other limitations. No awards have been deferred.

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## **Policy safety**

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**Q.** Is my policy safe?

**A.** Yes. Our insurance companies remain strong and well-capitalized. We have ample reserves and capital to meet our long-term obligations to policy holders. We continue to operate normally, serving our clients with professionalism and integrity.

**Q.** Can you tell me more about how policies are protected?

**A.** 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 American International Group, Inc. (AIG) are part of a larger insurance holding company system — including American General Life Companies (American General) insurers — 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, an insurer'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 policy holders.

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

If you would like to see what the state insurance regulators and the National Association of Insurance Commissioners have to say on this matter, please go to the Answer Center on [www.americangeneral.com](http://www.americangeneral.com).

Q. If I have a claim, will you be able to pay it?

A. Yes, our insurance companies are able to pay all valid claims. Our insurance companies remain strong and well-capitalized.

Q. Someone has approached me about surrendering my American General Life Companies insurance policy or annuity contract. What should I do?

A. Be sure to have all the facts before making a decision about your insurance policy or annuity contract. Here are a few reasons why keeping your current policy or contract is likely the best choice for you:

- If you cancel your policy or contract, you may subject yourself to surrender charges that could diminish its cash value.
- If your health has changed since you bought your current insurance policy, a new policy could cost you more, or you may even be turned down for a new policy.
- If you are older now than when you purchased your current policy, your premiums will likely be higher.

Q. Should I pay the insurance premium bill I just received from your company?

A. Yes, in order for your coverage with us to continue, you will need to pay the insurance premiums. Failure to pay your premiums can result in the termination of your insurance policy.

## **AIG's 2008 results and restructuring**

Q. AIG announced fourth-quarter results and a restructuring of its organization. What can you tell me about this?

A. On March 2, AIG announced fourth quarter and year-end 2008 results, as well as a broad set of actions that will reduce the debt AIG owes the government, strengthen AIG's capital base, and allow AIG time to benefit from future improvements in market and industry conditions. These actions include an overhaul of the government loan, which eases terms, as well as a restructuring of the organization.

These announcements by no means end AIG's financial difficulties, however, they afford the company more time to sell assets in order to repay the loan, and hopefully in a better economic environment. For more information, the full press releases are available at [www.aig.com](http://www.aig.com).

Q. Why is AIG borrowing more money from the U.S. government in this new arrangement?

A. The plan provides access to additional financial backstops should market conditions persist, deteriorate or should the company seek to undertake certain types of divestiture or recapitalization activities. AIG's liquidity needs have been significantly stabilized since last November, and AIG is not drawing upon these backstop facilities at this time.

AIG provides a wide range of insurance protection to individuals, small businesses, Fortune 500 companies, municipalities, 401(k) plans and nonprofit organizations around the world. The government's assistance to AIG is intended to minimize the risk to the global economy. The new plan includes tools to improve the company's capital structure, protect and enhance the value of its key businesses, and position them to become more independently run, transparent companies.

Q. What does the AIG restructuring mean to American General Life Companies?

A. American General now has the time and flexibility to wait for market conditions to improve and to explore all options available to the business. What

will not change is our commitment to our policy holders. Strict regulations ensure that our insurance companies set aside sufficient assets to back up each insurance policy, and these companies remain strong and well capitalized. Policy holders will be fully protected throughout the restructuring process.

Q. What can you tell me about the announcement that AIG will securitize part of the domestic life companies' policies?

A. AIG announced that it will reduce the debt it owes the government, in part, by securitizing a defined block of in-force life insurance policies underwritten by its domestic life companies. This means that AIG will issue senior certificates to the U.S. government, which will in turn sell these certificates when market conditions stabilize or continue to collect the cash flows from the underlying policies.

This securitization program will in no way affect the day-to-day operations of any of our insurance companies and does not prevent the future sale of American General's businesses. We will continue to write new business, administer policies and serve our customers and distribution partners. Our obligations to policy and annuity owners will not change, and our member insurers remain strong and well capitalized.

Q. Are you planning to send letters to policy owners about the issues at hand?

A. The insurance policies and annuity contracts underwritten by American General member insurers are safe. Our insurance companies remain strong and well-capitalized, and we will continue to pay all valid claims.

We are communicating with our policy owners through their agents and advisors, through inserts in our regular policy owner mailings, on our Web site and through our customer service centers.

Please visit the Answer Center at [www.americangeneral.com](http://www.americangeneral.com) for up-to-date information.

Q. What is AIG's current stock price?

A. You can find AIG's current stock price on the main page of [www.aig.com](http://www.aig.com).

## Bankruptcy

### Q. What if AIG goes bankrupt?

A. AIG has no plans to file for Chapter 11 protection. AIG is an international financial holding company with numerous businesses. Your insurance policy or annuity contract is written by one of AIG's insurance companies, such as the members of American General Life Companies. 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 policy holders. Your policy is safe.

## Ratings

### Q. What are your current ratings?

A. The table on this page provides ratings of the American General Life Companies as of March 2, 2009. For more detailed information, please visit the individual rating agency Web sites.

### 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 and a financial strength rating.

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.

## Domestic Life Insurance Companies' Financial Strength Ratings as of March 2, 2009

Agency	Rating	Descriptor	Definition
Standard & Poor's <sup>1</sup>	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 <sup>2</sup>	A1	Good	"Insurance companies rated 'A' offer GOOD financial security. However, elements may be present, which suggest a susceptibility to impairment some time in the future."
Fitch Ratings <sup>3</sup>	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 <sup>4</sup>	A	Excellent	"Assigned to companies that have, in our opinion, an EXCELLENT ability to meet their ongoing insurance obligations."

<sup>1</sup> Negative outlook, <sup>2</sup> Developing outlook, <sup>3</sup> Rating watch evolving, <sup>4</sup> Negative outlook

For more detailed information on specific insurer ratings visit [www.americangeneral.com/ratings](http://www.americangeneral.com/ratings).

## Asset sales

### Q. Will AIG proceed with the sale of AIG Life of Canada?

A. Yes. In order to help repay the government loan, AIG announced on October 3, 2008 that it intends to refocus the company on its core property and casualty insurance businesses, while exploring opportunities to sell its remaining high-quality businesses, including AIG Life Insurance Company of Canada (AIG Life of Canada). The sale of AIG Life of Canada, along with other AIG assets that are in different stages of the process, represents important progress toward AIG's goal to repay the government loan.

### Q. How does this agreement affect AIG Life of Canada's obligations to its policy holders?

A. BMO Financial Group's acquisition of AIG Life of Canada will not, in any way, alter its commitments to AIG Life of Canada policy holders. Policy holders will continue to receive the same great service, with no interruption in coverage and benefits. No policy holder action is necessary.

### Q. Would the sale of one or more of the insurers of American General Life Companies impact policy holders?

A. No. The insurance policies written by one of our insurers are the direct obligations of that underwriting company – not AIG or any prospective buyer. The sale of an insurer does not change its obligations to its policy holders. Our commitment to customer service remains the same, and we continue to strive to exceed your expectations in everything we do. Our customer service centers are available to assist you with questions or policy maintenance issues.

### Q. Why has your logo changed from "AIG American General" to "American General Life Companies"?

A. Going forward, we are using the name we built our reputation on — American General Life Companies. This interim brand represents the reasons you chose American General in the first place, and the reasons we are still the right choice today.

As we look toward the future, we are working harder than ever to earn and keep your business. And we continue to offer the same commitment to quality service and innovative products that we have for the past 150 years.

American General Life Companies, [www.americangeneral.com](http://www.americangeneral.com), is the marketing name for the insurance companies and affiliates comprising the domestic life operations of American International Group, Inc. (AIG). Information regarding AIG or American General Life Companies presented in this brochure is for informational purposes only and represents combined statistical information of the member companies of AIG or American General Life Companies. Neither AIG nor American General Life Companies underwrites any insurance policy described within this brochure. **The licensed insurance company underwriting the product is solely responsible for its own financial condition and its contractual obligations.**

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