

# Frequently Asked Questions for Producers

November 11, 2008 10 a.m. CST



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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## Policy holder issues

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Q. Is my insurance policy safe?

A. Yes, your insurance policy is safe. Our insurance companies remain strong and well-capitalized. 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. We continue to operate normally and are here to help you.

Q. Should I cash in my insurance policy or annuity contract?

A. Your insurance policy or annuity contract is safe. Our insurance companies remain strong and well-capitalized. 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.

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.

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.

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.

Q. I want to cancel my policy.

A. I am sorry to hear that. Our insurance companies remain strong and well-capitalized. 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. Your policy is safe. We continue to operate normally and are here to help you.

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

A. Please be sure you have all the facts before making a decision.

## Sale of AIG American General

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Q. American International Group, Inc.'s (AIG) CEO announced a plan for the company's future, which includes the sale of the AIG American General insurers. Why did AIG make the decision to sell its domestic life insurance business?

A. Quite simply, because the domestic life insurance business is valuable. The proceeds from a sale of these assets

can be used toward paying off the credit facility issued by the Federal Reserve Bank of New York.

Q. What does a sale mean for policy holders?

A. First and foremost, we want to assure you that your policies are safe and secure. 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.

## Ratings

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Q: I heard that Fitch has cut ratings of American General, is this true?

A: On November 10, CNN ran a story with the headline "Fitch cuts ratings of AIG unit American General." This story is regarding American General Finance, not our companies — the AIG American General Life Companies.

The press release that Fitch issued on November 10 is very positive for our company, as well as our parent company, AIG. Fitch affirmed all of AIG's ratings with the one exception of American General Finance. In addition, AIG has been removed from "Rating Watch" and assigned a stable outlook.

Q. What are your current ratings?

A. The table on page 2 of this document provides ratings of the AIG American General domestic life insurance companies as of November 10, 2008. 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.

**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 AIG are part of a larger insurance holding company system — including AIG 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.

**Domestic Life Insurance Companies’ Financial Strength Ratings as of November 10, 2008**

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>	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 <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> CreditWatch developing, <sup>2</sup> On review for possible further downgrade, <sup>3</sup> Stable outlook <sup>4</sup> Negative outlook  
**For more detailed information on specific insurer ratings visit [www.AIGAG.com/ratings](http://www.AIGAG.com/ratings).**

It is important to note that the guarantees related to individual AIG 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 AIG American General life insurance companies 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 [www.aigag.com](http://www.aigag.com) and click on the main banner for more information.

**Federal Reserve Bank of New York**

**Q. I heard AIG received a new credit line from the U.S. Treasury. Is this true?**

On November 10, AIG announced new agreements with the U.S. Treasury and the Federal Reserve Bank of New York to help resolve the liquidity issues of the company. This is a beneficial agreement for all parties involved. For more information, please read the entire press release at [www.aig.com](http://www.aig.com).

**Q. Did the terms of the initial credit facility change?**

The size of the existing credit facility from the Federal Reserve Bank of New York will be amended to reduce the capacity from \$85 billion to \$60 billion. Additionally, the term will be extended from 2 years to 5 years and the interest rate was reduced from LIBOR plus 8.5% annum to LIBOR plus 3.0% plus annum.

**Q. Why did the government bail out AIG?**

A. In September 2008, the government loaned AIG up to \$85 billion to help with its operations. The AIG American General companies remain strong and well-capitalized. 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. Your policy is safe. We continue to operate normally and are here to help you.

**Q. With the recent announcements regarding the sale of assets, how does this impact AIG’s loan from the government? When will AIG pay back the loan?**

A. When AIG sells certain assets such as business units, the proceeds must be used to repay the revolving credit facility from the Federal Reserve Bank of New York. The terms of the credit facility require AIG to repay the facility within five years. AIG is working diligently to secure strong, brand name companies with solid balance sheets to buy the businesses being sold so it can pay back the loan as quickly as possible.

**Q. What did AIG announce on November 10 regarding the new lending facility with the Fed?**

A. AIG announced the second milestone in its plan to stabilize the organization by addressing liquidity issues, creating a more durable capital structure and repaying taxpayers with interest. AIG entered into agreements with the U.S. Treasury and the Federal Reserve Bank

of New York to restructure the bridge loan into a series of longer term and far-ranging arrangements. For more information, please read the entire press release at [www.aig.com](http://www.aig.com).

### **Repaying the loan**

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**Q. Will AIG be able to repay the Federal Reserve Bank of New York loan and the U.S. taxpayers?**

A. The decisive action taken by Congress, the U.S. Treasury and the Federal Reserve Bank of New York has provided AIG with the additional tools necessary to create a durable capital structure, which will make an orderly disposition of certain AIG assets possible. AIG's goal is to repay taxpayers in full with interest, and emerge as a focused global insurer that will create meaningful value for taxpayers and other stakeholders.

AIG still has a lot of work to do to execute this plan and ultimately transition to a restructured and recapitalized AIG, but the agreements put AIG in an improved position to succeed and emerge as a focused, profitable global insurance company — a critical objective to AIG's millions of policy holders, thousands of employees, agents, brokers and sales representatives who rely on AIG for their financial security.

### **Third quarter results**

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**Q. AIG announced a significant third-quarter loss. How does that affect AIG American General?**

AIG's quarterly earnings reflect a confluence of unprecedented events, but do not reflect the core earnings power of AIG's insurance businesses. Despite financial market turmoil and the negative publicity surrounding AIG, consolidated premiums and other considerations were still \$21 billion, up almost 7% from last year.

### **Asset sales**

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**Q. What companies is AIG selling? How big is AIG now?**

A. AIG announced its intention to refocus the company on its global property and casualty business with a continuing presence in life insurance outside the U.S. AIG has expressed its desire to sell its non-core businesses to strong, brand name companies with solid balance sheets.

AIG's goal is to emerge as a smaller but more nimble and highly profitable company with good long-term growth prospects.

**Q. How did AIG determine what assets to sell?**

A. AIG is focusing on its global property and casualty insurance business with a continuing presence in life insurance outside the U.S. AIG is exploring opportunities to sell off certain high-quality businesses and assets.

AIG will continue to sell certain businesses until it is able to raise enough capital to repay the loan from the Federal Reserve Bank of New York and emerge as a smaller, profitable company with good growth prospects.

**Q. Will AIG be paying dividends?**

A. On September 23, 2008, AIG announced that its Board of Directors will suspend the declaration of dividends on AIG's common stock.

### **Executive compensation**

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**Q. Is AIG taking back Martin Sullivan and Joseph Cassano's compensation?**

A. AIG is working closely with the New York State Attorney General's office to review executive compensation. AIG will provide the Attorney General with an accounting of all compensation paid to AIG senior executives and assist in recovering any improper expenditures, including compensation paid to former CEO Martin Sullivan and former head of the Financial Products unit, Joseph Cassano.

Working closely with the New York State Attorney General's office to review executive compensation, AIG has announced that it will not make any payments to the employment agreement of former Vice Chairman Steven Bensinger, who is leaving the company.

**Q. Why is AIG continuing to pay Joseph Cassano a million dollars a month?**

A. AIG's contract with Joseph Cassano, former head of AIG Financial Products, was terminated on Monday, October 6, by mutual consent.

### **Offsite meetings**

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**Q. I heard AIG sponsored another "junket." Is that true?**

On November 6, the AIG Advisor Group, part of SunAmerica, not American General, held its annual conference for its registered advisors. These are not AIG employees, but independent financial advisors who operate their own businesses. The goal of the conference was to provide education and training, including seven general sessions, 22 classes and two working lunches. Financial planners are required to complete professional development programs to both earn and maintain industry certifications and designations. AIG Advisor Group conducts training and educational meeting periodically. The purpose of these meetings is to ensure that independent financial planners receive the knowledge, skills and training to meet the evolving needs of their clients.

**Q. How much did this cost? Did taxpayer dollars pay for this event?**

The majority of the cost — \$320,000 out of a total cost of \$343,000 — was paid for by sponsors, and the remainder — less than \$25,000 — was paid for by the company. The airfare and hotel costs were the responsibility of the independent financial advisors. Only expenses required to ensure the meeting's success were incurred. The AIG Advisor Group takes its commitment to aggressively manage meeting costs very seriously.

**Q. I heard in the media that AIG held an expensive meeting for executives at the St. Regis Resort just days after the Federal Reserve Bank of New York made the \$85 billion loan to the company. Is this true?**

A. AIG American General did hold a recent conference for independent distributors at the St. Regis Hotel and not an "executive retreat" as has been widely reported in the press. In fact, out of over one hundred attendees, only a small minority of the attendees were AIG American General employees.

We recognize that the recent media accounts of the AIG American General conference have raised concerns. We understand that concern and want to assure you that we are reevaluating the

costs of all aspects of our operations in light of the new circumstances in which we are operating. Please visit the AIG Web site at [www.aig.com](http://www.aig.com) for more information on this matter.

**Q. I heard AIG executives spent \$86K on a partridge hunt. Why did this happen? What will happen to those executives?**

A. This event for customers of the AIG property-casualty insurance companies in the UK and Europe should have been canceled, and AIG is sorry that it wasn't.

All further events not essential to the conduct of AIG business have been canceled, in line with AIG's corporate policy announced on October 10, 2008 to stop all non-essential conferences, meetings and activities that do not clearly maximize value and customer service given the current conditions. AIG is also actively investigating the event and the comments made by one of the AIG European units' senior managers in the press, and will take appropriate action. AIG's priority is to focus on actions necessary to repay the Federal Reserve Bank of New York loan and emerge as a vital, ongoing business.

**Q. Will AIG collect money spent on the recent business events (e.g., St. Regis, partridge hunt)? Who is responsible for paying?**

A. I am not aware of any attempts to recover any payments. I can tell you that AIG believes the event for customers in the UK (partridge hunt) should have been cancelled and is sorry that it wasn't. AIG is actively investigating this event and will take appropriate action. Also, all future events not essential to conducting business are being cancelled. AIG's priority is to focus on actions necessary to repay the Federal Reserve Bank of New York loan and emerge as a vital, ongoing business.

**Q. How can AIG executives take a government bailout and then spend taxpayers' money on resorts?**

A. An issue discussed at a recent U.S. congressional hearing mischaracterized a business event held by an AIG subsidiary as an "executive retreat." The event in question was held by AIG American General for independent life insurance agents who were the top sales producers for the company — not for AIG employees. The vast majority of the 100 attendees were

independent business people and their guests, not AIG employees. In fact, only 10 of the attendees were AIG American General employees who were there to represent their company. Not one corporate executive from AIG headquarters attended. AIG's management has announced that because of the very difficult challenges it is now facing it is reevaluating the costs of all aspects of its operation in light of the new circumstances in which it is operating. AIG is focused on doing what is necessary to repay the Fed loan and emerge a lean and healthy organization. Meanwhile, AIG's insurance businesses continue to serve the needs of their policy holders.

### **Expenditures**

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**Q. Is it true AIG is being investigated by Attorney General Andrew Cuomo for continuing to spend taxpayers' money on frivolous expenses?**

A. AIG Chairman and CEO Edward Liddy met with Attorney General Cuomo to address AIG's current governance and expense policies. On October 16, AIG and the Attorney General's office issued a joint statement outlining a number of actions that AIG is taking to address expenses.

AIG issued a clear directive ending all activities that are not essential to the conduct of its business, and will continue to take all measures necessary to ensure that any unnecessary activities cease immediately.

AIG is providing the New York State Attorney General's office with an accounting of all compensation paid to its senior executives and will assist in recovering any improper expenditures.

A Special Governance Committee is being established within AIG that will institute new expense management controls.

AIG is issuing a new Expense Policy Guidebook for all employees to prevent any future unwarranted expenditures.

AIG's priority is to continue focusing on actions necessary to repay the Federal Reserve Bank of New York loan and emerge as a vital, ongoing business.

**Q. What is the expense policy guidebook?**

A. AIG is issuing a new Expense Policy Guidebook for all employees

to prevent any future unnecessary expenditures. It will establish guidelines and procedures for expense control. It is part of several expense control measures AIG has instituted to prevent unnecessary expenditures.

### **Layoffs**

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**Q. Will there be layoffs at AIG?**

A. At this time, AIG cannot predict what employee layoffs, if any, may be necessary.

### **Bankruptcy**

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**Q. Is AIG bankrupt?**

A. No, AIG is not bankrupt. The AIG American General insurance companies remain strong and well-capitalized. 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. Your policy is safe. We continue to operate normally and are here to help you.

**Q. What if AIG goes bankrupt?**

A. AIG is an international financial holding company with numerous businesses. Your insurance and annuity policies are written by AIG's insurance companies such as the AIG American General 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 their policy holders.

### **FBI investigation**

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**Q. Why is AIG being investigated by the FBI?**

A. AIG has issued the following statement concerning the FBI investigations:

AIG has previously disclosed that it is cooperating fully with an ongoing Department of Justice and SEC inquiry concerning losses on AIG's subprime exposure. AIG believes that recent press reports about an investigation by the FBI, which is part of the Department of Justice, involve the same ongoing inquiry.

Unfortunately, we do not have more detailed information at this time.

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AIG American General, [www.aigag.com](http://www.aigag.com), is the marketing name for the insurance companies and affiliates of American International Group, Inc. (AIG), which comprise AIG's Domestic Life Insurance Operations. Information regarding American International Group, Inc. ("AIG") or AIG American General presented in this brochure is for informational purposes only and represents combined statistical information of the member companies of AIG or AIG American General. Neither AIG nor AIG American General 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.**

