

# Frequently Asked Questions

September 24, 2008

On September 16, 2008 the U.S. Government agreed to loan up to \$85 billion to AIG to address its liquidity issues. AIG is the parent company of AIG Retirement. State insurance laws require all insurance companies to maintain sufficient capital and surplus to satisfy contract guarantees. These regulations protect our clients' assets and ensures that they are separate from those of AIG. Visit the Texas Department of Insurance [website](#) for more AIG policyholder information.

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

A. 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 annuity be safe?

A. Although it is unclear if assets will be divested of the parent, the annuity contracts issued by VALIC are its direct obligation. VALIC is well capitalized and meets or exceeds local regulatory capital requirements. Regardless of ownership, VALIC will maintain the resources to meet the long-term obligations of its contract owners.

Please see [www.aig.com](http://www.aig.com) and [www.naic.org](http://www.naic.org) for more information.

## Q. I heard VALIC has been downgraded. By which agencies?

A. The following agencies have downgraded VALIC:

**A.M. Best Company** downgraded the financial strength rating (FSR) of VALIC, one notch to A (Excellent) from A+ (Superior).

**Fitch Ratings** downgraded VALIC's financial strength ratings (FSR) two notches to AA- from AA+. On September 17, 2008, Fitch Ratings revised its Rating Watch on American International Group, Inc. (AIG) and its subsidiaries 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 VALIC's FSRs to A+ from AA+.

On September 17, 2008, S&P revised its outlook on AIG from Credit watch negative to credit watch developing.

**Moody's Investor Service** downgraded VALIC one notch to Aa3 from Aa2. In

its press release, Moody's noted, "The insurance financial strength ratings of the major operating units, currently in the Aa range, reflect their strong intrinsic business and financial profiles as well as Moody's expectation that AIG will take whatever steps possible to protect these operations." See ratings table on page 2.

## 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 policyholders, creditors and shareholders, based on a thorough review of the organization and its financial condition.

Financial strength ratings are an evaluation by the ratings agencies of an insurer's ability to meet its obligations to its contract 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

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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 policyholders.

Recent events do not change our continuing commitment to providing our clients with world-class products 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 annuity contract?

A. VALIC wants to reassure owners that we continue to maintain sufficient capital to meet our 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 VALIC – each company is individually

**“We understand that our customers have their life savings with us. We take this responsibility very seriously and we work hard each day to earn their trust and confidence.”**

*Bruce R. Abrams  
President and CEO  
AIG Retirement*

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, VALIC'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 account

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 VALIC annuity contracts are backed by its general account. This general account supports only the obligations of VALIC and no other AIG businesses.

## Q. Is my policy insured by the FDIC?

A. No. The FDIC insures bank accounts, such as checking, savings, trust, certificates of deposit (CDs), IRAs and 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.

## VALIC Financial Strength Ratings

as of 9/17/2008

Agency	Rating	Descriptor	Definition
A.M. Best	<b>A</b>	Excellent	“Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.”
Fitch	<b>AA-</b>	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.”
Moody's	<b>Aa3</b>	Excellent	“Insurance companies rated Aa offer excellent financial security. Together with Aaa group, they constitute what are generally known as high-grade companies.”
S&P	<b>A+</b>	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.”

**Securities and investment advisory services are offered by AIG Retirement Advisors, Inc., member FINRA, SIPC and an SEC-registered investment advisor.**

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