

# Impact of Recent Federal Reserve Bank's Revolving Credit Facility to AIG

September 24, 2008

On September 16, 2008, the Federal Reserve Board, with the support of the Treasury, authorized the NY Federal Reserve Bank to lend American International Group, Inc. (AIG) up to \$85 billion. The loan takes the form of a secured revolving credit facility, which AIG can draw from when needed over the next 24 months. AIG is the parent company of The Variable Annuity Life Insurance Company (VALIC).

The financial issues of our publicly-traded parent company do not affect our ability to pay claims. VALIC is financially strong with sufficient capital to meet our obligations to contract owners (see ratings table below). Visit the Texas Department of Insurance [website](#) for more AIG policyholder information.

## Additional Points of Interest

- It is important to note that the guarantees related to VALIC annuity contracts are backed by the general account of VALIC. This general account supports only the obligations of VALIC and is not obligated to support any other AIG businesses.
- As a holding company, AIG is a separate, federally regulated legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. State insurance regulators are committed to protecting the interest of policyholders and will work closely with AIG management and other regulators to fulfill this commitment.<sup>1</sup>
- AIG will be permitted to draw up to \$85 billion when needed over the next 24 months. The secured revolving credit facility allows AIG to satisfy its short-term liquidity pressures while ensuring that its business units remain well capitalized and highly competitive.

## About VALIC

as of 6/30/2008

- Founded in 1955
- Nearly 2 million customer accounts
- A market leader in K-12, higher education and healthcare institutions
- General account assets of \$32.57 billion and adjusted capital and surplus of \$3.4 billion — significantly in excess of minimum regulatory requirements<sup>2</sup>
- Fixed income assets hold an average credit rating of A
- 93% of the fixed income portfolio is investment-grade quality

**“We have a very strong message for consumers: If you have a policy with an AIG insurance company, they are solvent and have the capability to pay claims.”**

National Association of Insurance Commissioners (NAIC) President Sandy Praeger  
September 17, 2008

## VALIC Financial Strength Ratings

as of 9/17/2008

Agency	Rating	Descriptor	Definition
Standard & Poor's <sup>3</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>4</sup>	Aa3	Excellent	“Insurance companies rated Aa offer excellent financial security. Together with Aaa group, they constitute what are generally known as high-grade companies.”
Fitch Ratings <sup>5</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>6</sup>	A	Excellent	“Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.”

<sup>1</sup> National Association of Insurance Commissioners (NAIC) News Release “Insurance Consumers Protected by Solvency Standards,” 9/16/2008

<sup>2</sup> Second Quarter 2008 Filing for VALIC

<sup>3</sup> Credit watch developing

<sup>4</sup> On review for possible further downgrade

<sup>5</sup> Rating watch evolving

<sup>6</sup> Under review with negative implications.

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