



Questions & Answers on AIG American General

What's Happening With AIG?

The problems at AIG don't stem from their casualty or life insurance business, rather, they stem from the more complex financial products AIG offers, particularly its credit default swap business, which insures high risk debt and bonds against default. As the mortgage crisis in the U.S. has grown over the last year, the value of mortgage backed bonds and related securities has deteriorated, driving down the value of those complex products, which is affecting AIG at the parent/holding company level. AIG is working with its regulators during this difficult time to find the best short and long-term solution to its liquidity needs.

What About the Life Insurance Operations?

The AIG family of insurance and financial services businesses, including structured settlement annuities issued by American General, are all operational and continue to be both healthy and are considered financially stable by all of the major ratings agencies. A.M. Best, the key rating measure for the structured settlement industry, has downgraded AIG's Financial Strength Rating one notch from "A+" to "A" for its lack of liquidity at the holding company level and management's need to secure funding options. An "A" rating from Best is its third highest rating, placing AIG into a category of "Excellent". Best has also assigned AIG a Financial Size Category of "XV", its highest category. Only the strongest and most stable life insurance companies make it into the top two ratings levels from Best (A++, A+ at the top tier, and A, A- at the second tier).

Best's Financial Strength Rating is an opinion of an insurer's ability to meet its obligations to policyholders. Many insurance buyers only want to consider buying insurance coverage from companies that they believe have sufficient financial capacity to provide the necessary policy limits to insure their risks. According to Best, the higher the ratings, the greater a company's financial capacity to meet its obligations. For more information, visit Best's website at www.ambest.com.

Is My Structured Settlement Annuity Going to be Affected?

The future obligations under an annuity are determined by state law and actuarial calculations and are called "reserves". By regulation, all annuity reserves must have assets that equal or exceed their payment obligations. These assets may not be removed from the company. Compliance with reserving requirements is mandatory and closely monitored by each State's insurance regulatory body. In addition, life companies hold "surplus", which is the amount of cash or assets they hold in excess of all of their obligations, present and future. American General holds over \$36 billion in high quality assets (mainly corporate and government bonds) and over \$6 billion in surplus.

What Happens to My Structured Settlement Annuity if AIG Files for Bankruptcy?

The problem AIG faces is one of liquidity, not solvency. AIG has over \$1 trillion in assets, and the assets backing structured settlement annuities are primarily high quality corporate bonds and Treasuries, not complex financial instruments. While we cannot make predictions, even in a worst case scenario, the assets and surplus of American General are very strong and policyholders would likely be covered with no interruption in payments.

Would There Be Guaranty Fund Coverage in the Event of Bankruptcy?

Most states have guaranty funds to help pay the claims of financially impaired insurance companies. State laws specify the lines of insurance covered by these funds and the dollar limits payable. Coverage is usually for individual policyholders and their beneficiaries and not for values held in unallocated group contracts. State guaranty funds may help protect contract owners depending on the policy and/or its dollar amount in the event of an insurer failure. Coverage determination is a complex process and cannot be determined until an insurer actually becomes insolvent.

Who Can I Call About My Annuity?

American General is financially strong and able to meet all of its present and future annuity obligations. In addition to discussing this with your structured settlement consultant, American General's Structured Settlement Department has been actively responding to requests and inquiries and is available to answer any questions or concerns you may have. They can be reached by phone at 1-800-288-4066 or online at www.americangeneral.com/structuredsettlements.

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