



The Variable Annuity Life Insurance Company
2929 Allen Parkway
Houston, TX 77019

Bruce R. Abrams
President & CEO

September 17, 2008

Dear Valued AIG Retirement Clients:

I know that your organization has been deeply concerned about the financial crisis in the United States and its impact on our parent company, AIG. The extraordinary events of the last several days have generated many questions and a good deal of uncertainty about the future. We at AIG Retirement are making every effort to support your needs and keep you informed as these events unfold. We appreciate your patience and understanding.

Attached are [news releases](#) describing the loan for up to \$85 billion that the Federal Reserve has extended to AIG in return for 79.9% equity ownership in the company. This loan is immediately available to AIG and should alleviate any liquidity concerns about our parent, laying the groundwork for continued normal operations at all the company's individual business units, including AIG Retirement.

Let me assure you that AIG Retirement remains a financially and operationally strong organization. We are well-positioned in our markets and a leader in the group retirement services business. There has been and will be no disruption in the services we provide you and your plan participants, nor any impact on our ability to meet our obligations to our clients. VALIC is financially strong, with \$3.4 billion in adjusted capital and surplus as of June 30, 2008.

I understand that you are eager to understand the exact implications of the AIG announcement. We will disseminate additional details as soon as possible. With these facts in hand, I believe you will be in a strong position to communicate with your plan participants and ensure their ongoing confidence in their retirement savings program with us.

As events continue to unfold, please accept my deep personal thanks for your support during this unprecedented time in our history. Your AIG Retirement team is resolute in its dedication to serving your needs. I am proud of their hard work and focus over the last few days. We look forward to maintaining that focus into the future – delivering on our promises and continuing to earn your trust and confidence.

Sincerely,

A handwritten signature in black ink that reads "Bruce Abrams". The signature is written in a cursive, flowing style.

Subject: AIG.fyi 09.16.08 -- FEDERAL RESERVE NEWS RELEASE ON AIG

Release Date: September 16, 2008

For release at 9:00 p.m. EDT

The Federal Reserve Board on Tuesday, with the full support of the Treasury Department, authorized the Federal Reserve Bank of New York to lend up to \$85 billion to the American International Group (AIG) under section 13(3) of the Federal Reserve Act. The secured loan has terms and conditions designed to protect the interests of the U.S. government and taxpayers.

The Board determined that, in current circumstances, a disorderly failure of AIG could add to already significant levels of financial market fragility and lead to substantially higher borrowing costs, reduced household wealth, and materially weaker economic performance.

The purpose of this liquidity facility is to assist AIG in meeting its obligations as they come due. This loan will facilitate a process under which AIG will sell certain of its businesses in an orderly manner, with the least possible disruption to the overall economy.

The AIG facility has a 24-month term. Interest will accrue on the outstanding balance at a rate of three-month Libor plus 850 basis points. AIG will be permitted to draw up to \$85 billion under the facility.

The interests of taxpayers are protected by key terms of the loan. The loan is collateralized by all the assets of AIG, and of its primary non-regulated subsidiaries. These assets include the stock of substantially all of the regulated subsidiaries. The loan is expected to be repaid from the proceeds of the sale of the firm's assets. The U.S. government will receive a 79.9 percent equity interest in AIG and has the right to veto the payment of dividends to common and preferred shareholders.

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**AIG STATEMENT ON ANNOUNCEMENT BY FEDERAL RESERVE BOARD
OF \$85 BILLION SECURED REVOLVING CREDIT FACILITY**

ADDRESSES LIQUIDITY ISSUES AND POLICYHOLDER CONCERNS

NEW YORK, September 16, 2008 - The Board of Directors of American International Group, Inc. (NYSE:AIG) issued the following statement in response to today's announcement by the Federal Reserve Board that the Federal Reserve Bank of New York is providing a two-year, \$85 billion secured revolving credit facility to AIG that will ensure the company can meet its liquidity needs:

“The AIG Board has approved this transaction based on its determination that this is the best alternative for all of AIG’s constituencies, including policyholders, customers, creditors, counterparties, employees and shareholders. AIG is a solid company with over \$1 trillion in assets and substantial equity, but it has been recently experiencing serious liquidity issues. We believe the loan, which is backed by profitable, well-capitalized operating subsidiaries with substantial value, will protect all AIG policyholders, address rating agency concerns and give AIG the time necessary to conduct asset sales on an orderly basis. We expect that the proceeds of these sales will be sufficient to repay the loan in full and enable AIG’s businesses to continue as substantial participants in their respective markets. In return for providing this essential support, American taxpayers will receive a substantial majority ownership interest in AIG.

“We commend the Federal Reserve and the Treasury Department for taking this decisive action to address AIG’s liquidity needs and broader financial market concerns. We thank them for their leadership during this critical time for the global financial markets. We also thank Governor Paterson, Commissioner Dinallo, Commissioner Ario, the other state Commissioners, and the Office of Thrift Supervision for their willingness to assist AIG.

“Policyholders of AIG companies around the world can rest assured that AIG’s commitments will continue to be honored.”

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AIG Statement on Announcement by Federal Reserve Board...

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It should be noted that the remarks made in this press release may contain projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. It is possible that AIG's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause AIG's actual results to differ, possibly materially, from those in the specific projections and statements are discussed in Item 1A. Risk Factors of AIG's Annual Report on Form 10-K for the year ended December 31, 2007, and in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations of AIG's Quarterly Report on Form 10-Q for the period ended June 30, 2008. AIG is not under any obligation (and expressly disclaims any such obligations) to update or alter its projections and other statements whether as a result of new information, future events or otherwise.

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American International Group, Inc. (AIG), a world leader in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in Ireland and Tokyo.

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