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**Peter C. McCarthy, TEP**  
President and Chief Executive Officer

Updated

October 3, 2008

Dear Valued Partner:

To update you since our September 24<sup>th</sup> communication, our parent company American International Group, Inc. (AIG Inc.) has signed a definitive agreement with the U.S. Federal Reserve Bank for a two-year, \$85 billion revolving credit facility. This credit facility will ensure AIG Inc. can meet its liquidity needs and is the best alternative for stakeholders, including policyholders.

In order to help repay the credit facility debt, AIG Inc. today announced that it intends to refocus the company on its core property and casualty businesses, while exploring opportunities to sell its remaining high-quality businesses, including AIG Life Insurance Company of Canada (AIG Life of Canada) and the U.S. based AIG American General life companies.

First and foremost, I believe this is a positive thing for our company and for our collective futures. The fact that AIG Life of Canada, along with the U.S. based AIG American General life companies, will likely be sold indicates the tremendous value of AIG's North American company franchise. AIG Life of Canada, which includes our AIG Assurance division, has a rich history and a strong management team with extensive experience in both brokerage and 'direct to consumer' insurance channels. We offer a potential buyer broad and competitive product platforms, and extensive distribution and customer relationships.

The U.S. and Canadian life insurance companies are being offered for sale as a package. At this time, we do not know who the potential buyers may be. The only companies who would make the investment required to purchase the U.S. based AIG American General life companies, including AIG Life of Canada, are large and well capitalized with a willingness to pay in a competitive bidding environment. In the end, the company that acquires AIG's North American life companies is doing so to make themselves a larger and stronger competitor in the insurance business.

The process of identifying a buyer and completing the transaction could take time, but in the meantime, we will stay focused and continue doing what we do best. You should remain confident that AIG Life of Canada is a strong, stable and financially sound company.

The important message that we wish to convey to you and our policyholders, who are looking to us both for reassurance, is that their **AIG Life of Canada** policy is safe. Some points to share with policyholders are:

- Our parent company, AIG Inc, has announced a plan to sell a number of North American life insurance companies, including AIG Life Insurance Company of Canada, along with other valuable AIG company assets, in order to help repay the \$85 billion credit facility with the U.S. Federal Reserve Bank.
- The process of finding a buyer for AIG's North American life companies could take time.
- At this time, we do not know who the potential buyer may be, but rest assured that your policy is safe and secure. The only companies who would make the investment required to purchase AIG Life of Canada are large and well capitalized.
- AIG Life of Canada will become part of a larger and stronger competitor in the insurance business. So you can buy AIG insurance today with confidence.

- AIG Life of Canada is a separate legal entity that operates only in Canada. AIG Life is a strong, secure, well-capitalized business that is regulated by the Office of the Superintendent of Financial Institutions for Canada (“OSFI”).
- OSFI regulates Canadian insurance companies to ensure that they maintain enough capital and surplus to satisfy their obligations to their policyholders. AIG Life of Canada maintains assets, capital and surplus significantly greater than OSFI’s requirements. These assets, capital and surplus are in Canada.
- AIG Life of Canada has no investments in U.S. sub-prime mortgages, which have caused the credit crisis, nor any investments in Canadian Asset Backed Commercial Paper (ABCP).
- AIG Life of Canada’s financial strength ratings remain competitive and continue to represent a strong ability to meet its financial obligations to policyholders.

<b>Financial Strength Ratings as at Sept 19, 2008: AIG Life Insurance Company of Canada</b>			
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 insurers with higher ratings.”
A.M. Best Company <sup>2</sup>	A	Excellent	“Assigned to companies that have, in our opinion, an EXCELLENT ability to meet their ongoing insurance obligations.”

- Financial Facts as of June 30, 2008 for the combined AIG life companies in Canada<sup>3</sup>:

Assets	\$ 3.2 Billion
Policyholder’s & Shareholder’s Equity <sup>4</sup>	\$ 411.6 Million
Total Revenue (for the six month period)	\$ 571.4 Million
Net Income (for the six month period)	\$ 29.8 Million

I hope that this input is helpful in assisting you in your communication with our mutual clients. We thank you for your patience and understanding and trust that we will retain your complete confidence in recommending AIG insurance to your clients. As always, AIG Life of Canada is open for business. AIG Life of Canada has the strength, resources and commitment to meet the promises we have made to our customers.

Should you have any additional questions or concerns please do not hesitate to contact us. We thank you for your continued support of AIG Life of Canada.

Sincerely,



Peter C. McCarthy, TEP  
President and Chief Executive Officer

encl(s).

<sup>1</sup> Outlook developing

<sup>2</sup> Outlook negative

<sup>3</sup> AIG Life Insurance Company of Canada and AIG Assurance Canada

<sup>4</sup> Policyholder’s and Shareholder’s Equity represents total assets over total liabilities of the company.



Updated  
October 3, 2008

## Frequently Asked Questions

**Q. What is the impact on AIG Life of Canada from today's press release (October 3, 2008) from the parent company, American International Group, Inc. (AIG)?**

- A. AIG announced that it intends to refocus the company on its core property and casualty insurance businesses, while exploring opportunities to sell its remaining high-quality businesses, including AIG Life Insurance Company of Canada (AIG Life of Canada), in order to help repay the \$85 billion credit facility provided by the U.S. Federal Reserve Bank.

The fact that AIG Life of Canada, along with the U.S. based AIG American General life companies, will likely be sold indicates the tremendous value of AIG's North American company franchise.

**Q. How do we respond to policyholder inquiries about AIG Life of Canada being for sale?**

- Our parent company, AIG Inc, plans to sell a number of North American life insurance companies, including AIG Life of Canada, along with other valuable AIG company assets, in order to help repay the \$85 billion credit facility with the U.S. Federal Reserve Bank.
- The process of finding a buyer for AIG's North American life companies could take time.
- At this time, we do not know who the potential buyer may be, but rest assured that your policy is safe and secure. The only companies who would make the investment required to purchase AIG's North American life companies are large and well capitalized.
- AIG Life of Canada will likely become part of a larger and stronger competitor in the insurance business. So you can buy AIG insurance today with confidence.
- Policies with AIG Life of Canada are safe and secure. This includes existing policies and any new policies issued. Canadians can buy AIG insurance with confidence.
- AIG Life of Canada is a separate legal entity that operates only in Canada. AIG Life is a strong, secure, well-capitalized business that is regulated by the Office of the Superintendent of Financial Institutions for Canada ("OSFI").
- OSFI regulates Canadian insurance companies to ensure that they maintain enough capital and surplus to satisfy their obligations to their policyholders. AIG Life of Canada maintains assets, capital and surplus significantly greater than OSFI's requirements. These assets, capital and surplus are in Canada.
- AIG Life of Canada has no investments in U.S. sub-prime mortgages, which have caused the credit crisis, nor any investments in Canadian Asset Backed Commercial Paper (ABCP).



- AIG Life of Canada’s financial strength ratings remain competitive and continue to represent a strong ability to meet its financial obligations to policyholders.

<b>Financial Strength Ratings as at Sept 19, 2008: AIG Life Insurance Company of Canada</b>			
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 insurers with higher ratings.”
A.M. Best Company <sup>2</sup>	A	Excellent	“Assigned to companies that have, in our opinion, an EXCELLENT ability to meet their ongoing insurance obligations.”

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. In particular financial strength ratings are an evaluation by the ratings agencies of an insurer’s ability to meet its obligations to its policyholders.

- AIG Life of Canada is financially strong and profitable.

Financial Facts as of June 30, 2008 for the combined AIG life companies in Canada<sup>3</sup>:

Assets	\$ 3.2 Billion
Policyholder’s & Shareholder’s Equity <sup>4</sup>	\$ 411.6 Million
Total Revenue (for the six month period)	\$ 571.4 Million
Net Income (for the six month period)	\$ 29.8 Million

**Q. Why did the U.S. Federal Reserve Bank give AIG access to money?**

- A. The financial performance of our parent company, American International Group, Inc. (AIG), has been adversely affected by unrealized market losses on its investments tied to U.S. housing and credit markets. Due to upheaval in the capital markets and issues in the U.S. housing market, AIG was in need of liquidity.

On September 16<sup>th</sup>, the U.S. Federal Reserve Bank agreed to provide AIG, with a two year revolving credit facility for \$85 Billion in order to help AIG with its short-term liquidity needs. AIG will draw down on the credit facility as needed and the loan will be paid back over the next two years. The U.S. federal government’s willingness to act highlights AIG’s critical role in the global financial markets and is a vote of confidence in the viability of AIG’s insurance businesses. The AIG Board approved the transaction because it was the best solution for all of AIG’s constituencies, including policyholders.



**Q. Will the U.S. Federal Reserve Bank loan to AIG be affected by the U.S Treasury Department’s plan to implement a program to remove problem mortgage assets from bank balance sheets?**

A. No. AIG’s revolving credit facility arrangement with the U.S. Federal Reserve Bank is independent of the U.S. Treasury Department’s broader initiative.

**Q. Is my policy safe?**

A. The financial issues of our publicly-traded parent company do not affect our insurance companies’ abilities to pay policyholder’s claims. The AIG domestic life insurance companies, including AIG Life of Canada have always been solvent and maintain sufficient capital to meet the obligations to their policyholders. This loan will provide additional security to ensure that the parent, AIG, has the resources to meet its obligations.

**Q. Is there a new CEO of AIG?**

A. 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 heard AIG has been downgraded?**

A. Independent rating agencies downgraded the financial strength ratings of AIG Life of Canada, in addition to American International Group, Inc. (AIG) and many of its subsidiaries:

<b>Financial Strength Ratings as at Sept 19, 2008: AIG Life Insurance Company of Canada</b>			
Agency	Rating	Descriptor	Definition
Standard & Poor’s <sup>5</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 insurers with higher ratings.”
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.”

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. In particular financial strength ratings are an evaluation by the ratings agencies of an insurer’s ability to meet its obligations to its policyholders.



AIG Life of Canada’s financial strength ratings remain competitive and continue to represent a strong ability to meet its financial obligations to policy holders.

A.M. BEST COMPANY	COMPANY NAME	STANDARD & POOR’S
A++	Manufacturers Life Insurance Company	AAA
A++	Sun Life Assurance Company of Canada	AA+
A+	Canada Life Assurance Company	AA
A+	Great-West Life Assurance Company	AA
<b>A</b>	<b>AIG Life Insurance Company of Canada</b>	A+
A	Empire Life Insurance Company	Not Rated
A	Industrial Alliance Insurance & Financial Serv Inc.	A+
A	RBC Life Insurance Company	Not Rated
A-	Transamerica Life Canada	BBB
Not Rated	Equitable Life Insurance Company of Canada	Not Rated

Financial Strength Ratings as of September 19, 2008. Subject to change. Visit [www.aiglife.ca](http://www.aiglife.ca) for AIG Life of Canada ratings.

**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.

The insurance policies written by AIG companies are direct obligations of its regulated insurance companies around the world. These companies are well capitalized and meet or exceed local regulatory capital requirements. And these companies continue to operate in the normal course to meet obligations to policy holders.

Recent events do not change our continuing commitment to providing our clients with world-class coverage 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 Canadians and consumers world-wide. In addition, we continue to remain absolutely committed to fulfilling the long-term financial obligations to our customers. The AIG companies are fully committed to meeting the needs of their customers around the world.



**Q. Should I be concerned about my policy?**

- A. Insurance is a highly regulated industry. Life insurance companies doing business in Canada are federally regulated by the Office of the Superintendent of Financial Institutions (OSFI), and required to maintain enough capital and surplus to satisfy their obligations to their policy holders. OSFI regulations are stringent and designed to preserve and enhance the solvency of the life insurance company as well as to assure that the contractual obligations to policy holders are fulfilled.

Although various companies owned by AIG are part of a larger insurance holding company system, each company is individually responsible for the liabilities associated with the business that it sells. AIG Life of Canada is a separate legal entity operating only in Canada and is regulated by OSFI for compliance and financial solvency independent of its parent or affiliates. This includes ongoing financial reporting to the regulator and undergoing periodic financial examination.

AIG Life of Canada maintains assets, capital and surplus significantly greater than OSFI's requirements and these assets, capital and surplus are held in Canada. AIG Life of Canada continues to be authorized to accept and do business in Canada and is in compliance with OSFI's regulatory capital requirements. Additional information regarding our capital levels can be found on the OSFI website at [www.osfi-bsif.gc.ca](http://www.osfi-bsif.gc.ca).

It is also important to note that AIG Life of Canada has no investment in U.S. sub-prime mortgages which have caused the credit crisis, nor any investment in Canadian Backed Commercial Paper (ABCP).

**Q. What are some key facts about the AIG life companies in Canada?**

- A. AIG Life of Canada is one of Canada's leading providers of universal life and term life insurance distributed through independent advisors across Canada (#8 in new life insurance sales for 2007, source LIMRA).

AIG Life of Canada is a leading provider of Single Premium Immediate Annuities (including Structured Settlement Annuities) in Canada (#2 in SPIAs for 2007, source LIMRA).

Under the AIG Assurance brand, AIG is one of the leading providers of special accident and health insurance coverage sold direct to Canadian consumers.

Financial Facts as of June 30, 2008 for the combined AIG life companies in Canada<sup>7</sup>:

Assets	\$ 3.2 Billion
Policyholder's & Shareholder's Equity <sup>8</sup>	\$ 411.6 Million
Total Revenue (for the six month period)	\$ 571.4 Million
Net Income (for the six month period)	\$ 29.8 Million



**Q. Does AIG Life of Canada own any U.S. sub-prime mortgage assets?**

**A. No.**

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<sup>1</sup> Outlook developing

<sup>2</sup> Outlook negative

<sup>3</sup> AIG Life Insurance Company of Canada and AIG Assurance Canada

<sup>4</sup> Policyholder's and Shareholder's Equity represents total assets over total liabilities of the company.

<sup>5</sup> Outlook developing

<sup>6</sup> Outlook negative

<sup>7</sup> AIG Life Insurance Company of Canada and AIG Assurance Canada

<sup>8</sup> Policyholder's and Shareholder's Equity represents total assets over total liabilities of the company.

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**AIG TO REFOCUS AS WORLDWIDE PROPERTY AND CASUALTY COMPANY**  
**WITH CONTINUING PRESENCE IN FOREIGN LIFE**

**Ongoing Business Expected To Have Significant Earnings Power**

NEW YORK, October 3, 2008 - American International Group, Inc. (AIG) today indicated its intent to refocus the company on its core property and casualty insurance businesses, generate sufficient liquidity to repay the outstanding balance of its loan from the Federal Reserve Bank of New York and address its capital structure. AIG had drawn \$61 billion on the Fed credit facility as of September 30, 2008.

AIG plans to retain its U.S. property and casualty and foreign general insurance businesses, and to retain a continuing ownership interest in its foreign life insurance operations. AIG's worldwide property and casualty businesses generated approximately \$40 billion in revenues in 2007. The company is exploring divestiture opportunities for its remaining high-quality businesses and assets.

AIG is also actively at work on a number of alternatives for its Financial Products business and its securities lending program.

AIG Chairman and Chief Executive Officer Edward M. Liddy, said, "We are refocusing on our traditional strengths in property and casualty underwriting. We have a number of remarkable businesses with leading market positions and significant competitive advantages that could not be recreated today.

"To realize our objective, we will sell a number of extraordinary businesses that are proving to be highly attractive to buyers," Liddy said. "We have already been contacted by numerous strong, stable parties, and we expect that buyers will recognize the value of these properties, be a good strategic fit and offer the greatest potential for growth, profitability, and continuing opportunities for employees. Our goal is to emerge from this process as a smaller but more nimble company that is solidly profitable and has good long-term growth prospects."

AIG's global coordinators for the divestiture program are The Blackstone Group and J.P. Morgan.

A conference call for the investment community will be held today at 8:30 a.m. EDT. The call will be broadcast live on the Internet at [www.aigwebcast.com](http://www.aigwebcast.com). A replay will be archived at the same URL through Friday, October 24, 2008.

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**AIG to Refocus as Worldwide Property and Casualty Company with Continuing Presence in Foreign Life**

October 3, 2008

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It should be noted that the remarks made on the conference call 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 include developments in global credit markets and such other factors as are discussed in Item 1A. Risk Factors of AIG's Annual Report on Form 10-K for the year ended December 31, 2007, 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, and in AIG's Current Report on Form 8-K dated September 26, 2008 (reporting AIG's entry into a material definitive agreement). AIG is not under any obligation (and expressly disclaims any such obligation) 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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