

ING Retirement Services Financial Markets Q's & A's October 29, 2008

I. Name Confusion

Recent news reports concerning American International Group (AIG) have prompted a number of inquiries as to whether AIG and ING are the same company, or are related to each other in any way.

We would like to clarify the confusion that seems to exist regarding the similarity of company names. AIG and ING are entirely separate companies and are not affiliated with each other in any way.

II. Financial Stability of ING Life Insurance and Annuity Company

Recent news reports about economic downturns and distressed financial institutions have prompted some of ING Retirement Services customers to inquire about the security of retirement plan accounts maintained with or serviced by ING companies. ING recognizes that market conditions in the U.S. are creating uneasiness and uncertainty for our customers, plan sponsors, distribution partners, and other key stakeholders. Please be assured that ING is actively monitoring the situation with the full array of its global resources.

Account values will, of course, fluctuate with market conditions and are subject to change. As to the safety of the holdings themselves, however, we hope that after reading these materials, you will feel assured that your ING accounts are safe, secure and well protected.

The responses to the questions set out below are intended to answer some of the specific questions we've received recently from employers and participants who have inquired about the security of their accounts.

1. My Plan's investment options are made available through a group annuity or funding agreement with ING Life Insurance and Annuity Company (ILIAC). Exactly what can you tell me about ILIAC's financial strength?

ILIAC is a life insurance company subject to comprehensive regulation throughout the United States. ILIAC is regulated by the state insurance departments for solvency and reserve adequacy. Provisions of the Connecticut Insurance Law are specifically designed to prevent insurers from overextending themselves to the point where they cannot meet their obligations to their policyholders. The Insurance law requires insurers to value their assets and liabilities on a conservative basis and to have on hand, at all times, sufficient assets and liquidity to meet their obligations. In addition, ILIAC reports its financial position to state regulators on a regular basis, its operations and accounts are subject to examination at regular intervals by the states, and the company's investment activities are regulated on the basis of quality, diversification and other quantitative criteria to limit risk and foster returns.

As of October 29, 2008, ILIAC holds the following ratings:

- Fitch - AA (Very Strong) third highest of 24, for claims-paying ability. On October 27, 2008, Fitch Ratings affirmed their rating for ILIAC. However, Fitch also revised its outlook for ILIAC to Negative from Stable.
- Standard & Poor's --- AA (Very Strong) – third highest of 20, for financial security.
- A.M. Best – A+ (Superior) – second highest of 15, for financial strength and ability to meet obligations.
- Moody's – Aa3 (Excellent) – fourth highest of 21, for financial security. On October 21, 2008, Moody's informed ING that its U.S. insurance companies – including ILIAC – are under review for possible downgrade.

2. How is my retirement plan account funded?

Your plan account with ING may be funded in a number of different ways:

- investments in separate account insurance products issued by ILIAC
- investments held in a trust or custodial account with ING National Trust
- guaranteed investments through the general account of ILIAC
- a self-directed brokerage option held either at TD AMERITRADE, Inc. or through an ING Ultimate Account.

If you are unsure about how your plan account is funded, please check with your plan sponsor, your local ING representative, or by calling the ING customer contact center at the number shown on your account statement.

3. Are my retirement plan investments protected from creditors of ING-affiliated companies?

The holdings in your plan accounts are protected from creditors of ING. The nature of those protections differs, though, depending on the structure of the investment arrangement.

a. Separate account-based arrangements and the legal status of life insurance company separate accounts. If your plan is funded through ILIAC separate account products, the company purchases investments (such as mutual fund shares and stocks and bonds) and allocates them to the separate account. Under the insurance laws, the assets held in a separate account are not chargeable with liabilities arising out of any other business of the insurer to the extent provided in the insurance contract. All of ILIAC's insurance products issued in connection with our retirement plan business (401(k), 457 and 403(b) plans) provide for this protection. Hence, all customer assets allocated to the separate account are "insulated" from the claims of the insurer's other policyholders and its general creditors. That is, only contractholders with an interest in the separate account have a claim on the separate account assets.

b. The legal status of trust or custodial account assets. To the extent your plan is funded by investment company products held with ING, those investments are held in trust or pursuant to a custodial arrangement by ING National Trust. Trust and custodial account assets, by their very nature, do not constitute property of the trust institution that would ever be subject to claims of trust institution creditors. This conclusion is attributable to a number of factors, including the nature and legal status of trust institutions and long standing statutory and common law separations and distinctions between general banking and trust services.

c. Fixed Account arrangements and the legal status of the life insurance company general accounts. If your plan offers a Fixed Account or Fixed Plus investment option, it benefits from certain interest rate and other guarantees available through the company's general account. ILIAC is required to maintain reserves sufficient to ensure its ability to meet all of its obligations to general account customers. In our response to question 1, above, ILIAC's financial strength ratings as of October 29, 2008 have been provided.

Even in the very unlikely circumstance of any financial difficulty, the insurance laws are designed to make sure all policyholder obligations are satisfied. Let us explain: Life insurance companies are excluded from coverage under the federal bankruptcy laws. Instead, the states, including Connecticut, ILIAC's primary regulator, have adopted laws governing insurer insolvency. The Connecticut insurance laws also contain reporting requirements which are designed to give "early warning" of potential financial difficulty. Sensing financial difficulty at an insurance company, the Connecticut Insurance Commissioner could intervene. Under the Commissioner's direction, we would expect the company to be managed with a view to meeting its obligations. We would further expect the Commissioner to use discretion in managing payouts, with the objective of meeting claims as they come due, over time, in an orderly manner. If rehabilitation is ultimately determined to be impossible, the Commissioner could apply to the court for an order to liquidate, and ultimately dissolve the company. It is

only in liquidation that the question of general account claims priority becomes an issue. After satisfaction of any secured claims, policyholder claims have a high priority (Class 3), following only the costs of receiver and guaranty association administration, but ahead of general (non-policyholder) unsecured claims.

d. The legal status of brokerage accounts. If you invest in a self-directed brokerage account through your retirement plan, those investments are held either in a brokerage account at TD AMERITRADE or through an ING Ultimate Account, and would be subject to SIPC protection through the broker-dealer holding the securities. If your account is held at TD AMERITRADE you can call them at 866-766-4015. TD AMERITRADE is a division of TD AMERITRADE, Inc. If you hold an ING Ultimate Account, you can call the phone number shown on your ING Ultimate Account statement.

4. How are ILIAC's general account reserves calculated?

ILIAC is a legal reserve life insurance company. By that, we mean that the company must reserve for its general account obligations on a basis that is at least as conservative as that prescribed by the valuation laws of the states where it does business. The state insurance laws require reserving on a basis that is intentionally conservative. This inherent conservatism protects consumer interests by requiring the insurer to post reserves using only cautious interest rate and other financial assumptions. Insurance companies are not permitted to use reserving assumptions more optimistic than the cautious assumptions prescribed by state law.

Once reserves have been calculated, the insurer must demonstrate that its assets are sufficient to meet all of its reserve obligations. The insurance laws also address asset adequacy. In order to count towards the satisfaction of reserve liabilities, the asset must be an "admitted asset" by meeting stringent quality and diversification tests.

As a condition of doing business, the life insurer must submit audited financials and an actuarial analysis and opinion to the insurance departments each year. The purpose of that analysis is to assure that the insurer holds sufficient admitted assets to meet all of its conservatively valued reserve liabilities. The insurance department periodically performs financial examinations of the company as an additional check on its financial health. Our customers can have confidence that the company operates within a stringent regulatory framework designed to continuously test and re-test the company's ability to meet all of its customer obligations.

5. Through my retirement account, I have investments in mutual funds that are advised or sub-advised by firms that are currently experiencing financial difficulties. How are these mutual fund investments protected?

These mutual funds are distinct legal entities, generally referred to as registered investment companies, and their investments are not subject to the claims of creditors of the advisor or sub-advisor of the fund. In addition, federal laws applicable to such registered investment companies strictly limit the investments a mutual fund may make in securities issued by or guaranteed by the advisor, sub-advisor or an affiliate.

6. Lehman Brothers affiliates, Lehman Brothers Asset Management LLC and Neuberger Berman Management, Inc., are sub-advisors to certain ING funds. How will Lehman Brothers' Chapter 11 bankruptcy filing affect these funds?

As noted in question 5, mutual funds are distinct legal entities and, as a result, the financial condition of a company sub-advising a mutual fund should have no impact on the financial condition of the mutual fund itself. A filing under Chapter 11 of the federal bankruptcy laws is intended to permit a creditor to continue to run its business while it develops a plan of reorganization, so, at this time, Lehman Brothers Asset Management LLC and Neuberger Berman Management, Inc. will continue to manage the mutual funds. The independent board of trustees of the ING mutual funds, as well as company management, is closely monitoring the situation, and will continue to do so to determine if the financial condition of the company will in any way

impact its ability to sub-advise the mutual funds. If necessary, a sub-adviser may be replaced if done so in compliance with certain legal requirements.

7. Is my account FDIC or SIPC insured?

The Federal Deposit Insurance Corporation (FDIC) insures all depositors at member banking institutions against loss up to a certain dollar limit, in the event that member bank fails. The Securities Investor Protection Corporation (SIPC) protects brokerage firm customers who hold customer account assets. Except as set forth in question 3 above, with respect to self-directed brokerage accounts, FDIC and SIPC are not an issue for your retirement plan assets because none of the plan's assets are maintained on deposit with a bank or in the account of a brokerage firm. As described above, the plan's assets are invested primarily in life insurance company separate account products, general account products, and/or investment company products held in a trust or custodial account.

8. Is my account insured by the PBGC?

The Pension Benefit Guaranty Corporation (PBGC) is a federal agency that insures defined *benefit* pension obligations made under private retirement plans, up to a monthly limit. If your plan is a defined *contribution* plan, PBGC coverage does not apply. Instead, your benefit is your plan account balance.

9. If my account is funded through ILIAC's general account, is it insured under state or federal law?

State insurance laws provide for a guaranty association to cover state residents in the event of an insurer's insolvency. All insurance companies licensed to sell life or health insurance in a state must be members of that state's guaranty association. If the liquidation of an insurance company is ordered, the guaranty association provides coverage to the company's policyholders who are state residents, subject to limits on types of policies that are covered and benefit amounts, as specified by state laws. Coverage limits vary from state to state but most state guaranty associations provide at least \$300,000 in life insurance death benefits (per insured life); \$100,000 in cash surrender or withdrawal values for life insurance (per insured life); \$100,000 in withdrawal and cash values for annuities (per insured life); and \$100,000 in health insurance policy benefits (per insured life). The overall benefit "cap" in most states for an individual life is \$300,000, although some states have maximums that are much higher. For more detailed information on whether coverage would apply, and the limits of coverage, please contact your state insurance department. You may also wish to view the web site for the National Organization for Life & Health Insurance Guaranty Associations at www.nolhga.com. **Please be aware that you should not rely on this information in purchasing an insurance product. State laws prohibit insurers from making any references to the existence of guaranty associations in the context of insurance sales.**

10. Are death benefit and living benefit bases covered by the state guarantees?

Annuity benefits may be covered by state guaranty associations, subject to various limits. You should consult your state insurance department or state guaranty association for further details.

III. Other Issues

1. What can you tell me about the Presidential Candidates' proposals to allow penalty-free withdrawals from defined contribution plans?

Both candidates have proposed allowing penalty-free early withdrawals from tax qualified retirement programs, and to waive the minimum distribution requirement applicable to such plans, under certain circumstances for at least a limited amount of time. However, these are only proposals - no details have been offered and there is no certainty whether or when they might be implemented. Typically such proposals would have to be passed by Congress,

approved by the President, and clarified by the IRS to take effect.

2. What is an earnings quiet period?

Securities laws require that publicly traded companies not make any public statements about the company that could influence the company's stock in the 4-5 weeks leading up to a quarterly earnings announcement. This 4-5 week period is called a "quiet period."

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