Elite Index UL

Indexed Universal Life Insurance

sales guide

Flexible premium,
adjustable death benefit,
indexed-interest
universal life insurance

Issued by:
American General Life Insurance Company
A member company of American International Group, Inc.

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Introduction

When it comes to universal life insurance, your clients often face a choice between aggressive growth with volatility and the safety of fixed interest rates. Those looking for growth turn to the inflation-beating earnings potential of variable products tied to equity markets, risking a loss of policy values and decreasing death benefits. Those seeking safety turn to products with fixed interest rates set by the life insurance company, sacrificing the growth potential of the stock market.

Today, there is another choice.

American General Life Insurance Company's *Elite Index UL* product offers your clients the benefits of both worlds — the potential for higher credited interest rates when the stock market is up, and the safety of principal with a minimum guaranteed interest rate when the market is down.

Elite Index UL provides policyholders the flexibility to choose each year, beginning with the first policy anniversary, between an indexed interest-crediting rate tied to the growth of the Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)* or excess interest-crediting rates set by American General Life.

Our *Elite Index UL* products offer powerful features and benefits, including:

- 24-month rolling target premiums
- Preferred loans resulting in zero net cost
- Five underwriting classifications for competitive premiums
- A full range of riders and benefits for added flexibility
- Issue ages to age 90 (ages 18–80 for Preferred Plus underwriting classification)
- Cash value accumulation or guideline premium test for enhanced planning
- Cost of insurance rates banded at $250,000 and $1 million
- Two no-lapse guarantee periods — one to ages 85-90 (varies by issue age), and one to age 100 (if rider is elected)
- Maturity Extension Riders — MER-AV and MER-DB available

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Overview

Elite Index UL product provides death benefit coverage while balancing three other features — the upside growth potential of the stock market, the protection of guarantees when the market is down and the flexibility to meet your clients' changing financial needs. Since an indexed universal life insurance product has the potential to benefit from the upside of market growth over time, higher interest rates can result in a lower premium — ultimately making the insurance more affordable.

Death Benefit Protection

The primary purpose of life insurance is to provide a death benefit. Increasing cash values and tax-advantaged distributions are additional benefits that may be realized through a long-term commitment to life insurance. At American General Life Insurance Company (American General Life), we offer flexibility in our life insurance products to better match your client's needs. This flexibility allows customers seeking a high death benefit for their premiums to have access to a product designed to emphasize that feature while other designs underscore long-term cash accumulation. Or to look at it another way, better performance over the long term can translate into a lower cost (premium) for the client.

Regardless of which feature of a policy is emphasized, it is important to remember that the primary purpose of all life insurance policies is to provide death benefits that protect your client's family or provide financial resources to satisfy other obligations arising at your client's death.

Inflation-Beating Growth Potential without the Volatility

Elite Index UL offers your client the opportunity to benefit from the growth potential of the stock market without the risk of short-term losses through a combination of interest-crediting rates linked to the stock market and a minimum one percent guaranteed interest rate.

When the market goes up, the interest earnings credited to your client's *Elite Index UL* policy are tied to that growth. When the market goes down, the interest earnings credited to your client's policy are guaranteed never to be less than one percent. These interest earnings can either be left in the *Elite Index UL* policy or used to provide a supplemental income stream through policy withdrawals and/or loans.

Flexibility to Meet Changing Financial Needs

We understand that your client's financial needs and goals are constantly changing. Our unique product design offers the flexibility to choose each year, beginning with the first policy anniversary, between an indexed interest-crediting rate tied to the growth of the S&P 500 Index or an excess interest-crediting rate set by American General Life based on the assets in a general account.

If the indexed option is selected, your client's policy is credited a minimum guaranteed rate of one percent throughout the year, plus any additional indexed interest at policy year-end based on a current company-declared *cap rate* and the annual growth in the S&P 500 Index. If the fixed interest option is chosen, the policy is credited with a company-declared current interest rate at the end of each policy month — the same interest-crediting method currently used by the *Elite UL* product.

While equity-linked returns have historically outperformed fixed interest rate products, there have been extended periods in which this pattern has been reversed or inverted. With *Elite Index UL*, your client has the flexibility to maximize the performance potential offered by both scenarios.

Tax-Advantaged Benefits

Compounding the growth potential of *Elite Index UL* are the tax-advantaged cash accumulation benefits. Because your client's accumulation value grows tax-deferred in a life insurance product, he or she would have to earn a higher interest rate on alternate taxable financial vehicles to match the benefits of an *Elite Index UL* policy. *Elite Index UL* offers additional tax benefits, including tax-advantaged distributions through policy loans and withdrawals, and income-tax-free death benefit proceeds.**

**Based on current Federal income tax laws

About the S&P 500 Index

The S&P 500 Index used for *Elite Index UL* is a highly regarded performance benchmark for the U.S. stock market. Considered the target many diversified equity mutual funds aim to beat, the S&P 500 Index measures the combined performance of stocks from 500 leading corporations in America, including common stocks traded on the New York Stock Exchange, the American Stock Exchange and the NASDAQ system. Note that as a price index, the S&P 500 Index is based only on the price of these stocks and does not include reinvested dividends.

The table below displays some historical values for the S&P 500 Index. However, past Index performance does not represent future performance of the S&P Index, nor past or future performance of the *Elite Index UL* product. It is also important to note that the interest-crediting rate is determined by applying the currently declared cap rate.

Historical Values for the S&P 500 Index

Year Calendar	Value of Index (without dividends) on December 31	One-Year Change in the Index (without dividends or adjustment for cap rate)
1987	247.08	2.03%
1988	277.72	12.40%
1989	353.40	27.25%
1990	330.22	-6.56%
1991	417.09	26.31%
1992	435.71	4.46%
1993	466.46	7.06%
1994	459.27	-1.54%
1995	615.93	34.11%
1996	740.74	20.26%
1997	970.43	31.01%
1998	1229.23	26.67%
1999	1469.25	19.53%
2000	1320.28	-10.14%
2001	1148.08	-13.04%
2002	879.82	-23.37%
2003	1111.92	26.38%

Source: Standard & Poor's

Participation and Cap Rates

The participation rate for *Elite Index UL* is guaranteed to be 100 percent.

The *cap rate* is the maximum percentage amount used to set the *indexed interest percentage*. If the actual annual growth in the S&P 500 Index, excluding dividends, exceeds the cap rate, the cap rate is used to calculate the indexed interest percentage. The cap rate is determined at the beginning of each policy year and is applicable for that year's indexed interest only.

The initial cap rate will be guaranteed for one year. After the first policy year, the cap rate may be changed annually on the policy anniversary.

Determining the Indexed Interest

With the indexed interest-crediting option, your client's *Elite Index UL* policy earns a minimum guaranteed interest rate of one percent during the year. At the end of each policy year, the contract is then credited with additional indexed interest based on the policy-anniversary-to-policy-anniversary growth — also known as point-to-point growth — in the S&P 500 Index. The first *point* is the issue date, while the second *point* is 364 days later (the policy anniversary date).

The advantage of point-to-point is that variabilities in the marketplace are leveled out, focusing on long-term trends rather than daily ups and downs.

As illustrated in the following examples, the indexed interest rate is equal to the lesser of the annual growth in the S&P 500 and the cap rate, less the guaranteed interest rate of 1.0 percent. Only policy values in the contract and premiums paid on or before a policy anniversary date are eligible for the indexed interest-crediting option for the following policy year. Premiums received during a policy year are eligible only for the excess interest option.

For example, Client A begins with an initial premium of $100 and pays $100 per month in each succeeding month. Only the initial $100 (less charges) qualifies for indexed interest. The remaining $1,100 (less charges) paid during the policy year will receive the policy's declared interest rate (guaranteed never to be less than 1.0 percent).

At the beginning of the next policy year, the full amount (including the premium paid on the anniversary) is now eligible for indexed interest. Premiums paid during the remaining 11 months of the policy year will receive the policy's declared interest rate.

Following are three examples to help you understand how indexed interest is credited to the policy. Each example assumes the cap is 11%, and the guaranteed interest rate is 1%. The cap is subject to change each year.

Example 1 Anniversary-to-anniversary growth in S&P 500 Index is 18%, which is equal to or greater than the cap (11%).

• Guaranteed interest credited during the year	1%
• Indexed interest credited at end of year [Difference between cap (11%) and guaranteed interest (1%) credited during the year]	10%
• **Total interest credited during the policy year**	**11%**

Example 2 Anniversary-to-anniversary growth in S&P 500 Index is 8%, which is less than cap and greater than guaranteed interest

• Guaranteed interest credited during the year	1%
• Indexed interest credited at end of year [Difference between anniversary to anniversary growth (8%) and guaranteed interest (1%) credited during the year]	7%
• **Total interest credited during the policy year**	**8%**

Example 3 Anniversary-to-anniversary growth in S&P 500 Index is –5%, which is equal to or less than guaranteed interest

• Guaranteed interest credited during the year	1%
• No indexed interest due	0%
• **Total interest credited during the policy year**	**1%**

These hypothetical examples demonstrate how indexed interest is calculated. They do not reflect current interest-crediting rates and should not be viewed as an indication of future results. These examples are used for illustration purposes only.

Remember that a high level of interest-crediting rates does not necessarily guarantee an increase in policy values. The level of premiums paid, the timing of premium payments, and policy charges and expenses affect values accumulated within a policy. Policy values may decrease regardless of the interest rate credited to the policy if premiums paid and interest earned are not sufficient to cover the policy costs. The primary purpose of this policy is to provide death benefit coverage.

Commonly Asked Questions About *Elite Index UL*

Q. What is the target market for *Elite Index UL*?

A. Customers in the 35-60 age bracket who want the least costly death benefit or superior cash value accumulation without the downside risk of a variable product. *Elite Index UL* is intended for the middle income to affluent customer. It is applicable in all sales situations where current performance is important, and is best suited for customers with a fairly long horizon of need — 20 years or more.

Q. What is the cap rate — and when is the cap rate determined?

A. The *cap rate* is the maximum percentage amount used to set the indexed interest percentage. If the actual annual growth in the S&P 500 Index, excluding dividends, exceeds the cap rate, the cap rate is used to calculate the indexed interest percentage. The cap rate is determined at the beginning of each policy year and is applicable for that year's indexed interest only.

The initial cap rate will be guaranteed for one year. After the first policy year, the cap rate may be changed annually on the policy anniversary.

Q. What is the participation rate for *Elite Index UL*?

A. The participation rate for *Elite Index UL* is 100 percent.

Q. Does *Elite Index UL* allow policyholders to switch between the indexed and excess interest options?

A. Yes, after the first policy year and on each anniversary.

- Before the end of the first policy year and each subsequent policy year, the policyholder may choose either excess interest or indexed interest rate for the subsequent policy year. Interest crediting elections must be made prior to the policy anniversary date and will apply only to monies collected prior to the anniversary date. If the policyholder notifies the home office in writing prior to his or her anniversary date, this option can be exercised.
- Once an election is made for the upcoming policy year, it may not be changed until the end of the next policy year. If the policyholder does not elect to change from one option to the other prior to the next policy anniversary, then the election that is in effect for the current policy year will be carried over into the subsequent year.

Q. How is the interest credited to non-annual premiums?

A. Premiums paid during any policy year after the anniversary date receive the declared fixed interest rate for the policy.

Q. Where can I find the current illustrated interest rate?

A. Information about the current illustrated interest rate is posted in APEX.

Q. How is the illustrated indexed interest rate determined?

A. The company looks back at the 20-year historical performance of the S&P Index and applies the cap rate to that number.

Q. How is the indexed interest rate determined?

A. With the indexed interest-crediting option, your client's *Elite Index UL* policy earns a minimum guaranteed interest rate of one percent during the year. At the end of each policy year, the contract is then credited with additional indexed interest based on the policy-anniversary-to-policy-anniversary growth — also known as point-to-point growth — in the S&P 500 Index (subject to limitations of the announced cap rate for that policy year). The first *point* is the issue date, while the second *point* is 364 days later (the policy anniversary date). The advantage of point-to-point is that variabilities in the marketplace are leveled out, focusing on long-term trends rather than daily ups and downs.

Q. Is a Maturity Extension Rider (MER) available?

A. Two forms of the rider are available — a death benefit option (MER-DB) and accumulation value option (MER-AV). Texas requires that one version must be included for all new issues, and MER-DB is not available in Maryland. If either of these riders is desired, it **must** be shown on the illustration and elected on the application.

Q. Is a Minimum Guarantee Premium (MGP) Rider available?

A. The Minimum Guarantee Premium (MGP) rider includes two guarantee periods. Each guarantee period offers different rates, giving clients the choice of paying a lower rate for a shorter guarantee or a higher rate for a longer guarantee. If either of these riders is desired, it **must** be shown on the illustration and elected on the application. They are available **only** at initial policy issue.

1. To age 85-90, varying by issue age:
    - For issue ages 0-40, the guarantee period extends to age 85
    - For issue ages 41-89, the guarantee extends to age 90
    - For issue ages 90 and above, no guarantee applies
2. To age 100

The no-interest catch-up provision applies only to the age 100 guarantee. In addition, a discount for dump-ins (7 percent for 25 years) is allowed.

Q. When are *Elite Index UL* policies issued?

A. Policies are issued on the fifth, twelfth, twentieth and twenty-eighth days of each month. Premium will be paid on the next business day if the fifth, twelfth, twentieth and twenty-eighth fall on a weekend or holiday, but the issue date of the policy will still be the fifth, twelfth, twentieth and twenty-eighth.

Q. Can *Elite Index UL* policies be backdated?

A. No. Since interest crediting is based on point-to-point market performance, AGL must be able to invest in options to hedge itself at the policy's inception. The company cannot go back weeks or months and do this.

Q. Will *Platinum Provider Ultra 500* be withdrawn?

A.   Not at this time. We will monitor sales of the *Platinum Provider Ultra 500* product and reassess the situation in six to twelve months.

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Policies issued by:

American General Life Insurance Company

A member company of American International Group, Inc.

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Elite Index UL Policy Form Number 03330

The underwriting risks, financial obligations and support functions associated with the products issued by American General Life Insurance Company (American General Life) are solely its responsibility. American General Life is responsible for its own financial condition and contractual obligations.

American General Life does not solicit business in the state of New York. Policies not available in all states.

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