

MARKETING GUIDE  
FOR  
**ANICO**  
STRATEGY INDEXED ANNUITIES  
A MARKETING AND TRAINING GUIDE



ANICO STRATEGY INDEXED ANNUITIES ISSUED  
BY AMERICAN NATIONAL INSURANCE COMPANY

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## A BRIEF OVERVIEW

Indexed annuities were introduced in the mid-1990's, offering consumers the potential of higher interest earnings than in a regular fixed annuity. The design of the indexed annuities linked the amount of annuity interest earnings to the upside performance of a specific index such as the S&P<sup>®</sup> 500 Index. The appeal to the consumer thus became having a product with underlying guarantees of a fixed annuity, with the potential of higher interest earnings than the declared rate in a fixed annuity, without the downside of directly participating in a volatile market.

In the years following the product's introduction, indexed crediting annuities have grown in popularity as consumers are becoming more concerned with market performance and the lower returns on regular fixed annuities. It seems that as the popularity of indexed annuities has increased, so, too, have the variations in product design. Producers considering selling an indexed annuity need to understand the new terminology and the differences between the regular fixed annuity and an indexed annuity offering the opportunity for a higher return based on the growth in a specific Index.

The ANICO Strategy Indexed Annuities offers a choice of a Declared Rate Interest Crediting Method or an Indexed Interest Crediting Method, plus optional Riders that have not been available on previous indexed annuities offered by American National. To help you assist your clients, you will find the following in this Marketing Guide:

- ▶ Indexed Annuity Explanation
- ▶ Common Indexed Annuity Terms
- ▶ Description of Crediting Methods
- ▶ Market Positioning
- ▶ ANICO Strategy 10 and Strategy 7 Product Description and Features
- ▶ Hypothetical Crediting Examples
- ▶ ANICO Strategy 10 and Strategy 7 Rider Descriptions
- ▶ General Information for Submission
- ▶ Sales & Marketing material

## INDEXED ANNUITY ... A BRIEF EXPLANATION

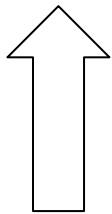
The most common question you may hear from your clients is

### WHAT IS AN INDEXED ANNUITY?

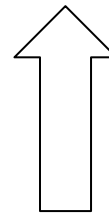
Indexed annuities combine the minimum guarantees of a fixed deferred annuity with the potential to earn higher interest related ONLY to the gain of an Index, such as the S&P<sup>®</sup> 500 Index, with none of the losses.

Indexed annuities may offer the potential of higher interest than a traditional fixed annuity due to the upside potential of the S&P<sup>®</sup> 500 Index. Purchasing an indexed annuity, which is an insurance contract, is not the same as investing in the stock market. Clients will not have any direct ownership in any individual stock or index and will not receive any dividends paid on the stocks underlying the index. On the other hand, neither will clients experience any direct negative effect of a volatile market, being shielded from losses by the underlying guarantees in the indexed annuity contract. A client may, however, earn 0% for an indexed term.

### More Risk – More Potential Growth



**Stocks**



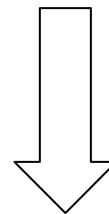
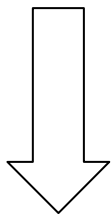
**Mutual Funds**

**Variable Annuities**

**Equity Indexed Annuities**

**Fixed Annuities**

**CD's**



### Less Risk – Less Potential Growth

## COMMON INDEXED ANNUITY TERMS

You will want to become familiar with the terms below as they are commonly used in the indexed annuity market and may appear in the ANICO Strategy marketing material as well.

**S&P® Index :** The equity index used in the indexed crediting method in the ANICO Strategy Indexed Annuity

**Indexing Method:** The indexing method means the approach used to measure the amount of change, if any, in the index. The indexing method used in the ANICO Strategy Indexed Annuity is the annual reset method.

**Annual Reset:** In an annual reset indexing method, the index value resets on each contract anniversary.

**Indexing Term:** The indexing term is the period over which index-related interest is calculated. The ANICO Strategy Indexed Annuity has a one-year indexing term.

**Participation Rate:** The percentage of the increase in the index that will be used to calculate index-related interest. The Participation Rate for the ANICO Strategy Indexed Annuity is fixed at 100% guaranteed for the life of the contract. If the gain in the index is 8%, then 100% of the 8% (subject to any other contract restrictions such as a Cap), would be used to calculate the index-related interest to be credited to the contract.

**Cap:** The maximum percentage that may be credited as interest to an indexed contract. Using the above example, if the gain in the index is 8%, the Participation Rate is 100%, but the Cap is 7%, then 7% would be credited to the contract.

**Averaging:** Some contracts average the index values to determine the ending value to be used in measuring the gain. The ANICO Strategy Indexed Annuity does NOT average any values. It uses a Point to Point approach with measurement from one contract anniversary to the next.

## INDEX CREDITING METHODS

There are many different index crediting methods being used to measure the amount of change, if any, in an index. Some of the most common methods are: End Term, Annual Reset and Monthly Sum.

The ANICO Strategy Indexed Annuity uses the annual reset with point-to-point method.

### **End Term Point-to-Point**

The index-linked interest, if any, is based on the difference between the index value at issue and the indexed value at the end of the indexing term. Interest is credited to the annuity at the end of the indexing term.

### **End Term - Averaged**

The index-linked interest, if any, is based on the difference between the index value at issue and the average of indexed values during the indexing term. The average is typically based on the average of all monthly index values. Interest is credited to the annuity at the end of the indexing term.

### **Annual Reset – Point-to-Point**

Index-linked interest, if any, is determined and credited at the end of each contract year by comparing the index value at the start of the indexing term with the index value at the end of the indexing term.

### **Annual Reset – Averaged**

Index-linked interest, if any, is determined and credited at the end of each contract year by comparing the index value at the start of the contract year to the average of index values during the contract year. The average is calculated using either daily or monthly index values.

### **Monthly Sum**

The S&P 500<sup>®</sup> index gain is measured on each month-a-versary. Each of the 12 monthly index gains has a cap applied to it, but on the downside the monthly losses are included without any limitation. The 12 monthly results are added together and this sum has a floor of zero. That amount is the annual index-linked interest, if any, that is credited on the contract anniversary.

### **Why Use the Annual Reset Method?**

The annual reset method provides a greater return potential than fixed interest by allowing clients to participate in the upside potential of the S&P 500<sup>®</sup> Index. At the same time, this design provides certain risk protection features: a minimum guaranteed surrender value and an annual reset feature which ensures that index losses during the current contract year do not affect previously credited earnings. Since the interest earned is credited annually and the index value is “reset” at the end of each year, future decreases in the index will not affect the interest already earned.

## MARKET POSITIONING

Not that long ago, planning for future financial security was fairly straightforward. If you were conservative, you saved regularly for a “rainy day” and depended on your employer’s pension plan and Social Security for retirement needs. If you were a little more adventurous, you took some of those savings and invested them, perhaps in CD’s, bonds, or even directly into the stock market. Still, the bulk of retirement planning centered on employer or government plans.

Times have definitely changed! Employer retirement plans are being reduced or even terminated at an alarming rate. Financial experts warn of the demise of Social Security. More Americans than ever before find themselves responsible for their own future financial or retirement needs. In addition, thanks to medical advances and healthier lifestyles, Americans can expect to live longer than before, creating a need for financial resources for a much longer period.

Let’s take a look at some issues that will impact your customers:

### **Rising inflation**

Inflation can dramatically affect the buying power of the money your clients have worked so hard to accumulate. You cannot predict that the money your clients have today will be sufficient for the needs of tomorrow. For example, a \$10,000 purchase in 1985 would have cost \$18,076.21 in 2005<sup>1</sup>

Will your clients’ financial portfolios meet those needs of tomorrow?

### **Longer life expectancies**

Americans are living longer than ever. According to the U.S. Census Bureau, people age 85 and older are the fastest growing segment of our population.<sup>2</sup> Are your clients financially prepared for extended retirement?

### **Taxes**

Have your clients considered the effects taxes may have on their retirement assets? Do they know about the power of tax-deferral? The potential for tax-deferred growth within an annuity contract is a powerful story to tell your clients.

### **Balanced Financial Growth**

Do your clients have future growth opportunities in their financial portfolio? Individuals planning for retirement may have taken on more risk exposure in earlier years, but as they near the time when retirement funds are needed, they will seek to reduce risk exposure. It’s difficult to balance that need for growth against the avoidance of risk.

### **What does your client look like?**

- Pre-retirement, possibly between the ages of 50-70
- Moderately conservative in seeking growth opportunities but needing higher growth than a fixed annuity would provide, or
- Moderately aggressive looking for equity growth potential but seeking less risk than a direct investment in an equity market
- Looking for additional ways to grow money tax-deferred, perhaps using money from an inheritance, matured CD’s, or even savings

While each issue may not apply to every client, it is important to recognize how these issues may affect your clients’ long-term financial planning needs.

<sup>1</sup>CPI Inflation Calculator – U.S. Department of Labor

<sup>2</sup>U.S. Census Bureau Population Projections, January 2000

# ANICO STRATEGY 10 INDEXED ANNUITY ANICO STRATEGY 7 INDEXED ANNUITY

## Product Description

The ANICO Strategy Indexed Annuities are indexed annuities. There are two interest crediting strategies available. The first credits interest according to participation in the growth of the S&P<sup>®</sup> 500 Index, and the second method credits interest according to a declared interest rate. Either or both methods can be chosen in any proportion at issue, and re-allocation between accounts is allowed on any contract anniversaries.

The major difference between the ANICO Strategy 10 and ANICO Strategy 7 Indexed Annuities is the length of the surrender charge period. The ANICO Strategy 10 has a ten-year surrender charge period, and the ANICO Strategy 7 has a seven-year surrender charge period.

The ANICO Strategy Indexed Annuities offer three optional riders, which can be added at issue and which may enhance the value of the contract to your client. These Riders are:

### Return of Premium Rider

This rider guarantees that if your client should surrender the contract, the amount paid cannot be less than the original premium paid, less any premium tax deducted at issue and less any withdrawals your client may have taken since the contract was issued. A premium is not paid for this rider. However, an annuity contract with this rider will have a lower declared rate on the declared interest crediting method and a lower cap rate on the indexed interest crediting method. See Form 4447 (ANICO STRATEGY 10) or Form 4454 (ANICO STRATEGY 7) for full details.

### Enhanced Death Benefit Rider

This rider increases the death benefit by up to 45% of the growth attained in the contract. The percentage of the increase will depend on the age of the owner when the annuity contract was issued. The death benefit is paid upon the death of the contract's Owner (or paid upon the death of the Annuitant if the contract's Owner is a non-natural person). There is a premium charge for this rider, and the charge is taken directly from interest credited to the annuity value each year. See Form 4448 (ANICO STRATEGY 10) or Form 4455 (ANICO STRATEGY 7) for full details.

### Lifetime Income Rider

The Lifetime Income Rider (LIR) guarantees to pay the contract's Owner an income equal to a percentage of the Income Base. It further guarantees that an income will be available for life, even if the annuity value declines to zero. Guaranteed income can be taken anytime on or after age 60. There is a premium charge for this rider, and the charge is taken directly from interest credited to the annuity value each year. See Form 4449 (ANICO STRATEGY 10) or Form 4456 (ANICO STRATEGY 7) for full details.

All Riders may not be available in all states. Please check the Independent Marketing Web site at [www.img.anicoweb.com](http://www.img.anicoweb.com) for specific state approvals, or your marketing company for the Riders approved for your area.

## **ANICO STRATEGY 10 INDEXED ANNUITY**

### **Product Features**

An Annuity Product of  
American National Insurance Company, Galveston, Texas

The **ANICO Strategy 10 Indexed Annuity** is a single premium deferred annuity. There are two interest crediting methods available in the annuity. The first method credits interest related to the growth of the S&P<sup>®</sup> 500 Index, and the second method credits interest based on a declared interest rate. Either or both methods can be chosen at issue, and re-allocation between accounts is allowed on any contract anniversary.

The following is a brief summary of the **ANICO Strategy 10 Indexed Annuity**. You can find additional information in the product brochure – Form 4445. The exact provisions, limitations, terms and conditions are detailed in the contract form.

#### **Product Summary**

**Issue Ages:** 0-85 – Non-Qualified & Qualified for both Owner and Annuitant

**Issue Dates:** 1st, 8th, 16th, and 24th of each month

**Maturity Age:** Normally Owner's age 95 but may be changed by Owner

**Premium:** Single Premium Only. No additional premiums will be accepted.

**Minimum Premium:** \$5,000 – Non-Qualified  
\$4,000 – Qualified

**Maximum Premium:** \$1,000,000 Single Premium

#### **Interest Crediting**

**Methods:** Indexed Interest and Declared Rate Interest Accounts are available. Premium may be allocated to either or both accounts at issue. Re-allocation between accounts is allowed on contract anniversaries.

**Interest Crediting:** **Indexed Interest Crediting Method<sup>1</sup>**  
The change in the S&P<sup>®</sup> 500 Index Value, the Participation Rate, and the Cap are used in determining the interest to be credited. The Participation Rate is fixed at 100%. The change in the Index Value is determined by comparing the Index Value at the end of the contract year to the Index Value at the beginning of the contract year. 100% of any Index gain is then applied as an interest crediting rate, up to but not exceeding the Cap. Indexed interest is paid annually at the end of each contract year.

#### **Declared Rate Interest Crediting Method**

An interest rate is declared and guaranteed at the beginning of each contract year. Interest is credited daily using this guaranteed interest rate.

**Participation Rate:** The portion of the Index gain credited to the contract. The Participation rate is set at issue and guaranteed for the life of the contract. The Participation Rate is fixed at 100%.

For agent use only. Not approved for use with the public.

**Cap:** The maximum interest rate credited to the Indexed Interest account. The Cap will be reset annually.

**Indexing Term:** 1 year. May be continued for subsequent 1-year terms for as long as the contract is in force.

**Index<sup>2</sup>:** S&P<sup>®</sup> 500 Index

**Annuity Value:** Total of the Indexed Interest and Declared Rate Interest Accounts at the start of the indexing term, less any withdrawals or charges, plus interest.

**Minimum Guaranteed**

**Surrender Value:** Percentage of premium, expected to be 90%, accumulated at the minimum guaranteed rates required by law for the Indexed Account and the Declared Rate Account, less any withdrawals. There are separate minimum guaranteed rates for the Indexed and Declared Rate Accounts. These rates will be set at issue and guaranteed for the life of the contract.

**Surrender Value:** The greater of the Annuity Value less surrender charges and any outstanding Rider premiums, if any, or the Minimum Guaranteed Surrender Value. Withdrawals between contract anniversaries will not receive any indexed interest.

**Surrender Charges:** Withdrawals in excess of those taken under the Free Withdrawal Privilege will be subject to surrender charges as shown in this schedule:

Contract Year	1	2	3	4	5	6	7	8	9	10	11+
Surrender Charge	9%	9%	8%	7%	6%	5%	4%	3%	2%	1%	0%

**Surrender Charge**

**Waivers:** Confinement and Disability Waivers (Restrictions apply; see contract for details)

**Free Withdrawal**

**Privilege<sup>3</sup>:** After your 1st contract year, you can withdraw up to 10% of your Annuity Value or the IRS Minimum Required Distribution without surrender charges.

**Minimum**

**Withdrawal:** \$250

**Death Benefit:** The greater of the Annuity Value, including any indexed earnings up to the date of death, or the surrender value will be paid at the death of the owner.

**Riders:** There are three optional Riders, which can be added at issue: Return of Premium Rider, Lifetime Income Rider, and Enhanced Death Benefit Rider. Please see Forms 4447, 4448, and 4449 for more detailed information on these Riders.

<sup>1</sup>When a person buys this annuity, that person is not buying an ownership interest in any stock or index. Interest earnings are paid at a rate that is related to the performance of the S&P<sup>®</sup> 500 Index. The S&P<sup>®</sup> 500 Index does not reflect dividends paid on the stocks underlying the index. Past performance of the index is no guarantee of future results.

<sup>2</sup>Standard & Poor's<sup>®</sup>, "S&P<sup>®</sup>", "S&P 500<sup>®</sup>", "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by American National Insurance Company. The Product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the Product.

<sup>3</sup>A federal tax penalty of 10% may be assessed on any withdrawals made prior to age 59 ½. Information provided is not intended to be legal or tax advice. Your client should consult with their attorney or tax advisor for their specific circumstance.

**ANICO STRATEGY 7 INDEXED ANNUITY**  
**Product Features**

An Annuity Product of  
American National Insurance Company, Galveston, Texas

The **ANICO Strategy 7 Indexed Annuity** is a single premium deferred annuity. There are two interest crediting methods available in the annuity. The first method credits interest related to the growth of the S&P<sup>®</sup> 500 Index, and the second method credits interest based on a declared interest rate. Either or both methods can be chosen at issue, and re-allocation between accounts is allowed on any contract anniversary.

The following is a brief summary of the **ANICO Strategy 7 Indexed Annuity**. You can find additional information in the product brochure – Form 4452. The exact provisions, limitations, terms and conditions are detailed in the contract form.

**Product Summary**

**Issue Ages:** 0-85 – Non-Qualified & Qualified for both Owner and Annuitant

**Issue Dates:** 1st, 8th, 16th, and 24th of each month

**Maturity Age:** Normally Owner's age 95 but may be changed by Owner

**Premium:** Single Premium Only. No additional premiums will be accepted.

**Minimum Premium:** \$5,000 – Non-Qualified  
\$4,000 – Qualified

**Maximum Premium:** \$1,000,000 Single Premium

**Interest Crediting**

**Methods:** Indexed Interest and Declared Rate Interest Accounts are available. Premium may be allocated to either or both accounts at issue. Re-allocation between accounts is allowed on contract anniversaries.

**Interest Crediting:** **Indexed Interest Crediting Method<sup>1</sup>**  
The change in the S&P<sup>®</sup> 500 Index Value, the Participation Rate, and the Cap are used in determining the interest to be credited. The Participation Rate is fixed at 100%. The change in the Index Value is determined by comparing the Index Value at the end of the contract year to the Index Value at the beginning of the contract year. 100% of any Index gain is then applied as an interest crediting rate, up to but not exceeding the Cap. Indexed interest is paid annually at the end of each contract year.

**Declared Rate Interest Crediting Method**

An interest rate is declared and guaranteed at the beginning of each contract year. Interest is credited daily using this guaranteed interest rate.

**Participation Rate:** The portion of the Index gain credited to the contract. The Participation rate is set at issue and guaranteed for the life of the contract. The Participation Rate is fixed at 100%.

**Cap:** The maximum interest rate credited to the Indexed Interest account. The Cap will be reset annually.

**Indexing Term:** 1 year. May be continued for subsequent 1-year terms for as long as the contract is in force.

**Index<sup>2</sup>:** S&P<sup>®</sup> 500 Index

**Annuity Value:** Total of the Indexed Interest and Declared Rate Interest Accounts at the start of the indexing term, less any withdrawals or charges, plus interest.

#### **Minimum Guaranteed**

**Surrender Value:** Percentage of premium, expected to be 90%, accumulated at the minimum guaranteed rates required by law for the Indexed Account and the Declared Rate Account, less any withdrawals. There are separate minimum guaranteed rates for the Indexed and Declared Rate Accounts. These rates will be set at issue and guaranteed for the life of the contract.

**Surrender Value:** **The greater of the Annuity Value less surrender charges and any outstanding Rider premiums, if any, or the Minimum Guaranteed Surrender Value.** Withdrawals between contract anniversaries will not receive any indexed interest.

**Surrender Charges:** Withdrawals in excess of those taken under the Free Withdrawal Privilege will be subject to surrender charges as shown in this schedule:

Contract Year	1	2	3	4	5	6	7	8+
Surrender Charge	7%	7%	6%	5%	4%	3%	2%	0%

#### **Surrender Charge**

**Waivers:** Confinement and Disability Waivers (Restrictions apply; see contract for details)

#### **Free Withdrawal**

**Privilege<sup>3</sup>:** After your 1st contract year, you can withdraw up to 10% of your Annuity Value or the IRS Minimum Required Distribution without surrender charges.

#### **Minimum**

**Withdrawal:** \$250

**Death Benefit:** The greater of the Annuity Value, including any indexed earnings up to the date of death, or the surrender value will be paid at the death of the owner.

**Riders:** There are three optional Riders, which can be added at issue: Return of Premium Rider, Lifetime Income Rider, and Enhanced Death Benefit Rider. Please see Forms 4454, 4455, and 4456 for more detailed information on these Riders.

<sup>1</sup>When a person buys this annuity, that person is not buying an ownership interest in any stock or index. Interest earnings are paid at a rate that is related to the performance of the S&P<sup>®</sup> 500 Index. The S&P<sup>®</sup> 500 Index does not reflect dividends paid on the stocks underlying the index. Past performance of the index is no guarantee of future results.

<sup>2</sup>Standard & Poor's<sup>®</sup>, "S&P<sup>®</sup>", "S&P 500<sup>®</sup>", "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by American National Insurance Company. The Product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the Product.

<sup>3</sup>A federal tax penalty of 10% may be assessed on any withdrawals made prior to age 59 ½. Information provided is not intended to be legal or tax advice. Your client should consult with their attorney or tax advisor for their specific circumstance.

## Hypothetical Crediting Examples

The ANICO Strategy Indexed Annuities offer your client the option to choose the interest crediting strategy that best fit his or her financial goals. Your client can choose to allocate 100% of his premium to the indexed interest crediting strategy initially, or allocate part of the premium to the indexed interest strategy and part to the declared rate strategy. Your client can redistribute the amounts between these two interest crediting strategies on each contract anniversary.

These hypothetical examples demonstrate how the indexed interest crediting method would work. Please note that these hypothetical examples do not include withdrawals or optional riders.

### Contract Year 1

\$10,000 Initial Premium allocated to the Indexed Interest Account

#### S&P® 500 Index

Index Value at contract issue date	1000
Index Value at end of contract year	1080
Index Change	8.00%
Index Cap	7.00%

Amount allocated to the Indexed Interest Account

beginning of Contract Year 1	\$10,000
7.00% Indexed Interest Credited at end of Contract Year 1	700
Total Indexed Interest Account at end of Contract Year 1	\$10,700

Amount allocated to Fixed Interest Account

beginning of Contract Year 1	0
3% Declared Interest credited during Contract Year 1	0
Total Fixed Interest Account at end of Contract Year 1	0

**Total Annuity Value at end of Contract Year 1** **\$10,700**

**Let's assume the contract owner redistributes Annuity Value at end of Contract Year 1 as follows:**

Indexed Interest Account	\$5,700
Declared Interest Account	\$5,000

### Contract Year 2

#### S&P® 500 Index Value

Index Value at beginning of Contract Year 2	1080
Index Value at end of Contract Year 2	1050
Index Change	-2.77%
Index Cap	7.25%

Total Indexed Interest Account beginning of Contract Year 2	\$5,700
0% Indexed Interest Credited end of Contract Year 2	0
Total Indexed Interest Account at end of Contract Year 2	\$5,700

Total Fixed Interest Account beginning of Contract Year 2	\$5,000
3% Declared Interest credited during Contract Year 2	150
Total Fixed Interest Account at end of Contract Year 2	\$5,150

**Total Annuity Value at end of Contract Year 2** **\$10,850**

**Let's assume the contract owner does not redistribute Annuity Value at end of Contract Year 2**

**Contract Year 3**

**S&P® 500 Index Value**

Index Value at beginning of Contract Year 3	1050
Index Value at end of Contract Year 3	1100
Index Change	4.76%
Index Cap	6.75%

Total Indexed Interest Account beginning of Contract Year 3	\$5,700.00
4.76% Indexed Interest Credited end of Contract Year 3	271.32
Total Indexed Interest Account at end of Contract Year 3	\$5,971.32

Total Fixed Interest Account beginning of Contract Year 3	\$5,150.00
3% Declared Interest credited during Contract Year 3	154.50
Total Fixed Interest Account at end of Contract Year 3	\$5,304.50

**Total Annuity Value at end of Contract Year 3** **\$11,275.82**

You'll notice in Contract Year 2 that even though there was a negative change in the Index value for that contract year, there was no loss of value in the indexed interest account. The ANICO Strategy Indexed Annuities give your client the potential for upside index growth with no downside losses. Your client's interest earnings are related only to the gains of the S&P® 500 Index<sup>2</sup>. There will never be a negative index charge to your client's indexed interest account although he could earn 0% interest as the example illustrates.

<sup>2</sup>The published S&P® 500 Index does not reflect dividends paid on the stocks underlying the index. Your client does not have any direct ownership in any individual stock or index. Past performance of the Index is no guarantee of future results.

## **ANICO STRATEGY 10 INDEXED ANNUITY ANICO STRATEGY 7 INDEXED ANNUITY RIDER DESCRIPTION**

There are three optional Riders that can be added to the ANICO STRATEGY Indexed Annuities at issue: Return of Premium Rider (ROP), Enhanced Death Benefit Rider (EDB), and the Lifetime Income Rider (LIR). We want to make sure you understand the benefit each Rider provides. The following is a brief summary of each Rider. The exact provisions, limitations, terms and conditions are detailed in the annuity contract.

Your client may apply for any, all, or no riders at the time they apply for the annuity contract. Your client cannot apply for the riders once the annuity contract has been issued. Please note that there is a cost associated with each Rider.

### **RETURN OF PREMIUM RIDER**

The Return of Premium rider guarantees that if your client surrenders the annuity contract, they will never receive less than the original premium paid, less any premium tax deducted at issue, and less any withdrawals since the contract was issued.

**Your client does not pay a premium for the Return of Premium rider. However, the annuity contract will have a lower interest rate on the declared interest rate crediting method and a lower cap rate on the indexed interest crediting method for the life of the contract.** Both the declared rate and the cap rate are guaranteed for the one-year indexing term. New declared rates and cap rates will be set on each contract anniversary.

Your client can only apply for the Return of Premium Rider at the same time they apply for the ANICO STRATEGY Indexed Annuity contract. The rider will terminate when the contract terminates, which would be upon the death of the owner, the contract's maturity, or upon surrender of the annuity contract.

### **ENHANCED DEATH BENEFIT RIDER**

The Enhanced Death Benefit (EDB) rider will increase the benefit paid on the death of the owner by a specific percentage of the annuity value less the adjusted premium. The percentage will depend on the age of the owner when the annuity contract was issued.

<b>Issue Age</b>	<b>Percentage Increase</b>
0-69	45%
70 – 74	25%
75 – 80	20%
81+	15%

The adjusted premium is defined as follows:

At issue – Initial premium minus any premium taxes, if applicable

After a withdrawal (including after benefit payments taken from the Lifetime Income rider) – The adjusted premium before the withdrawal times the annuity value after the withdrawal divided by the annuity value before the withdrawal.

There is a premium charge for the Enhanced Death Benefit rider. The charge is taken directly from the annuity value each year. The charge is currently guaranteed to be 0.25% of the annuity value each year, and it is payable from the date the annuity contract is issued until the rider terminates. The rider premium is deducted from earnings, or if any amount is outstanding, upon surrender.

The owner of the annuity contract can terminate the rider at any time. Otherwise, the rider generally terminates when the annuity contract terminates, such as at the death of the owner, maturity of the contract, or upon surrender of the contract. If the Maturity Date was not reset to an earlier date and if the annuity contract is in force on the

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owner's 95<sup>th</sup> birthday (i.e. the Maturity Date), and annuity benefit payments have not been started, then the EDB amount will be added to the annuity value.

Your client can only apply for the Enhanced Death Benefit rider at the time they apply for the ANICO STRATEGY Indexed Annuity contract, but they can drop the rider at any time.

## LIFETIME INCOME RIDER

The Lifetime Income Rider (LIR) guarantees to pay the contract owner an income equal to a percentage of the Income Base. It further guarantees that an income will be payable for life, even if the annuity value declines to zero.

The income percentage depends upon the age at which the contract owner elects to begin receiving income. Once the contract owner elects to begin receiving income, the income percentage will remain the same in all years until the rider terminates. The owner can elect to begin receiving income on or after the owner's age 60 (*in cases of joint owner, the younger owner's age.*)

Age when income starts	Income Percentage
0-69	5%
70-79	6%
80+	7%

Here's how the Lifetime Income rider works:

Your client, as owner of the contract, decides when income payments start, but they cannot start until on or after their 60<sup>th</sup> birthday. On the date income payments start, the Income Base is equal to the annuity value. The income payment for each contract year is an amount determined by multiplying the income percentage times the income base. All income payments received under the rider reduce the annuity value, surrender value, death benefit and the 10% Free Withdrawal Privilege. They do NOT reduce the income base. Income payments will continue even if the annuity value is zero.

On each contract anniversary after income payments start, the Income Base will be set to the greater of the previous Income Base, or the annuity value on the contract anniversary.

If your client has taken withdrawals during the year that exceed the rider income amount, then the Income Base will be adjusted downward. The reduction is calculated using a pro rata method. For example, if the excess withdrawal is 20% of the annuity value then the income base will be reduced by 20%

There is a premium charge for the Lifetime Income rider. The charge is taken directly from the annuity value each year. The charge is currently guaranteed to be 0.40% of the annuity value each year, and it is payable from the date the annuity contract is issued until the rider terminates. The rider premium is deducted from only earnings or if any amount is outstanding, upon surrender.

Your client can only apply for the Lifetime Income rider at the same time they apply for the ANICO STRATEGY Indexed Annuity contract. Your client can drop the rider at any time and the cost will be prorated for the indexing period. The rider generally terminates when the annuity contract terminates.

## ADDITIONAL INFORMATION

The ANICO Strategy Indexed Annuities are deferred annuities. However, there are some areas in which ANICO Strategy Indexed Annuity procedures may differ from our other deferred annuities.

### Application

ANICO Strategy Indexed Annuities will use a new application, Form 4393. Please see the sample all-state version of the application at the end of this section.

You can find Form 4393 in Virtual Forms on the IMG Web site at [www.img.anicoweb.com](http://www.img.anicoweb.com). Please check the forms package for your state to be sure you are using the correct version of Form 4393.

### Commission Selection on Application

You will see two boxes below your signature line in the Agent's Report on the ANICO Strategy Indexed Annuity application (Form 4393). These boxes are marked "Option A" and "Option B". The boxes are there for you to indicate whether you want Option A for lump commissions, or Option B for Trail commissions. If you do not check one of these boxes, Option A will be the default.

### Contract Issue Dates

American National issues indexed annuity contracts on the 1<sup>st</sup>, 8<sup>th</sup>, 16<sup>th</sup>, and 24<sup>th</sup> of each month. If one of these dates should fall on a weekend or a holiday, issue will occur on the preceding normal business day at American National.

### 1035 Exchanges and Other Multiple Sources of Money

If you inform American National that money for the initial single premium for an ANICO Strategy Indexed Annuity is coming from multiple sources, American National will delay issue until all funds are received. If all funds are received between issue dates, the funds will be held and the contract issued on the next issue date.

### Interest Crediting Methods

Your client has a choice of two interest crediting methods: (1) Declared Interest Crediting Method and (2) Indexed Interest Crediting Method. The initial premium allocation between these two methods should be indicated under #8 on Application 4393 and confirmed in the Owner/Annuitant's Statement on the Disclosure Statement Form 4450 for Strategy 10 and Form 4457 for Strategy 7. Allocation between crediting methods can be changed on each contract anniversary.

### Strategy Rate Sheets

Section 6 of the Disclosure Statement refers your client to ask for a copy of either Form 1488 for ANICO Strategy 10 or Form 1489 for ANICO Strategy 7 to determine the current interest rates for each product. These rate sheets are available in the product section for the ANICO Strategy Indexed Annuities and will be updated monthly, or as interest rates change. Please note that these rate sheets are for reference only. The interest rates which will apply upon issue of your client's ANICO Strategy Indexed Annuity are the rates in effect on the first available issue date after all premium has been received by American National.

### Withdrawals During a Contract Year

Any amounts withdrawn during a contract year will not participate in any indexed interest or declared interest credited to the annuity value for that contract year.

### Index Cap

The Cap for the indexed interest method will be reset each contract year.

### Annual Statement

Your client will receive an Annual Statement showing the interest credited to the contract for each interest crediting method he chose for that year. It will show any withdrawals taken and an ending Annuity Value for the contract year. It will also show the new Index Cap and Declared Interest Rate for the next contract year.



**APPLICATION FOR ANICO STRATEGY INDEXED ANNUITIES**

**1. ANNUITANT:**

NAME: \_\_\_\_\_ SEX:  M  F  
 DATE OF BIRTH: \_\_\_\_\_ AGE: \_\_\_\_\_ SOCIAL SECURITY NUMBER: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_  
 Street Address City State ZIP

**2. OWNER: *If other than Annuitant***

NAME: \_\_\_\_\_ SEX:  M  F  
 DATE OF BIRTH: \_\_\_\_\_ AGE: \_\_\_\_\_  SSN  EIN  TIN: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_  
 Street Address City State ZIP

**3. JOINT OWNER: *Not available with Qualified plans***

NAME: \_\_\_\_\_ SEX:  M  F  
 DATE OF BIRTH: \_\_\_\_\_ AGE: \_\_\_\_\_ SOCIAL SECURITY NUMBER: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_  
 Street Address City State ZIP

**4. BENEFICIARIES:**

PRIMARY BENEFICIARY: \_\_\_\_\_ CONTINGENT BENEFICIARY: \_\_\_\_\_  
 RELATIONSHIP TO ANNUITANT: \_\_\_\_\_ RELATIONSHIP TO ANNUITANT: \_\_\_\_\_  
 SOCIAL SECURITY NUMBER: \_\_\_\_\_ SOCIAL SECURITY NUMBER: \_\_\_\_\_  
 DATE OF BIRTH: \_\_\_\_\_ DATE OF BIRTH: \_\_\_\_\_

**5. PLAN:**  ANICO Strategy 10 Indexed Annuity  ANICO Strategy 7 Indexed Annuity

**6. ANNUITY TYPE:** *If this transaction is a transfer or an exchange, the appropriate form must be completed and filed with this application.*

NON-QUALIFIED  QUALIFIED ( ROLLOVER  TRANSFER  CWA)  
 CWA  1035 EXCHANGE  
 If Qualified, please check one of the following plans:  
 IRA  ROTH IRA  PENSION  SEP  
 TSA - 403b  OTHER  
 (ANICO does not offer SIMPLE IRA's)

NOTE: The amount of premium submitted with the application cannot exceed the IRS published maximum.

**7. RIDERS: *Riders may only be added at issue.***

Guaranteed Income Rider  Enhanced Death Benefit Rider  Return of Premium Rider

**8. PREMIUM AMOUNT:**

AMOUNT PAID WITH APPLICATION: \$ \_\_\_\_\_  
 INITIAL PREMIUM ALLOCATION:  
 DECLARED INTEREST OPTION \_\_\_\_\_ %  
 INDEXED INTEREST OPTION \_\_\_\_\_ %  
 TOTAL 100 %

**9. REPLACEMENT:**

YES  NO DO YOU HAVE EXISTING LIFE OR ANNUITY COVERAGE?  
 YES  NO IF YES, WILL THE ANNUITY APPLIED FOR REPLACE OR USE CASH VALUES OF ANY EXISTING INSURANCE OR ANNUITY POLICY ISSUED BY ANY COMPANY?



**AGENT'S REPORT**

Has any insurance with American National on the life of the Annuitant been lapsed within the last six months; or is such action now in process or planned?  Yes  No **If Yes**, give details: \_\_\_\_\_

As Agent, do you have knowledge or reason to believe that replacement of existing Insurance/Annuities may be involved?  Yes  No **If Yes**, give details: \_\_\_\_\_

As Agent, have you complied with State Replacement Regulations?  Yes  No

If, as Agent, you included individualized sales proposals in your presentation and the Annuitant replaces plan, then, comparative information forms for each policy to be replaced and copies of all sales materials must be included with this application and sent to the Home Office.

What other agent, if any, is entitled to any commission hereon and how much?

Agent \_\_\_\_\_ Personal Code \_\_\_\_\_ % \_\_\_\_\_

Agent \_\_\_\_\_ Personal Code \_\_\_\_\_ % \_\_\_\_\_

Option A  Option B

*If no option is selected, option A will be the default.*

I certify that on the date of this application I asked the Annuitant each question in the application, recorded the answers given me, witnessed such person(s) signature and collected the premium shown in the application.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.  
(City) (Day) (Month) (Year)

\_\_\_\_\_  
Soliciting Agent (Print)

\_\_\_\_\_  
Soliciting Agent (Sign)

Field Office Code \_\_\_\_\_ Agent PC No.: \_\_\_\_\_ Social Security Number: \_\_\_\_\_

**CONDITIONAL RECEIPT**

**AMERICAN NATIONAL INSURANCE COMPANY ONE MOODY PLAZA GALVESTON, TEXAS 77550**

Valid only for ANICO Strategy Indexed Annuity and for the payment amount shown in the application paid for an Annuity.

Received from \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ . \_\_\_\_\_ The sum of

\_\_\_\_\_ as payment to an Index Annuity on the life of \_\_\_\_\_ for which an application has been made to this Company, bearing the same number and date as this receipt. The Company accepts payment by check or money order subject to its being honored upon presentation. Checks or Money Orders must be made payable to American National Insurance Co. Do not leave payee blank or make check payable to the Agent.

## **LIFETIME INCOME RIDER**

If a Lifetime Income Rider is applied for and the Owner elects to receive income payments at issue, having met the necessary requirements, a completed and signed Lifetime Income Rider Request Form (Form 4470) must accompany the application. Section 1 of the form must be completed regarding the withdrawal request.

If a Lifetime Income Rider is in force and income payments are requested any time after issue, a completed and signed Lifetime Income Rider Request Form (Form 4470) must be submitted to the Annuity Services Department at American National. Section 1 must be completed regarding the withdrawal request.

If the Owner wishes to stop receiving income payments under the Lifetime Income Rider, Section 2 of the Lifetime Income Rider Request Form (Form 4470) must be completed and submitted to the Annuity Services Department at American National.

If the Owner wishes to terminate the Lifetime Income Rider, Section 3 of the Lifetime Income Rider Request Form (Form 4470) must be completed and submitted to the Annuity Services Department at American National.

Please note that income payments will not begin or stop, nor the Rider terminate, until written instructions from the Owner, via Form 4470, are received at American National.

A sample Lifetime Income Rider Request Form follows.



American National Insurance Company  
 P O Box 1763  
 Galveston, Texas 77553-1763  
 Phone (800) 252-9546 Fax (409) 766-2022

**LIFETIME INCOME RIDER REQUEST FORM  
 ( FOR USE WITH FORM LIFEINC-R )**

CONTRACT NUMBER: \_\_\_\_\_ ANNUITANT / OWNER: \_\_\_\_\_

**NOTE:** The existing Owner and joint Owner (if applicable) must authorize all changes or requests by providing their signatures in Section 4. In order to receive the benefit of this rider, the Owner must have attained age 60 or for contracts with joint Owners, the youngest Owner must have attained age 60. If the Owner is not a natural person, the Annuitant must have attained age 60.

**1.) LIFETIME INCOME RIDER WITHDRAWAL REQUEST:**

**NOTE:** We will deduct payments of the Rider Income Amount from each Interest Crediting Method's Account Value on a pro-rata basis. Such payments will reduce the Annuity Value, the Surrender Value, the Minimum Guaranteed Surrender Values, and the Death Benefit.

**DATE OF FIRST PAYMENT:** \_\_\_\_\_

**FREQUENCY:**  Annual  Semi-Annual  Quarterly  Monthly

**AMOUNT:**  FULL AMOUNT ENTITLED UNDER THE RIDER PROVISION  
 25%  50%  75% OF THE RIDER INCOME AMOUNT ENTITLED UNDER THE RIDER PROVISION

**WITHHOLDING:** FEDERAL: Amount \_\_\_\_\_ Percent \_\_\_\_\_  
 STATE: Amount \_\_\_\_\_ Percent \_\_\_\_\_

**NOTE:** Withdrawals that exceed the Rider Income Amount in any Contract Year can reduce the Rider Income Amount in future Contract Years. Any unpaid Rider Income payments cannot be added to future Rider Income payments.

**2.) REQUEST TO STOP WITHDRAWALS:**

- Stop withdrawals effective immediately.
- Stop withdrawals effective \_\_\_\_\_

I understand I will need to submit my request in writing to restart withdrawals in the future.

**3.) TERMINATION OF RIDER:**

- I wish to terminate the Lifetime Income Rider from my policy effective immediately.

**NOTE:** Once the rider has been terminated, you may not re-elect it and it cannot be reinstated by the Company. There will be no further payments made or premium due for this rider once it is terminated.

**4.) SIGNATURES:**

The effective date of this request will be the date this Request Form is received in the Home Office of American National Insurance Company.

Dated at \_\_\_\_\_

**SIGNATURES AS REQUIRED:**

Owner \_\_\_\_\_ Date \_\_\_\_\_ Witness \_\_\_\_\_ Date \_\_\_\_\_

Joint Owner \_\_\_\_\_ Date \_\_\_\_\_ Witness \_\_\_\_\_ Date \_\_\_\_\_

**FOR HOME OFFICE USE ONLY**

AMERICAN NATIONAL HAS RECORDED THE CHANGE REQUEST

DATED AT GALVESTON, TX \_\_\_\_\_ BY \_\_\_\_\_  
 REGISTRAR

## **SALES AND MARKETING MATERIAL**

### **ANICO Strategy 10 Indexed Annuity**

ANICO Strategy 10 Indexed Annuity Brochure (Form 4445)  
ANICO Strategy 10 Spec Sheet (Form 4446)  
ANICO Strategy 10 Rider Inserts  
    Return of Premium Rider (Form 4447)  
    Enhanced Earnings Death Benefit Rider (Form 4448)  
    Lifetime Income Rider (Form 4449)  
ANICO Strategy 10 Base Policy Disclosure (Form 4450)  
ANICO Strategy 10 Rider Disclosure (Form 4451)  
ANICO Strategy 10 Rate Sheet (Form 1488) – Available on Website Only

### **ANICO Strategy 7 Indexed Annuity**

ANICO Strategy 7 Indexed Annuity Brochure (Form 4452)  
ANICO Strategy 7 Spec Sheet (Form 4453)  
ANICO Strategy 7 Rider Inserts  
    Return of Premium Rider (Form 4454)  
    Enhanced Earnings Death Benefit Rider (Form 4455)  
    Lifetime Income Rider (Form 4456)  
ANICO Strategy 7 Base Policy Disclosure (Form 4457)  
ANICO Strategy 7 Rider Disclosure (Form 4458)  
ANICO Strategy 7 Rate Sheet (Form 1489) – Available on Website only

**ANICO STRATEGY Indexed Annuities Marketing & Training Guide** (Form 4459)

### **Private Producer Web Site**

Please visit the IMG Private Producer Web site at [www.img.anicoweb.com](http://www.img.anicoweb.com) for additional marketing material as it becomes available.

### **Questions?**

If you have any questions regarding the marketing material or have other questions concerning the ANICO Strategy Indexed Annuities, please contact the Field Support Center at 1-888-501-4043, Option 1.

Form 4459

## NOTES

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