

# AIG Elite Global IUL

World-Class Value



Indexed flexible-premium adjustable universal life insurance

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

**WE KNOW LIFE.®**

**AIG** AMERICAN  
GENERAL



## About American General Life Insurance Company

Just as your family turns to you for security and peace of mind, millions of Americans turn to American General Life Insurance Company (American General Life) to help protect their families against the financial hardships that illness or death can bring about.

- The most prominent independent ratings agencies continue to recognize American General Life in terms of insurer financial strength; for detailed information about our ratings, please visit [www.aigag.com/ratings](http://www.aigag.com/ratings)
- We maintain a steadfast commitment to our clients and the advisers who help safeguard their security
- We're a member company of American International Group, Inc., one of the world's leading providers of financial services

## Life Insurance: The Benefits

No other financial vehicle is as effective as life insurance when it comes to protecting against the financial strain that a premature death can bring about. Life insurance benefits can also provide income for your spouse, send your child to college, pay estate taxes, fund a stock repurchase plan or satisfy many other financial needs.

Permanent life insurance also works for you during your lifetime by providing the opportunity for cash value accumulation on a tax-deferred basis. Over time, these funds can be accessed via loans or withdrawals to help you enhance retirement savings, reduce out-of-pocket premium payments, supplement college funds or achieve a variety of other goals.<sup>1</sup>

A properly designed life insurance program can provide a combination of safety and security unlike other financial vehicles.

### A Powerful Financial Tool

You're familiar with life insurance in the context of its fundamental role: helping protect one's family from the financial strain that the death of an income earner can bring about. Life insurance is also one of the most versatile financial vehicles available, capable of filling a broad range of other long-term personal and business needs, including:

Personal/Family	Business
Death benefit protection	Business continuation
Estate planning	Buy-sell plans
Wealth transfer	Key employee coverage
Charitable giving	Executive bonus plans
Retirement savings	Deferred compensation plans

### Selecting the Right Policy

The market offers thousands of life insurance policies that will take care of your beneficiaries if you should pass away. The key factors that distinguish one policy from another include:

- The policy's **guarantees and benefits**
- The policy's underlying **values and charges**
- The policy's **interest crediting mechanisms**
- The level of **flexibility** in meeting your specific needs
- The financial **strength** of the life insurance company, which influences its ability to meet future commitments

<sup>1</sup> Policy loans and partial withdrawals will reduce the death benefit and cash value, and could reduce the duration of coverage. Partial withdrawals may be taxed as regular earnings. Different rules apply to taxation of distributions from policies that are classified as Modified Endowment Contracts. This information is based on current federal income tax laws.

## The Indexed Advantage

All insurance products offer their own risk/reward structures. Your challenge is to find the policy that delivers the benefits you're looking for at the lowest possible risk level.

One of the more innovative options available today is indexed universal life insurance, in which an interest crediting rate is based on the performance of one or more external financial indices such as the Standard & Poor's® 500 Composite Stock Price Index (S&P 500® Index).<sup>2</sup> Interest is calculated based, in part, on changes in the index (without dividends) and credited at the end of the index crediting term. Like other universal life insurance policies, indexed policies also offer a guaranteed minimum interest crediting rate, so interest is guaranteed to be credited to policy values regardless of how the financial index performs.<sup>3</sup> Because returns are based, in part, on a specific index's performance, indexed universal life may offer a greater potential for cash value growth.<sup>4</sup> However, if the external index performs poorly, the indexed interest credited to your policy may be less than interest credited under life insurance policies that provide guaranteed fixed interest rates. In some years, you may not receive any indexed interest.

### **An indexed universal life policy may be right for you if you understand the following:**

- Indexed life insurance is not an investment
- A universal life insurance policy should be purchased only if you have a long-term need for permanent life insurance
- While indexed interest credited to the policy is based on the performance of the external indices, the policy does not directly participate in the index or in any stock or equity investment, and you are not buying shares of any index or stock
- The actual amount of indexed interest, if any, credited to an indexed universal life policy will vary based on the performance of those indices and on the "participation rate," which we set and can change based on:
  - the interest rate environment,
  - the cost of options and
  - other economic factors
- There will be substantial variation in the amount of indexed interest credited over the life of the policy
- Illustrations of the indexed universal life policy are simply projections of possible values based on many variables that are not guaranteed
- It is important to view illustrations of an indexed universal life policy over a broad range of scenarios before you purchase the policy to ensure you are making an informed decision
- The only viable way to know if an indexed universal life policy is meeting your needs is to review the policy's values no less frequently than once a year
- The market indices do not reflect the dividends paid on the stocks underlying the market indices



For individuals who appreciate the safety and security features of life insurance but are looking for potentially better possibilities to earn interest, indexed universal life insurance can make an important contribution to their families' financial security.

## Introducing AIG Elite Global IUL Insurance

If you are considering an indexed universal life insurance policy that provides death benefits, including fixed interest, indexed interest and flexibility, then *AIG Elite Global IUL* insurance may be the right choice for you. This policy provides you an opportunity to earn cash value accumulation based in part on the performance of the S&P 500<sup>®</sup> Index<sup>2</sup>, the Dow Jones EURO STOXX 50<sup>®</sup> Index<sup>5</sup> (Western Europe) and the Hang Seng Index<sup>6</sup> (Hong Kong).

### Key Benefits

- Strong death benefit protection
- Competitive values and charges
- Diversity of three external global indices
- Indexed interest credited based on a five-year term with automatic overweighting to the two best-performing indices
- Flexible allocation choices including excess interest and/or indexed interest options
- Annual effective minimum guaranteed interest rate of 2.5 percent
- Strength and experience of American General Life Insurance Company in indexed universal life insurance market

### Interest

- **Minimum Guaranteed Interest Rate:** Regardless of the performance of the external indices, the policy's cash value will never earn less than 2.5 percent annually
- **Indexed Interest:** Opportunity for indexed interest based in part on the performance of the S&P 500, Dow Jones EURO STOXX 50 and Hang Seng indices
- **Global Diversity:** Indexed interest is based on the best-performing two out of three international indices
- **Five-Year Term:** By crediting interest at the end of the five-year term, the performance of the indices may be more stable and fall within a narrower range than might be experienced over a one-year period

### Flexibility

- **Allocation Choice:** You have the ability to allocate either all or part of your premium to an indexed account, an excess interest account or both
- **Choice of Death Benefits:** You have your choice among three death benefit options:
  - Option 1 (Level): Death benefit equals policy face amount (minus any distributions from the policy cash value)
  - Option 2 (Increasing): Death benefit equals policy face amount *plus* all accumulated cash values (minus any distributions from the policy cash value)
  - Option 3 (Return of Premium, or ROP): Death benefit equals policy face amount *plus* the sum of all premiums paid (minus any distributions from the policy cash value)



- **Available Riders:**

- Maturity Extension Rider (Accumulation Value): Enables the policy owner to extend the policy maturity date; the death benefit after the original maturity date will equal the accumulation value on the date of the insured's death
- Maturity Extension Rider (Death Benefit): Allows the policy owner to extend the maturity date; the death benefit will equal the benefit amount in effect on the day prior to the original maturity date (additional charges apply)
- Terminal Illness Rider: Provides an accelerated death benefit (living benefit) when the insured is diagnosed with a terminal illness (12 months or less to live)
- Waiver of Monthly Deduction Rider: The company waives monthly deductions as they come due while the insured is totally disabled

## Provider Strength

Few companies can match the enduring financial strength of American General Life Insurance Company, one of the world's leading providers of financial services. We've been an important player in the indexed interest life insurance market since the beginning, and the depth of our expertise shows in our products. Part of the reason for our continued success is the principled way we consistently treat our customers, both existing and new: with unquestionable fairness and equity.

## Diversity of Indices

With *AIG Elite Global IUL* insurance, American General Life introduces a new generation of indexed universal life products. Instead of using a single index as the basis for its indexed interest, *AIG Elite Global IUL* uses three — S&P 500, Dow Jones EURO STOXX 50 and Hang Seng — and weights the two best-performing indices when indexed interest is calculated.

For additional security, you also have the option of allocating all or a portion of each premium to a fixed account, which will earn an interest rate to be declared by American General Life. This rate may be subject to change periodically, but will never be less than an annual rate of 2.5 percent.

## How Indexed Interest Works

Here's how indexed interest in the *AIG Elite Global IUL* policy works.

At the end of each five-year period, the value of each index is compared with the value at the beginning of that period. Indexed interest, if any, is calculated using 75 percent of the return of the best-performing index, after adjustment for the participation rate, plus 25 percent of the return of the second-best-performing index, after adjustment for the participation rate. The third-best-performing index over the period is not used when determining if indexed interest is to be credited. This excess interest crediting methodology also provides an opportunity to benefit from globally diversified indices. (See example on opposite page.)

For example, assume that over the five-year period for a particular indexed interest account, the S&P 500 yields a return of 60 percent, the Dow Jones EURO STOXX 50 a return of -28 percent and the Hang Seng a return of 120 percent. (See chart on opposite page.)

This approach assures policy owners that their credited interest rate will always be based on the two best-performing indices for the period. And of course, one or more indices could yield negative returns in a given period, in which case you may not earn any indexed interest, but your affected cash values would be protected against a loss by the policy's minimum guaranteed interest rate.

The indexed interest rate is based on a certain percentage of the index return, called the participation rate, as shown in the example at right. This participation rate is determined by American General Life at the beginning of each five-year period and is applicable for that period only. The participation rate may be set at any percentage. If the participation rate were set at 0 percent, your indexed interest account would still be credited with guaranteed interest of 2.5 percent.

Because the change in each index is captured on only two days out of the five-year period (the beginning day and the ending day), you bear the risk that you may receive no indexed interest if the index declines from the first day of the period to the last day of the period.



## Policy Charges

### Percentage of Premium Load

- Current charge of 7.0 percent of all premiums (maximum charge of 7.0 percent)

### Monthly Deductions

- Current monthly administration fee of \$5 (maximum charge of \$7)
- 10-year monthly expense charge per \$1,000 of specified amount
- Current cost of insurance based on net amount at risk
- Rider charges

	Formula	Example								
Step 1	American General Life declares the participation rate applicable to a new indexed interest account. Each indexed interest account has a duration of 5 years. Once the indexed interest account begins, the participation rate is guaranteed for the 5-year term of the account.	For this example, assume the participation rate is 55%.								
Step 2	During the 5-year term, we deduct policy charges, as well as any loans or withdrawals, from the indexed interest account. Additionally, we credit guaranteed interest to the indexed interest account.	The guaranteed interest rate is 2.5% on an effective annual basis and is credited to the indexed interest account monthly. Over the course of the 5-year term, this is equivalent to total guaranteed interest of 13.14082% (also referred to as the indexed interest factor) being credited to the indexed interest account.								
Step 3	At the end of the 5-year term, we then determine the point-to-point return for each index.	For this example, assume the point-to-point returns are as follows: <ul style="list-style-type: none"> <li>• S&amp;P 500=60%</li> <li>• Dow Jones EURO STOXX=-28%</li> <li>• Hang Seng=120%</li> </ul>								
Step 4	With the point-to-point returns from Step 3, we calculate the adjusted indexed return by multiplying the highest index return by 75% and the second highest by 25%, then adding the result.	<table style="margin-left: 40px;"> <tr> <td>Hang Seng</td> <td>120% x 75%</td> </tr> <tr> <td>+ S&amp;P 500</td> <td>60% x 25%</td> </tr> <tr> <td>+ Dow Jones EURO STOXX</td> <td>-28% x 0%</td> </tr> <tr> <td>= Adjusted indexed return</td> <td>105%</td> </tr> </table>	Hang Seng	120% x 75%	+ S&P 500	60% x 25%	+ Dow Jones EURO STOXX	-28% x 0%	= Adjusted indexed return	105%
Hang Seng	120% x 75%									
+ S&P 500	60% x 25%									
+ Dow Jones EURO STOXX	-28% x 0%									
= Adjusted indexed return	105%									
Step 5	We then calculate the indexed interest percentage by multiplying the adjusted indexed return by the participation rate, then subtract the indexed interest factor. This can also be described as determining the amount of return the client is eligible to participate in and then subtracting the amount of interest we have already applied to the indexed account.	<table style="margin-left: 40px;"> <tr> <td>105%</td> <td>Adjusted index return</td> </tr> <tr> <td><u>    x55%</u></td> <td>Participation rate</td> </tr> <tr> <td>=57.75%</td> <td>Return client is eligible to participate in</td> </tr> </table> <p>-13.14082% Indexed interest factor: guaranteed interest already credited</p> <p>=44.6092% Indexed interest percentage, which is used to calculate the amount of indexed interest credited to the "eligible value" of the contract</p> <p>When reflecting the guaranteed interest credited, this approximates a return of 9.55% on an annualized basis.</p>	105%	Adjusted index return	<u>    x55%</u>	Participation rate	=57.75%	Return client is eligible to participate in		
105%	Adjusted index return									
<u>    x55%</u>	Participation rate									
=57.75%	Return client is eligible to participate in									
Step 6	We then apply the indexed interest percentage to the eligible value. The eligible value is approximately equal to the weighted average of the accumulation values to which the guaranteed interest was applied each month.	Eligible value x 44.6092% = The amount of indexed interest credited to the accumulation value								
Ongoing	Roll the accumulation value into a new 5-year indexed interest account and repeat.									

Note: This example does not take into account charges under the policy, which reduce values, in some cases significantly. The purpose of this example is to demonstrate how indexed interest is calculated. The example is hypothetical, and is not intended to project or predict investment results. Actual indexed interest could be lower.

## How Indexed Interest is Credited

With *AIG Elite Global IUL*, a policy's net premium (after deduction of the premium load) is allocated to the indexed interest account and excess interest account based on the premium allocation percentage you have specified. The net premium received and allocated to the indexed interest account at the beginning of the policy year, plus the amount in the interim account, is deposited into a new indexed interest account with a five-year crediting period, where interest is earned at an annual effective rate of 2.5 percent until the five-year term is up. At the end of each term, indexed interest is calculated (based on the formula described on page 7) and credited to the indexed interest account.

All net premiums received after the beginning of the policy year (allocated to the indexed interest account) will be temporarily deposited into the interim account until the next anniversary. The interim account will be credited with an annual effective interest rate of no less than 2.5 percent. On the next anniversary, the balance of the interim account, combined with the net premium received (allocated to the indexed interest account), will be deposited into a new indexed account.

## How Indexed Interest Account Cash Value Accumulates

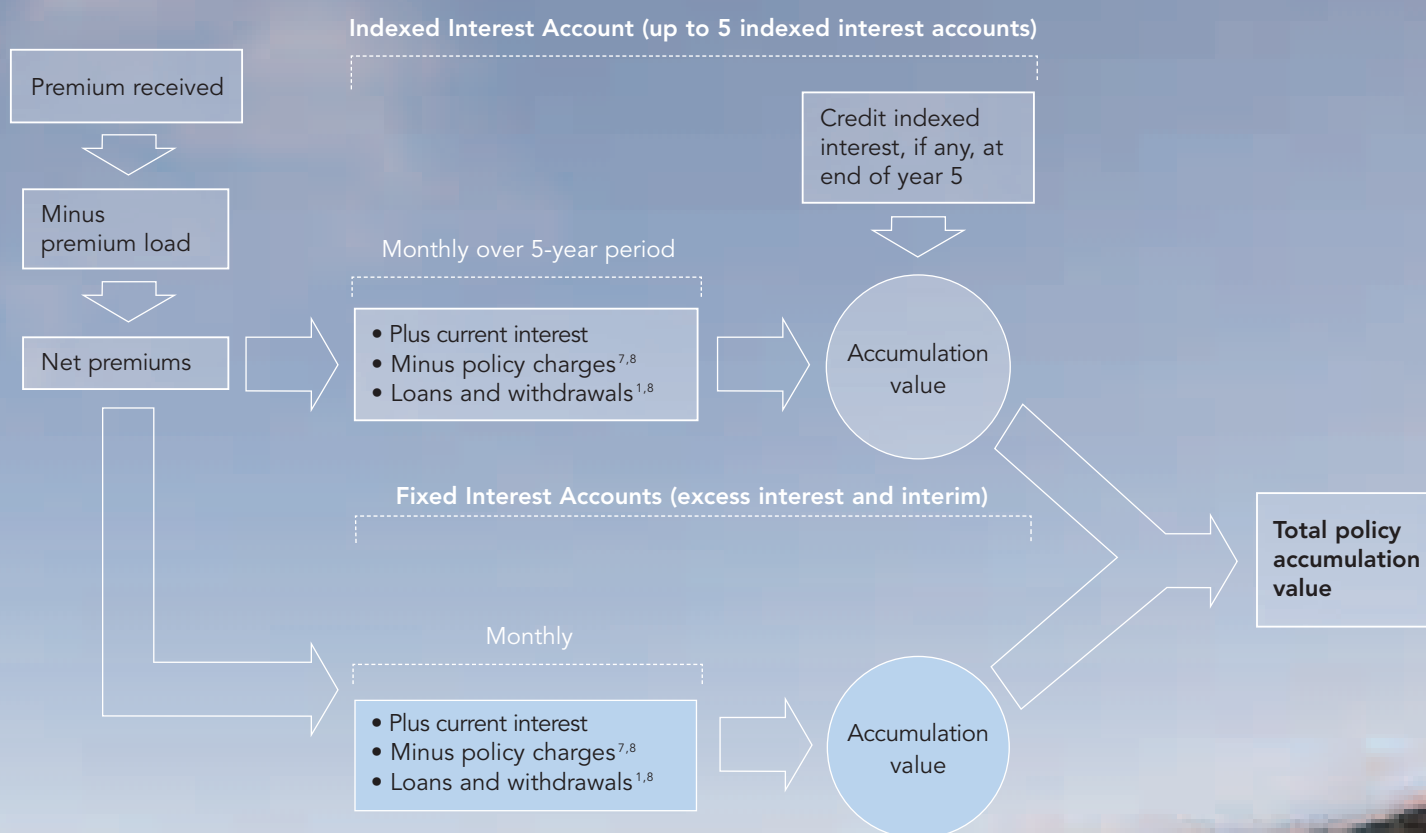
The *AIG Elite Global IUL* policy allocates net premiums to a series of indexed interest accounts. Each of these accounts renews every five years on the policy anniversary. At the beginning of each of the first five years of the policy, a new indexed interest account will be created to house the net premium, minus deductions, plus interest credited. At the end of the fifth year, the first account that was created will be credited with indexed interest, if any, and the values from that account will be combined with any new premiums to establish a new account. This account will have a new participation rate declared for the next five years. The same process is repeated for the other accounts as they renew every five years.

Here are some points you should know about how each indexed interest account cash value accumulates:

- Since indexed interest is credited at the end of the five-year period, if you surrender or if death occurs during the period, the indexed interest account will not be credited with indexed interest (although such amounts will be credited with the guaranteed interest)
- Monthly deductions allocated to the indexed interest account will reduce the cash value
- Amounts withdrawn for partial withdrawals during the five-year period will reduce the cash value and will not be credited with indexed interest<sup>1</sup>
- The portion of the cash value that equals the amount of a policy loan during the five-year period will not be credited with indexed interest (although policy loans will be credited with an annual effective interest rate of 3 percent)
- Premiums and loan repayments received between policy anniversaries will be placed in an interim account until the next policy anniversary and will be credited with the excess interest rate then in effect

As policy cash values accumulate over the years, amounts will be available for loans and withdrawals, and can then be used to supplement retirement income, provide business capital or fill a wide variety of other personal and business needs. Of course, loans and withdrawals reduce the death benefit and cash value and could reduce the duration of insurance coverage. Additionally, there may be tax consequences associated with loans and withdrawals.<sup>1</sup>

The policy accumulation value equals the total sum of the amounts in each account.



**Important:** Do not state or imply that the purchase of AIG Elite Global IUL is like an investment or a means of participating in “securities,” “markets,” “stocks,” “stock market index,” “S&P 500 Index,” “Dow Jones EURO STOXX Index,” or “Hang Seng Index,” and do not place primary focus on the current interest rate. Instead, describe the two interest crediting options as “fixed interest” and “indexed interest” (with a participation rate determined annually by American General Life) as methods used to calculate nonguaranteed interest rates. Be certain to emphasize that AIG Elite Global IUL is a life insurance policy.

- <sup>1</sup> Policy loans and partial withdrawals will reduce the death benefit and cash value, and could reduce the duration of coverage. Partial withdrawals may be taxed as regular earnings. Different rules apply to taxation of distributions from policies that are classified as Modified Endowment Contracts. This information is based on current federal income tax laws.
- <sup>2</sup> “Standard & Poor’s®,” “S&P®,” “S&P 500®,” “Standard & Poor’s 500” and “500” are trademarks of The McGraw-Hill Companies, Inc., and have been licensed for use by American General Life Insurance Company. AIG Elite Global IUL is not sponsored, endorsed, sold or promoted by Standard & Poor’s, and Standard & Poor’s makes no representation regarding the advisability of purchasing this product.
- <sup>3</sup> Guarantees are subject to the claims-paying ability of the issuing insurance company.
- <sup>4</sup> The policy owner does not purchase interests or otherwise directly participate in any stock market index, mutual fund, stock or other investment in securities.
- <sup>5</sup> The Dow Jones EURO STOXX 50® is the intellectual property of (including registered trademarks) Stoxx Limited, Zurich, Switzerland and/or Dow Jones & Company, Inc., a Delaware corporation, New York, USA, (the “Licensors”), which is used under license. Financial instruments based on the Index are in no way sponsored, endorsed, sold or promoted by the Licensors and neither of the Licensors shall have any liability with respect thereto.
- <sup>6</sup> The mark and name “Hang Seng Index” is proprietary to Hang Seng Data Services Limited (“HSDS”), which has licensed its compilation and publication to HSI Services Limited (“HSI”). HSI and HSDS have agreed to the use of, and reference to, the Hang Seng Index by American General Life (“the Issuer”) in connection with the AIG Elite Global IUL (the “Product”). However, neither HSI nor HSDS warrants, represents or guarantees to any person the accuracy or completeness of the Hang Seng Index, its computation or any information related thereto, and no warranty, representation or guarantee of any kind whatsoever relating to the Hang Seng Index is given or may be implied. Neither HSI nor HSDS accepts any responsibility or liability for any economic or other loss which may be directly or indirectly sustained by any person as a result of or in connection with the use of and/or reference to the Hang Seng Index by the Issuer in connection with the Product, or any inaccuracies, omissions or errors of HSI in computing the Hang Seng Index. Any person dealing with the Product shall place no reliance whatsoever on HSI and/or HSDS nor bring any claims or legal proceedings against HSI and/or HSDS in any manner whatsoever. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and HSI Services Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship.
- <sup>7</sup> Policy charges include administrative fees, monthly expense charges, cost of insurance charges and rider charges allocated to this interest account.
- <sup>8</sup> Allocated to this interest account.

Product specifications contained in this guide are not intended to be all-inclusive of product information. State variations may apply. Please contact your profit center or review to the policy for complete details.



Policies issued by:

**American General Life Insurance Company**

*A member company of American International Group, Inc.*

2727-A Allen Parkway, Houston, Texas 77019

Policy Form Number 06444

Maturity Extension Rider (Accumulation Value) 99110, Maturity Extension Rider (Death Benefit)

99111, Terminal Illness Rider 91401, Waiver of Monthly Deduction Rider 82001

The underwriting risks, financial obligations and support functions associated with the policies issued by American General Life Insurance Company (American General Life) are 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 and riders not available in all states.

**Important:** Prior to soliciting business, be certain that you are appropriately licensed and appointed with the insurer and that the product has been approved for sale by the insurer in that state.

If uncertain, contact your profit center for assistance.

© 2006 American International Group, Inc. All rights reserved.

AGLC102051