



## **Agent Contracting**

**Please complete the following contracting package and FAX to  
866-866-2232 (toll-free) or 732-792-9777**

**AnnuityCommissions.com  
28 Harrison Ave., Suite D209  
Englishtown, NJ 07726**

**If you have any questions or changes to existing contracts, please contact  
Hersh Stern at 866-866-1999 (toll-free) or 732-792-1011.**



**AMERICAN  
GENERAL**

Complete and fax to  
866-866-2232

**United States Life Contracting  
and Appointment Coversheet**

**The United States Life Insurance Company in the City of New York**

GA - Page 1 of 2

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

**From**

Name:\* HERSH STERN G5647 L5731

E-mail Address:\* HS@WEBANNUITIES.NET (dot NET)

Phone Number: (        ) 866-866-1999

Fax Number: (        ) 866-866-2232

Special Instructions \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



The United States Life Insurance Company in the City of New York

GA - Page 2 of 2

A member company of American International Group, Inc.

General Agent: Complete and Sign this Page

1. A. General Agency Name/Number: G5647 L5731

B. Agent to be appointed:

2. A. USL Contract Level Requested: [ ] General Agent [ ] GA1 [ ] GA2 [X] Producer

B. Override rate (For GA1 only):

C. EAP/ADA rate (For GA1 or GA2 only):

3. A. Mail new business policies and administrative correspondence to: (check one box)

[ ] General Agent [ ] GA1 [ ] GA2 [X] Producer

B. Mail commission statements and have payments made payable to: (check one box)

[ ] General Agent [ ] GA1 [ ] GA2 [X] Producer

C. Does the applicant want publicity? [ ] Yes [ ] No

4. Is producer currently contracted with United States Life? [ ] Yes [X] No

A. If yes, provide USL agent number:

B. To transfer GA affiliation at this time:

1. Submit a copy of termination letter sent to the previous General Agent.

2. If requesting a GA contract, submit a copy of release letter from previous GA.

5. Will the producer report through a GA1 or a GA2? [ ] Yes [X] No

If yes, provide GA1/GA2 agent number:

Optional: American General Life Insurance Company Appointment

Contract Level Requested: [ ] Solicitor [ ] Agent [ ] GA92 [ ] MGA Other

Commission Level for American General Life

Life Products: First Year Level [D] Required, Renewal Level [D] Required, Productivity Bonus Level

(HO Approval)

Elite Value Index First Year/Renewal Level

AGL Annuity Deferred & Immediate: First Year/Renewal Level [D]

A & H First Year Level [D], Renewal Level [B]

6. General Agent Signature: Heish Stern Date:

By executing this application, the aforementioned person (recommending representative or General Agent) recommends the applicant to United States Life and its domestic life insurance affiliates as a suitable person qualified to represent United States Life and/or its affiliates. The recommending representative or General Agent also agrees to supervise and assume responsibility for the applicant, if appointed by USL and/or its affiliates, in accordance with the terms of the representatives or General Agent's contract.



**AMERICAN  
GENERAL**

Complete and fax with  
copy of license and proof  
of E&O to 866-866-2232

**Producers & Principals  
of Entities**

**The United States Life Insurance Company in the City of New York**

Producer - Page 1 of 5

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

**COMPLETE AND SIGN THIS PRODUCER SECTION**

**Part 1: Individual and Principal of Corporation. This is Required Information.**

Please Print Clearly *If a corporation or Partnership is to be contracted and appointed, submit one appointment form for the entity and a separate appointment form for each principal.*

Social Security Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Name: \_\_\_\_\_  
Last Name First Name Middle Initial

Date of Birth: (month/day/year) \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ Sex:  Male  Female

Resident/Home: \_\_\_\_\_  
Physical Address  
\_\_\_\_\_  
City State ZIP Code

Resident/Home Phone Number: ( ) \_\_\_\_\_ Email: \_\_\_\_\_

Business Address: \_\_\_\_\_  
Physical Address City State ZIP Code

Business Phone Number: ( ) \_\_\_\_\_ Fax Number: ( ) \_\_\_\_\_

**Part 2: Corporate or Partnership Required Information.**

*Individual Applications Do Not Complete This Section*

Tax ID Number: \_\_\_\_\_

Corporate Name: \_\_\_\_\_

Corporate Address: \_\_\_\_\_  
Physical Address  
\_\_\_\_\_  
City State ZIP Code

Corporate Phone Number: \_\_\_\_\_ State Incorporated: \_\_\_\_\_

Fax Number: ( ) \_\_\_\_\_ Email: \_\_\_\_\_

Primary Officer for Corporate Records: \_\_\_\_\_

*Background information report on producer page 2 should be provided by and related to the principal of the corporation.*



The United States Life Insurance Company in the City of New York

A member company of American International Group, Inc.

Part 3: Background Information Required On All Applicants

If this is a corporate application, the questions should be answered by and about the agency principal.

Social Security Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

CONFIDENTIAL HISTORY/BACKGROUND INFORMATION

Please provide complete details for any "yes" answers in the Remarks section. Attach additional documentation as necessary.

Table with 2 columns: YES, NO. Rows 1a-10: 1a. Have you ever been convicted of or plead guilty or no contest to any felony? 1b. Have you ever been convicted of or plead guilty or no contest to any misdemeanor? 1c. Have you ever been convicted of or plead guilty or no contest to a violation of federal or state securities or investment related regulations? 2. Are you currently under investigation by any legal or regulatory authority? 3. Do you now owe money to any life or health insurance company? 4. Have you or a firm in which you were a partner, officer or Director been declared bankrupt or been party to a bankruptcy or receivership proceeding, or have you had a salary garnished or had liens or judgements against you and/or your firm? 5. Has any insurance company or securities broker-dealer ever declined to appoint you, refused to contract you or terminated your contract for reason other than lack of sales? 6. Have you ever been the subject of a consumer-initiated complaint or proceeding by any self-regulatory body or any securities commodities or insurance regulatory body or organization or employer? 7. Has a bonding company ever denied, paid out on or revoked a bond for you? 8. Have you ever had a claim filed against your professional liability or errors and omissions insurance coverage? 9. Has any insurance department, government agency or self-regulatory authority ever denied, suspended, revoked, censured or barred your license or registration or disciplined you with fines or by restricting your activities? 10. Are you or your firm and/or your partner(s) currently a party to any litigation or arbitration involving you or your firm's business activities?

Details of 'Yes' answers above. Provide date of occurrence, explanation, resolution and applicable court documents. (Insufficient information will result in processing delays. If necessary, use additional sheet.)

Horizontal lines for providing details of 'Yes' answers.

**Part 4: Licensing and State Appointment Request**

*Attach copies of licenses for all requested state appointments. Provide appropriate fees for nonresident appointments.*

Applicant Name: \_\_\_\_\_

Licensed for:  Life  Health  Variable      Contracted as:  Individual  Corporation

Resident State: \_\_\_\_\_ Resident License Number: \_\_\_\_\_

Nonresident Appointment State(s): \_\_\_\_\_  
Attach applicable fees and licenses for states listed above.

FLORIDA residents must specify the Florida county where their business office is located: \_\_\_\_\_

NON-RESIDENT FLORIDA agents soliciting in Florida must list the county(s) in Florida in which they intend to personally solicit:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Part 5: Variable Licensing – Complete ONLY when variable appointment is requested.**

Who is your Broker/Dealer: \_\_\_\_\_

CRD Number: \_\_\_\_\_

Circle all current NASD licenses that you hold:    6    7    22    24    26    63    Other: \_\_\_\_\_



**Part 6: Applicant Authorization**

**Certification: Provide Social Security or Tax Identification Number:** \_\_\_\_\_

I have read and received, as of the date indicated below, the notice concerning investigative consumer reports, as required by law. I understand that by signing this form, I authorize United States Life and/or its affiliates with which I have requested appointments with to investigate my background, including my credit history and interviews with former employers. I agree that if any of my answers to the questions in Part 3 (Confidential History) change, I will notify in writing the Licensing and Contracting Department at the address noted on the last page of this application within 10 business days of the incident that would cause an answer to change. I understand that falsification of information or failure to update the answers on this application may result in termination of appointment(s) with all United States Life and/or its affiliates. In addition, I authorize United States Life and/or its affiliates that have appointed me to report information about earning and debit balances to any credit bureau or similar organization.

If I am seeking an appointment to sell variable insurance products, I authorize American General Securities Incorporated to verify my previous employment and securities registration history through the CRD system.

I authorize United States Life and/or its affiliates to share background, licensing, applicant data and other information that they have about me.

I acknowledge that I have received and reviewed the "Customer Service and Compliance Manual for Producers and Employees for the American General Life Companies" and / or "Operations Manual for American General Annuity Insurance Company" and I agree to abide by those principles, as amended from time to time, in representing any of the United States Life and/or its affiliates that appoint me.

By signing the authorization, I certify that my E&O policy extends coverage to the person or entity requesting contracting and appointment. I agree to provide a copy of the E&O policy, if requested. Further, I understand that I am responsible for maintaining at least \$1 million per act of Errors and Omissions coverage without interruption while my American General Life or affiliated company contract is active. I further understand and acknowledge that this is a minimum level only, and if my E&O coverage needs are in excess of \$1 million, I agree to ensure that my E&O coverage needs are addressed appropriately.

**Under penalties of perjury, I certify: that the number shown on this application is my correct Social Security or Tax Identification number; and I am not subject to backup withholding under Section 3406(a)(1)(C) of the Internal Revenue Code. The Internal Revenue Service does not require my consent to any provision of this document other than the certification required to avoid backup withholding.**

Agent Signature: \_\_\_\_\_ Date: \_\_\_\_\_



**The United States Life Insurance Company in the City of New York**

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

THIS CONTRACT is made this \_\_\_\_\_ day of \_\_\_\_\_,

by and between \_\_\_\_\_ General Agent of The United States

Life Insurance Company in the City of New York and \_\_\_\_\_  
(hereinafter called "The Producer")

**1. AUTHORITY**

a) The General Agent appoints the Producer to solicit and procure applications for all types of insurance and annuities issued by the Company subject to the terms, conditions, and limitations set forth herein.

b) The Producer shall be free to exercise his own judgment as to the persons whom he will solicit and the time and place of such solicitations but shall comply with and be bound by the rules of the Company not interfering with such freedom of action of the Producer. Nothing contained herein shall be construed to create the relationship of employer and employee between the Company or the General Agent and the Producer.

c) The Producer has no authority to do and agrees not to do or attempt to do the following: (1) to make, alter or discharge any contract, policy or receipt, nor to waive any forfeiture provisions or condition thereof; (2) to receive any monies on behalf of the Company except initial premiums and then only upon strict compliance with the terms and conditions of the receipts, policies or contracts issued by the Company and with the rules of the Company; (3) to rebate or offer to rebate any part of a premium; (4) to issue or circulate any advertising material, circular or pamphlet relating to the Company unless the same shall have been authorized and approved in writing by the Company; (5) to make any misrepresentation or incomplete comparison for the purpose of inducing a policyholder in this or any other company to convert, lapse, forfeit or surrender his insurance therein; (6) to bind or obligate the Company or subject the Company to any liability unless specifically authorized in writing by the Company; (7) to endorse any checks payable to the General Agent or the Company.

**2. COMPENSATION**

a) The General Agent agrees to pay to the Producer the commissions shown in the Commission Schedule in effect at the time of application for the policies, a copy of which is attached hereto, in accordance with the Company's rules and subject to the terms and conditions of this Contract, on premiums covering insurance policies hereafter issued by the Company on applications submitted by the Producer through the General Agent, when and as such premiums are paid to and accepted by the Company.

b) The Producer shall have no claim for commissions on any business unless the Producer actually solicited the application and his name appears thereon as Agent. It is agreed that the Producer shall have no claim against the Company for commissions under this Contract except as provided under the terms of the Agreement of the Company annexed hereto.

c) The Commission Schedule may be changed at any time, with respect to business written thereafter, upon written notice from the General Agent to the Producer.

d) Any monies due the Producer hereunder shall be subject to reduction or offset for any indebtedness of the Producer to the General Agent or the Company.

e) If the Company shall, either during the continuance of the Contract or after its termination, return the premium on any policy for any reason, the Producer agrees to repay all commissions received on premiums so returned to the General Agent or the Company upon demand.

f) If any policy shall terminate for non-payment of premium and be reinstated subsequently, the Producer shall not be entitled to any further commissions on such policy unless it is reinstated by the Producer himself during the continuance of this Contract.

**3. GENERAL PROVISIONS**

a) The Producer agrees to comply with all applicable insurance laws and regulations and with all the published rules, regulations and instructions of the Company now in force and such as may hereafter be adopted.

b) The Producer specifically agrees to indemnify and to save the General Agent and the Company harmless against or from liability of any type for judgments, litigation costs, damages, attorney's fees, fines, penalties or other losses or expenses incurred by the General Agent or Company resulting from or growing out of any unauthorized act by the Producer, the Producer's employees or representatives.

c) The Producer shall maintain in good order the records and accounts of business transacted on behalf of the Company for inspection by, or delivery to the General Agent or the Company upon request.

d) No assignment of the commissions or other rights accruing under this Contract shall be binding upon the General Agent or the Company unless consented to in writing by the General Agent and the Company; any such assignment shall be subject to the right of reduction or setoff as provided in paragraph 2(d) above.

e) If, subject to the written consent of the Company, the Agreement between the General Agent and the Company is assigned to a successor General Agent, the successor General Agent shall be substituted for and in the place of the General Agent under this Contract and shall assume all liability for payment of the commissions hereunder and such payment shall release the General Agent named herein from any and all liability therefor.

f) All premiums received by the Producer for the Company shall be immediately paid over to the General Agent.

g) This Contract shall supersede any and all previous agreements between the General Agent and the Producer with respect to any individual life insurance policies, group policies, and annuity contracts written after the date of this Contract.

h) The failure of the General Agent to enact strict compliance with the terms of this Contract or the failure to declare any default when the same shall become known to the General Agent, shall not operate as a waiver of such conditions nor release the Producer from his obligation to perform this Contract strictly in accordance with its terms.

i) The Company reserves the right to discontinue writing all or any part of its business in any jurisdiction upon written notice thereof by the General Agent to the Producer and neither the Company nor the General Agent shall incur liability to the Producer by reason of the Company doing so.

#### 4) TERMINATION

a) Any violation of any sections of paragraphs 1(c) or 3(f) of this Contract, or, the Producer's withholding or converting to his own use funds or property of the General Agent or the Company, an applicant, or insured, shall effect an immediate termination of this Contract and a forfeiture of any and all commissions and other rights which would otherwise accrue to the Producer. It is expressly agreed that prior termination of this Contract shall not terminate this provision.

b) This Contract shall automatically terminate upon (i) the death of the Producer, if the Producer be an individual (ii) the dissolution of the partnership, if the Producer be a partnership, or (iii) the dissolution of the corporation, if the Producer be a corporation.

c) This Contract, unless otherwise terminated as provided in sections 4(a) or 4(b) above, may be immediately terminated by either the General Agent or the Producer upon the mailing of written notice to the other party at the last known address of such other party.

#### 5) SPECIFIC PROVISIONS - INDIVIDUAL INSURANCE

a) No commissions will be allowed on premiums waived on account of total and permanent disability of the Insured.

b) If a policy is changed or converted to a new policy or if a new policy is issued and a previously existing policy on the same life is terminated within six months before or after the issue of the new policy, the commissions payable on the new policy shall be determined by the rules of the Company current at the time of such change, conversion or new business.

c) If this Contract be terminated other than as provided in paragraph 4(a) hereof, the Producer shall receive commissions as provided in the Commissions Schedule with respect to premium paid to and accepted by the Company on and after the date of such termination subject to all rules of Paragraph 2 of this Contract.

#### 6) SPECIFIC PROVISIONS - GROUP INSURANCE

a) The first year commission rate shall apply to premiums for each policy covering the period of one year (or any part thereof) from the effective date of each policy; the renewal commission rate shall apply to premiums for each policy year thereafter so long as the Producer is legally authorized to solicit such insurance by the insurance department having jurisdiction over the policies.

b) Renewal commissions will continue to be paid so long as the Producer (1) is legally authorized to solicit such insurance by the insurance department having jurisdiction over the policies; (2) is continuously and actively engaged as an Agent, Broker, or Producer in the insurance business; (3) is recognized by the policyholder as Agent, Broker or Producer of record; (4) services the policies covered by this Contract in a manner satisfactory to the Company; and (5) this Contract remains in force.

c) In the event of the extension of any of the policies to cover persons not included on the effective date of the policy or in the event the existing policy is revised to increase the schedule of insurance or add a new benefit for those already insured, this Producer Contract shall not apply to premiums for such additional insurance but commissions shall be paid in accordance with the rules of the Company existing on the date of the extension or addition.

d) Commission adjustments will be made at the end of each premium paying period. Except as provided in the preceding paragraph, if the original premium for any premium paying period has been increased by net adjustments during said period, additional commission will be allowed upon the net increase; if it has been decreased, a refund of commission must be made by the Producer and such refund commission shall be a first charge against any commissions accrued or to accrue under any insurance policy in the Company and may be deducted therefrom.

#### 7) AGREEMENT OF THE COMPANY

THE UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK hereby agrees that, in the event the Agreement between the General Agent and the Company is terminated,

a) it will pay directly to the Producer the commissions which may thereafter become due and payable to the Producer under this Producer's Contract; b) the Producer without further action or notice, may continue to submit applications for policies and contracts issued by the Company directly to the Company or such representative as may be designated by the Company to receive them until this Producer's Contract shall be otherwise terminated; c) unless this Producer's Contract is terminated as provided in paragraphs 4(a) or 4(b) or by either the Producer or the Company giving written notice of termination to the other party, it shall continue in force as between the Company and the Producer upon the same terms and conditions as set forth in the Contract.

#### CONTINUING SERVICE FEE AGREEMENT - INDIVIDUAL LIFE INSURANCE

This Agreement, effective the same date of the Producer's Contract is between the Producer and THE UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK (hereafter called "The Company")

Subject to the terms and conditions herein provided, the Company will pay to the Producer, a Service Fee on business written by the Producer and issued by the Company.

1. **Service Fee.** In order to qualify for the Service Fee, the Producer must have completed the Basic Qualification hereafter described. The Service Fee will be paid during the calendar year immediately following the calendar year in which the Basic Qualification has been completed and in any calendar year thereof which is immediately preceded by a calendar year in which the Producer has earned at least \$1200.00 of the first year commissions. If, however, the Producer be an individual and completes the Basic Qualification, then beginning on his retirement date, hereinafter defined, the Service Fee will be paid each calendar year thereafter so long as the Producer shall live. The retirement date of an individual shall be the first day of January of the earliest calendar year (1) following his 65th birthday and (2) immediately preceded by seven calendar years in which the Producer has earned not less than \$1200.00 first year commissions in each of four thereof.

The Service Fee shall be payable only on individual life insurance policies and annuity contracts having issue dates on or after the beginning of the first calendar year which is credited to the Basic Qualification, issued by the Company on applications solicited by the Producer and on which his name appears as Agent. The Service Fee shall be equal to 2% of the premiums accruing on such policies and contracts after the tenth policy or contract year thereof as shall be paid to and accepted by the Company during any calendar year in which the Service Fee is payable.

2. **Basic Qualification.** In order to qualify for the Service Fee, the Producer must have earned first year commissions on business written for the Company of at least \$600.00 in each

calendar year for two calendar years followed by first year commissions of at least \$1200.00 in each calendar year for any succeeding eight calendar years. PROVIDED, HOWEVER, that if the Producer fails to earn at least \$600.00 of first year commissions in each calendar year for any two consecutive calendar years, he shall not receive any credit toward his Basic Qualification for any calendar year prior thereto. Only calendar years after the effective date of this Agreement shall be credited toward the Basic Qualification.

**3. Disability.** If, in the sole judgment of the Company, the Producer is totally disabled for a period of 60 days or more in any calendar year, the requirement for qualification in such calendar year may be reduced proportionately.

**4. First Year Commissions.** For the purpose of this Agreement first year commissions shall mean first year commissions earned by the Producer on first year premiums on individual life insurance policies and annuity contracts issued by the Company on applications solicited by the Producer and on which his name appears as Agent. For the purpose of this Agreement first year commissions shall be earned when such first year premiums are actually due and paid to and accepted by the Company. The Company's determination of first year commissions which are to be taken into account for the purpose of this Agreement shall be final and binding upon the Producer.

**5. Payment of Service Fee.** Any Service Fee accruing hereunder shall be paid quarterly unless the Company elects to pay on some other basis but in no event less frequently than annually.

**6. Termination of Service Fee.** Accrual of all Service Fees shall cease upon termination of the Producer's contract. Any such termination shall not affect the payment of any Service Fees which have accrued prior thereto, unless termination has been in accordance with section 4(a) of the Producer's Contract.

**7. Nonassignability.** The Producer may not assign this Agreement or any right or interest which may accrue to him hereunder, it being an express condition of this Agreement that it shall not be subject to assignment.

**8. Independent Agreement.** This Agreement shall be deemed separate and independent from any General Agent, District Agent, Producer, Agent or Broker Agreement between the Producer and the Company or any General Agent or District Agent of the Company and shall not affect, modify or limit in any way the rights or obligations of the respective parties under such General Agent, District Agent, Producer, Agent or Broker Agreement.

**9. Relationship.** Nothing contained herein shall be construed to create relationship of employer and employee between the Company and the Producer, it being understood that the Producer is not obligated hereunder to solicit applications on behalf of the Company, and that he shall be free to exercise his own judgment as to the persons whom he will solicit and the time and place of such solicitations.

**10. Modification or Termination of Agreement.** The Company reserves the right to change, modify or terminate this Agreement upon prior written notice to the last known address of the Producer provided, however, that no such change, modification or termination shall affect the Producer's rights hereunder which have accrued prior to the effective date of such change, modification or termination.

IN WITNESS WHEREOF, the parties hereto have duly executed the foregoing Producer's Contract and Continuing Service Fee Agreement on the day and year written above.

Signature of General Agent as party to the Producer's Contract



GENERAL AGENT

Signature of Producer as party to both the Producer's Contract and Continuing Service Fee Agreement

Sign Here:

PRODUCER

Signature of individual authorized on behalf of Company for the Agreement of the Company annexed to the Producer's Contract and as a party to the Continuing Service Fee Agreement.

AUTHORIZED SIGNATURE

The United States Life Insurance Company  
in the City of New York, New York, NY  
830 Third Avenue  
New York, NY 10022  
(212) 709-6000





## Schedule of Compensation

INDIVIDUAL LIFE COMMISSION SCHEDULE ATTACHED TO AND PART OF PRODUCER'S CONTRACT

	Commissions 1st Policy Year	Commissions 2nd to 10th Policy Years			
		Producer			
	Producer	2nd	3rd	4th	5th thru 10th
<b>A. UNIVERSAL LIFE</b>					
<b>MEDALIST Premier</b>					
Personally Produced	50%	3%	3%	3%	3%
Excess of Target Premium	3	3	3	3	3
Non-Personally Produced	50	3	3	3	3
Excess of Target Premium	3	3	3	3	3
<b>MEDALIST Premier-New Jersey</b>					
(Face Amounts of \$100,000-249,999)					
Personally Produced	50	3	3	3	3
Excess of Target Premium	3	3	3	3	3
Non-Personally Produced	50	3	3	3	3
Excess of Target Premium	3	3	3	3	3
(Face Amounts of \$250,000 and over)					
Personally Produced	50	3	3	3	3
Excess of Target Premium	3	3	3	3	3
Non-Personally Produced	50	3	3	3	3
Excess of Target Premium	3	3	3	3	3
<b>Survivorship Premier</b>					
Personally Produced	50	3	3	3	3
Excess of Target Premium	3	3	3	3	3
Non-Personally Produced	50	3	3	3	3
Excess of Target Premium	3	3	3	3	3
<b>Platinum Protector G</b>					
Personally Produced	50	3	-	-	-
Excess of Target Premium	2	-	-	-	-
Non-Personally Produced	50	3	-	-	-
Excess of Target Premium	2	-	-	-	-
<b>USL Elite Index UL</b>					
Personally Produced	50	5	2	2	2
Excess of Target Premium	2	2	2	2	2
Non-Personally Produced	50	5	2	2	2
Excess of Target Premium	2	2	2	2	2
<b>ContinUL Extend</b>					
Personally Produced	50	5	2	2	2
Excess of Target Premium	2	2	2	2	2
Non-Personally Produced	50	5	2	2	2
Excess of Target Premium	2	2	2	2	2



	Commissions 1st Policy Year	Commissions 2nd to 10th Policy Years			
		Producer			
	Producer	2nd	3rd	4th	5th thru 10th
<b>B. TERM LIFE</b>					
<b>LTG Ultra-C NY 10yr.</b>					
Rate Band 1 (\$100,000-\$250,000)					
Personally Produced	40%	4%	-	-	-
Non-Personally Produced	40	4	-	-	-
<b>LTG Ultra-C NY 15yr.</b>					
Rate Band 1 (\$100,000-\$250,000)					
Personally Produced	40	4	4	-	-
Non-Personally Produced	40	4	4	-	-
<b>LTG Ultra-C NY 20yr. &amp; 30yr.</b>					
Rate Band 1 (\$100,000-\$250,000)					
Personally Produced	45	4	4	-	-
Non-Personally Produced	45	4	4	-	-
<b>LTG Ultra NY 10yr. (1)</b>					
(\$250,001-\$999,999)					
Personally Produced	40	4	-	-	-
Non-Personally Produced	40	4	-	-	-
(\$1,000,000+)					
Personally Produced	40	2	2	2	2
Non-Personally Produced	40	2	2	2	2
<b>LTG Ultra NY 15yr. (1)</b>					
(\$250,001-\$999,999)					
Personally Produced	40	4	4	-	-
Non-Personally Produced	40	4	4	-	-
(\$1,000,000+)					
Personally Produced	40	4	2	2	2
Non-Personally Produced	40	4	2	2	2
<b>LTG Ultra NY 20yr. &amp; 30yr. (1)</b>					
(\$250,001-\$999,999)					
Personally Produced	45	4	4	-	-
Non-Personally Produced	45	4	4	-	-
(\$1,000,000+)					
Personally Produced	45	4	2	2	2
Non-Personally Produced	45	4	2	2	2
<b>Ultra One</b>					
	7	-	-	-	-
<b>ROP Term 15</b>					
Personally Produced	40	4	4	4	2
Non-Personally Produced	40	4	4	2	2
<b>ROP Term 20</b>					
Personally Produced	45	4	4	4	1
Non-Personally Produced	45	4	4	2	1



	Commissions 1st Policy Year	Commissions 2nd to 10th Policy Years			
		Producer			
	Producer	2nd	3rd	4th	5th thru 10th
<b><u>C. WHOLE LIFE</u></b>					
<b>Guaranteed Premium Whole Life</b>					
Male Smokers	45%	4%	4%	4%	4%
All Other Classes	45	4	4	4	4
<b>Whole Life 3 (1)</b>					
Male Smokers	50	4	4	4	4
All Other Classes	55	4	4	4	4
<b>Whole Life 3 - Unisex (1)</b>	50	3	3	3	3
<b>Single Premium Whole Life</b>	2.5	-	-	-	-
<b><u>D. ANNUITIES</u></b>					
<b>Platinum Income Annuity</b>	2.50	-	-	-	-
<b>USL Horizon Flex (Age 0-75)</b>	5.00	4	4	4	4 (2)
<b>USL Horizon Flex (Age 76-80)</b>	4.00	4	4	4	4 (2)
<b>USL Horizon Flex (Age 81-85)</b>	3.00	3	3	3	3 (2)

(1) Percentages apply to per-thousand portion of premium only, policy fee is not commissionable.

(2) 6th to 10th Policy Year - Producer Commission is 0%;

**I. First Policy Year Compensation**

- a. First Policy Year Commission Rate shall be paid on all premiums paid in cash during the policy year until cumulative premiums received equal the annual "Target Premium" for said policy.
- b. Excess Commission Rate shall be paid on all premiums paid in cash during the policy year in excess of the "Target Premium" for said policy.
- c. No Commissions will be earned on amounts paid into a policy using the cash values of policies converted from this company or any other company affiliated with American International Group, Inc.

**II. Renewal Commissions (2nd through 10th Policy Years)**

- a. Renewal Commission Rate shall be paid on all premiums paid in cash during the second through tenth policy years.
- b. No Commissions will be earned on amounts paid into a policy using the cash values of policies converted from this company or any other company affiliated with American International Group, Inc.

**III. Increases in Target Premiums**

First Year Commissions shall be paid as outlined in Subsection I.a. herein on the amount of the Target Increase. Amounts paid in cash in excess of the Target Increase will be commissionable as outlined in Subsection II.a. here in.



**IV. Definitions. Terms as used herein shall be defined as follows:**

- a. "Target Premium" is defined as follows:
1. At the date of issue, the "Target Premium" is the sum of:
    - a) an annual premium rate per \$1,000 of insurance at the insured's issue age, multiplied by the number of thousands of Specified Amount, and
    - b) the first year annualized cost of any riders included in the monthly deduction.
  2. When coverage is deleted or decreased under the terms of the policy, the new "Target Premium" is the "Target Premium" previously established, minus the sum of:
    - a) an annual premium rate per \$1,000 of insurance at the insured's attained age, multiplied by the number of thousands of any decrease in Specified Amount, and
    - b) the current annualized cost of any total or partial deletions of riders formerly included in the monthly deduction.
  3. When coverage is added or increased under the terms of the policy, the new "Target Premium" is the "Target Premium" previously established, plus the sum of:
    - a) an annual premium rate per \$1,000 of insurance at the insured's attained age, multiplied by the number of thousands of any increase in Specified Amount, and
    - b) the current annualized cost of any new rider coverages or rider coverage increases to be included in the monthly deduction.
  4. For new issues, additions, increases, deletions, or decreases occurring ten (10) or more years before the Maturity Date (End of Coverage Date) defined in the policy, the sums described in Subsections V.a.1., V.a.2., and V.a.3., above will apply in full. For changes within ten (10) years of maturity, such sums will be prorated in proportion to the years remaining, rounded down to the lower whole number.
  5. The following policy transactions will not cause any adjustment to the current "Target Premium" as described in Subsection IV.a.2, IV.a.3., and IV.a.4., above:
    - a) Removal or reduction of a Substandard rating.
    - b) Any change of Death Benefit Option, even if it causes a change in Specified Amount.
    - c) Any Partial Surrender.
    - d) Addition or removal of an Automatic Increase Rider, or any change in the Automatic Increase Amount.
  6. If two or more policy transactions are effective on the same monthly date, those listed in Subsection IV.a.5 will be performed first, in the order indicated, as applicable. Next, the "Target Premium" will be adjusted if required, by performing any remaining policy transactions in the following sequence:
    - a) Termination of a rider or decrease in a rider coverage (other than the Automatic Increase Rider).
    - b) Requested decrease in Specified Amount.
    - c) Increase in Specified Amount under the terms of an Automatic Increase Rider.
    - d) Adding a Rider or increasing the amount of Rider coverage (other than the Automatic Increase Rider).
    - e) Increase in Specified Amount due to an election under the terms of a Guaranteed Insurability Rider.
    - f) Requested increase in Specified Amount.

Before any Target Premium Increase is calculated, all of the above steps will be completed.

- b. "Annual premium rate per \$1,000 of insurance" means the sum of:
1. the basic annual "Target Premium" per \$1,000 of Specified Amount, and
  2. the annualized cost per \$1,000 of any commissionable extras imposed on the basic coverage.
- This sum will be reduced by 10% if the current Specified Amount is less than \$100,000. For increases or decreases, this reduction will apply only if the Specified Amount is less than \$100,000 both before and after the change.
- c. "annualized cost of riders" means twelve (12) times the current monthly rider cost, including commissionable extras.
  - d. "Specified Amount" is defined as the initial Face Amount of insurance, as shown on the face page of the policy, for the base policy or a subsequently changed under the terms of the policy.
  - e. "Increase Date" means a monthly date on which the Specified Amount is increased, a new rider is added, or coverage under an existing rider is increased.
  - f. "Target Premium Increase" means the excess, if any of
    1. the "Target Premium" calculated on an Increase Date as specified in Subsection IV.a.3. above, LESS
    2. the highest previous "Target Premium" ever in effect since inception of the policy.

For distributors of:

**AIG Life Insurance Company**

**American General Life and Accident  
Insurance Company**

**American General Life Insurance Company**

**American International Life Assurance  
Company of New York**

**The United States Life Insurance Company  
in the City of New York**



## Introduction

This manual documents AIG American General<sup>1</sup> guidelines and procedures for the business conduct of our distributors. References to distributor(s) in this manual include those individuals, whether they are employees or independent contractors, dealing directly with the public. This encompasses every individual who is employed by or contracted with the Company or any distributor who sells any of the Company's products. Use of the word *Company* in this manual refers to: AIG Life Insurance Company, American General Life and Accident Insurance Company, American General Life Insurance Company, American International Life Assurance Company of New York and The United States Life Insurance Company in the City of New York, member companies of American International Group, Inc.

This manual will be revised periodically. Distributors and their staff should retain this and future editions and updates as a tool for continued personal reference. In addition, the most current version of the manual can be referenced electronically on our Website, which supersedes any earlier printed version of this manual.

In reviewing and applying the policies contained in this manual, please bear in mind that it is not an all-inclusive compilation of distributors' responsibilities nor is it intended to replace any compliance manual that has been provided to distributors by their broker-dealer. Additionally, various topics are further detailed in field notices and bulletins. It is also not intended to replace the other obligations imposed on distributors by state or federal law, by contract, or the legal and ethical obligations that distributors may have towards individual clients.

<sup>1</sup> AIG American General is the marketing name for the insurance company subsidiaries of American International Group, Inc. (AIG), which comprise AIG's Domestic Life Insurance Operations.

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## 1. The Company Adheres to the Principles and Code of the Insurance Marketplace Standards Association

The insurance industry has established high standards of ethical market conduct. The Insurance Marketplace Standards Association, or IMSA, is an independent organization created by the insurance industry to promote ethical conduct. IMSA encourages companies to meet these standards by going through a regular assessment process, through which companies must review and, as appropriate, enhance policies and procedures and otherwise ensure that their conduct satisfies IMSA's standards, as necessary. IMSA's standards of ethical market conduct are captured in overarching principles of conduct and code provisions that set forth the necessary actions that are expected to be taken to implement the principles.

### a. The Company Has Adopted IMSA's Principles and Code

Consistent with the Company's emphasis on ethical business practices, we are proud to have adopted IMSA's principles and code of ethical market conduct and require all distributors to join us in living up to these standards.

IMSA's principles and code set forth broad standards of ethical market conduct with which every distributor and employee of the Company must comply. Overall, the principles and code touch on virtually every aspect of the sales cycle and require employees and distributors to ensure that insurance purchasers are treated in a fair manner. It is important to remember that the adoption of the principles and code does not eliminate or reduce any other standards of performance or requirements imposed by the Company or by law. The six IMSA principles are set forth below, and the full text of the principles and code is set forth in Appendix A. To ensure proper compliance, distributors should read the principles and code carefully and contact the Compliance Department (see the "Compliance Contact Information" section of this manual) regarding any questions about the content or application of the principles, the code or any other aspect of this manual.

**Principle 1:** To conduct business according to high standards of honesty and fairness and to render that service to its customers which, in the same circumstances, it would apply to or demand for itself.

**Principle 2:** To provide competent and customer-focused sales and service.

**Principle 3:** To engage in active and fair competition.

**Principle 4:** To provide advertising and sales materials that are clear in purpose and honest and fair as to content.

**Principle 5:** To provide for fair and expeditious handling of customer complaints and disputes.

**Principle 6:** To maintain a system of supervision and review that is reasonably designed to achieve compliance with these principles of ethical market conduct.

### b. Confirmation of Ethical Market Conduct

The Company has always emphasized the need to provide its customers with the highest quality products and service. In this regard, IMSA's principles and code of ethical market conduct are entirely consistent with the Company's past and current philosophy. The Company will use IMSA as a platform to renew and enhance its ethical market conduct and customer service. For example, American General Life Insurance Company and The United States Life Insurance Company in the City of New York participate in a customer assurance program through the Life Insurance Marketing Research Association (LIMRA) that is designed, among other things, to assist the Company in its effort to monitor the fair treatment of our policyholders. The Company will also make greater efforts to understand distributors' needs and welcomes distributor feedback on ways in which we can better assist and serve distributors and our policyholders.

Together we can help improve the reputation of the insurance industry and protect the interests of our customers. Changing times require us all to adjust. Working side by side, we can create an environment that will allow distributors to compete more successfully in today's evolving marketplace and will position distributors and the Company for success in the 21st century.

## 2. Licensing, Recruiting and Appointment Standards

### a. All Distributors Must Be Properly Licensed and Appointed

The Company is committed to recruiting, contracting and appointing distributors of high quality and integrity. Each state has its own set of licensing and appointment requirements with which distributors and the Company must comply in order to transact business. Distributors are prohibited from selling or engaging in any sales activity without being properly licensed and appointed in accordance with the requirements of the state where the solicitation takes place, the application is written and the policy is delivered, including the requirements of the state of residence of the applicant. Violations of these requirements may result in disciplinary action and penalties imposed by the state, including fines and revocation of licenses.

In addition, distributors selling registered products must consult the compliance manual or other information provided by the distributor's broker-dealer to ensure full compliance with the laws and regulations applicable to the sale of such products.

### b. Licensing Status

Distributors are responsible for renewing their licenses (including completing any continuing education requirements) and ensuring that the Licensing and Contracting Department receives a copy of the renewed license prior to any expiration date.

Distributors must immediately inform the Licensing and Contracting Department of any license suspension, revocation or any other state disciplinary action against them. When requested by the Licensing and Contracting Department, distributors are required to provide copies of any licensing forms or associated documents sent to or received from the state insurance department.

### c. Contracting and Appointment Standards

Determining whether candidates are contracted and appointed is within the sole discretion of the Company. The Licensing and Contracting Department, in consultation with other departments as necessary, will investigate and consider, using the factors set forth below, the overall merit of candidates and determine whether they are of sufficiently good character and reputation to be appointed as distributors for the Company. The Company reserves the right to refuse to accept candidates for any reason. The Licensing and Contracting Department may refer the results of an investigation to the Compliance Department for further deliberations.

Factors that may be considered for determining the appropriateness of an appointment include, but are not limited to, the following:

1. **Licensed:** Whether a candidate is properly licensed in the state where the candidate will conduct business;
2. **Work history:** A candidate's work history, including the number of times the candidate has changed companies or employers, past violations of Company or employer policies or procedures and disciplinary actions;
3. **Financial responsibility:** A candidate's personal and professional financial standing and experience, including a proven ability to manage finances. A candidate's history regarding bankruptcy, bondability, debt owed to an insurance company or government regulatory body, outstanding liens or judgments and credit history may also be considered;
4. **Criminal history:** A candidate's involvement with the criminal justice system;

5. **Civil litigation:** The extent and nature of a candidate's involvement in past, pending or current litigation;
6. **Regulatory action or sanction:** Any actions or sanctions by state insurance departments or other regulatory entities (e.g., license suspension, revocations, etc.);
7. **Customer complaint history:** In the event a candidate has experience in selling insurance, the number and type(s) of customer complaints against the candidate;
8. **SEC or NASD complaint and disciplinary history:** In the event a candidate has experience in selling variable products or other securities, the number and type of complaints to or disciplinary actions by the Securities and Exchange Commission (SEC) or a securities self-regulatory organization, including, but not limited to, the National Association of Securities Dealers (NASD) or the New York Stock Exchange (NYSE);
9. **Professional designations:** A candidate's professional designations relevant to life insurance sales (e.g., Life Underwriter Training Council, Chartered Financial Consultant or Chartered Life Underwriter);
10. **Membership in industry organizations:** A candidate's membership and participation in life insurance industry organizations that support ethical market conduct;
11. **Personal references:** Evaluations from other distributors or from Company personnel;
12. **Lack of candor:** Whether a candidate has omitted relevant information or provided any false or misleading information on the application for appointment or any supporting documentation; and
13. **Prior company terminations:** Whether a candidate has been earlier refused for contract processing, declined for appointment or terminated for any reason.

**d. Special Provisions Applicable to Candidates Convicted of Certain Felonies**

Federal law 18 USC §§ 1033(e)(1)(A) and (B) prohibits a Company from appointing any individual who has been convicted of any felony involving dishonesty or a breach of trust, without the specific written consent of the appropriate insurance regulatory officials. The Company reserves the discretion to refuse to appoint candidates who have been involved with the criminal justice system in any way. Individuals convicted of felonies described in this paragraph may be appointed only with the prior approval of both the Producer Protocol Committee ("PPC") and the Compliance Department and with the specific written consent of the applicable insurance regulatory officials. In addition, all appointed distributors are required to immediately report to the Compliance Department their conviction of any felony to ensure continued compliance with the law. Distributors should call the Compliance Department (see the "Compliance Contact Information" section of this manual) with any questions about this provision.

**e. Appeal of Appointment Denial**

The PPC may review a candidate's appointment or rejection. The PPC's decision regarding a candidate's appointment is final.

**f. Appointment Termination and Notification**

Information discovered subsequent to appointment establishing that the distributor does not satisfy Company standards or any activities occurring after an appointment that violate Company guidelines and policies may result in disciplinary action, including termination of the distributor's contract by the PPC. Termination of the distributor's contract may result in the revocation of all appointments with all Company affiliates the distributor has been authorized to represent.

The Licensing and Contracting Department or, if appropriate, the Compliance Department ordering the termination will inform the distributor in writing of the date on which the distributor's sales contract is terminated.

### **3. Training and Continuing Education**

Clients look to insurance professionals to serve their insurance and financial needs properly and to be well informed about the products they sell. To this end, the Company is committed to making available information

on its products and services to ensure that its affiliated distributors have the opportunity to be well informed. In addition, the Company strongly encourages its appointed distributors to participate in continuing education. The Company is interested in feedback from distributors regarding training, and distributors are encouraged to provide the Company with an evaluation of completed courses.

#### **a. Understanding Company Products**

In order to meet the insurance needs and financial objectives of customers, distributors must fully understand the features and operation of the products and services offered by the Company. To position our distributors to serve their clients, information regarding the Company's products is available from the Company. In addition, the Company has created product reference material for each of its available products. This material sets forth the relevant features, including costs and benefits, of the Company's products as well as the operation of such products.

The Company regularly updates its product information and makes such updated information available to its distributors. The Company requires that distributors obtain, review and be guided by the product information available from the Company.

#### **b. Compliance Training**

The regulatory and legal landscape has been significantly reshaped over the past few years. As a matter of personal development and good business sense, it is incumbent upon every distributor to understand fully the compliance environment in which we all must operate. This manual provides distributors with vital compliance information with which each distributor must be thoroughly familiar.

Appendix B describes various compliance training courses and resources (including contact information) that are provided to distributors to assist them in the conduct of business in a legal and ethical manner. The Company encourages its employees and distributors to participate in market conduct training courses and suggests various alternative combinations of these resources appropriate for each operating Company.

#### **c. Continuing Education and Self-Development Activities**

Many states require that distributors participate in continuing education as a condition to retaining their insurance licenses. Distributors are individually responsible for completing any required continuing education and maintaining their licenses. A list of several schools and programs that offer courses that may assist distributors in obtaining necessary continuing education credits is included in Appendix C.

The Company also encourages its distributors to participate in other educational and self-development activities above and beyond license renewal requirements. Participation by distributors, particularly participation that leads to a professional designation, may be considered by the Company in evaluating eligibility for special recognition.

### **4. Use of Fact-Finding Tools**

The needs of the customer are paramount and must be considered in connection with every sale. Distributors should make reasonable efforts to determine what products are appropriate for their customers. Whether a product meets the needs of a particular customer may depend upon a number of factors, including, but not limited to, the customer's financial status, the customer's tax status, the customer's needs, the customer's personal and/or business objectives, the benefits of the product proposed and the cost of existing policies. Consistent with the Company's standards, distributors should suggest to customers only those products that may reasonably help them meet their insurance needs or financial objectives while consistent with their willingness to accept risk. Company-approved fact-finding materials may help distributors formulate questions

that will help customers describe their needs, goals and resources, and the Company encourages distributors to use such tools. Fact-finding tools are analytical and information-gathering mechanisms, including questionnaires, financial plans, customer profiles and capital needs or financial needs analyses. The Company will make available to distributors approved fact-finding tools. In addition, distributors may use other fact-finding tools that elicit relevant information from prospective customers if they are reviewed and approved in advance by the Company. Distributors who create their own fact-finding tool or wish to use a fact-finding tool not provided to them by the Company should refer to the "Disclosure to Clients: Advertising/Sales Material" section of this manual regarding approval of sales materials.

Distributors are required to use their knowledge and training to match a client's needs and objectives with an appropriate product. Distributors should not recommend a product to a client unless they have undertaken sufficient fact-finding to develop a recommendation consistent with the client's insurance, personal and/or business objectives.

The same fact finder may be utilized for multiple recommendations to the same client. However, distributors must check to ensure that information contained on the fact finder is up-to-date and that the information on the application and supplemental forms is complete, accurate and consistent with the information on the fact finder.

Distributors are reminded that information gathered in connection with fact-finding tools is subject to federal and state laws as well as Company rules concerning privacy. It is of the utmost importance that this information be treated with respect for the confidentiality of the client. Distributors are requested to review the "Privacy Protection and Preservation of Proprietary Information" section of this manual for a more complete description of these requirements.

Distributors should consult the compliance manual given to them by their broker-dealer in connection with the recommendation and/or sale of variable products or other securities.

## **5. Privacy Protection and Preservation of Proprietary Information**

### **a. Privacy Protection**

Providing insurance and financial products and services involves collecting client financial and health information that may not be publicly known. The Company and distributors collect information to underwrite products, provide customer service and fulfill legal and regulatory requirements. Regardless of how or why the information is collected or in what form, the Company and distributors are required by state and federal law and Company policies to protect and maintain the confidentiality of such information from disclosure.

#### **Protected information and transactions within AIG American General**

Any nonpublic personal information a distributor collects or that was previously collected from an individual on the Company's behalf is subject to our privacy protection policies and privacy laws. Nonpublic personal information (referred to as "protected information" in this section) includes health or financial information about an individual that is not publicly available. These policies and laws also apply to any list or summary that is created from the nonpublic personal information that was collected on the Company's behalf. For example, a distributor-created list that contains the names and incomes of clients or prospective clients is protected information.

It is important to note that during any interaction with an individual, the distributor may be working on behalf of (1) the Company, (2) a third party or parties not affiliated with the Company, (3) the individual or (4) himself. Affiliated means any company that controls, is controlled by or is under common control with another company. For the purposes of these guidelines only, a distributor is collecting protected information on the Company's

behalf if a Company application or other form identifying the Company is used to record the protected information. In addition, a distributor may be acting on the Company's behalf in collecting protected information—no matter how it is recorded—if the distributor represents to the individual that the protected information will be used to obtain Company products or services or if the distributor intends to use the protected information for that purpose.

The Company's health insurance operations are subject to a federal privacy law, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), which imposes additional privacy obligations with respect to protected information. Distributors offering the Company's health insurance products may receive additional privacy training from the Company or be required to enter into a contract with the Company containing privacy terms required by HIPAA.

#### **AIG American General's privacy notice**

Once an individual establishes a relationship with the Company—by purchasing insurance and/or financial products or services—the Company provides to that individual a legally required privacy notice. The privacy notice describes the types of protected information collected on the Company's behalf, how that information will be used and how the Company preserves the privacy of the protected information. To supplement distribution of AIG American General's privacy notice, distributors may give the privacy notice to clients or prospective clients when requested or if the distributor deems it appropriate.

If the distributor collected protected information on the Company's behalf or receives protected information from the Company, the distributor is covered by the Company's privacy notice and must comply with the Company's privacy policies. However, the Company's notice will not satisfy the notice requirement, if any, for those situations in which the distributor collects protected information on his or her own behalf or on behalf of a third party.

There is no prohibition against distributors collecting protected information on their own behalf, subject to any limitations to the contrary in his or her agency agreement or course of dealing with the Company. However, if a distributor wants to collect or use protected information on his or her own behalf, he or she needs to comply with applicable privacy laws. This may require, among other things, that the distributor craft his or her own agency-specific privacy notice for the distributor's current and prospective clients, distribute that notice as the law requires and/or obtain client consent or authorization forms as appropriate.

#### **Disclosure of protected information collected on the company's behalf**

The following paragraphs identify the scope of a distributor's authority to disclose protected information gathered on the Company's behalf or provided to the distributor by the Company. These disclosure limitations also prevent distributors from using protected information collected on the Company's behalf when acting on their own behalf or on behalf of a third party. These parameters continue even after the distributor's relationship with the Company ends.

Distributors may only disclose protected information to the Company and the service providers the Company specifically designates, provided disclosure is necessary and appropriate, for any one of the following purposes:

1. To assist with underwriting a Company product or service;
2. To assist with placing or issuing a Company policy or service;
3. To effect, administer or enforce a transaction with the Company that the individual requested or authorized;
4. To service or process a Company product or service that the individual requested or authorized;
5. To assist the Company with claims administration or claims adjustment;
6. To assist the Company with detection, investigation or reporting of actual or potential fraud, misrepresentation or criminal activity; or

7. To respond to lawfully served subpoenas or production requests from regulatory or judicial authorities after contacting Compliance and providing a copy of the subpoena or request to Compliance.

### **Maintaining a secure environment**

The duty to preserve the privacy of protected information is not fulfilled simply by limiting how the information may be used. It is equally important for distributors and their employees or associates to maintain a secure environment, in which protected information is stored, handled and disposed of. A distributor's policies and procedures should be designed reasonably to secure protected information from unauthorized access or disclosure and to preserve the integrity of protected information, including client information stored on personal computers. Distributors should comply with the following listed guidelines to help protect against unauthorized access or disclosure of client information:

1. Do not store client information on a personal computer (including laptop computers) unless it is password-protected;
2. Log off your personal computer when not in use;
3. Keep your computer under lock and key whenever possible;
4. Back up critical data;
5. Do not leave client files in open sight and put them in locked drawers whenever possible;
6. Keep any laptop computer containing client information under lock and key whenever possible;
7. Avoid storing client information on the hard drive of a laptop computer;
8. Do not send client information over an open network, such as via Internet e-mail, unless the transmission is encrypted;
9. Refrain from discussing client information if the discussion can be overheard by others; and
10. If hard copies containing personal information need to be disposed of, they should be disposed of by a method that protects the personal information from access by unauthorized persons, such as destruction.

Access to protected information and proprietary information should be limited to distributors and their employees or associates who need to know the protected or proprietary information in order to carry out their job functions or to provide timely and appropriate customer service. Such persons should be required to be familiar with and abide by the Company's privacy policies. If a distributor becomes aware that unauthorized persons have accessed protected information, he or she should immediately report the incident to the Compliance Department. To foster additional protection, distributors should direct to the Compliance Department (see the "Compliance Contact Information" section of this manual) all requests received from individuals or entities outside the Company for protected or proprietary information.

Distributors will be expected at all times, even after their relationship with the Company ends, to adhere to procedures for handling and storing protected information that are reasonably designed to prevent unauthorized access or use of the protected information.

### **b. Proprietary Information Protection**

Proprietary information is information that belongs to the Company rather than any employee, distributor or policyholder. Proprietary information includes confidential business information, such as underwriting standards; pricing information; commission structures; terms and conditions of agency contracts; advertising materials that have not yet been approved or released to the public; Company-generated mailing lists; Company-generated client lists; Company-generated lists of agents or agencies; nonpublic financial data about the Company; and selling know-how, that is, techniques, methods or concepts that have been created by the Company and are not generally known to the public.

Both during and after a distributor's affiliation with the Company, a distributor is prohibited, under the terms of the distributor's contract with the Company, from directly or indirectly divulging, publishing, communicating or making available to any person, corporation, governmental agency or other entity, or using for his or her own or

any other person's or entity's purposes or benefit, the Company's proprietary information (except with the written permission of the Law Department or as ordered by a court of competent jurisdiction or other regulatory authorities). If you are requested to provide proprietary information, including in connection with a legal or regulatory proceeding, contact the Compliance Department (see the "Compliance Contact Information" section of this manual) immediately.

Proprietary information does not include any information that the Company's independent distributors have created or generated on their own and for their own use unless it is based upon or uses proprietary information.

While a distributor is associated with the Company, all proprietary information compiled, received, held or used by the distributor in connection with the business of the Company shall remain the Company's property and shall be destroyed or returned by the distributor to the Company upon the termination of the distributor's affiliation or at any earlier time requested by the Company, in accordance with the terms of the distributor's contract with the Company.

## 6. Do Not Call Program

To comply with federal and state "do not call" (DNC) requirements, the Company has established a DNC program that prohibits distributors from making sales calls to any telephone number that has been placed on the National DNC Registry, state DNC lists or the Company's DNC list, and requires distributors to abide by Federal Trade Commission rules. Distributors are obligated to become familiar with and adhere to the Company's DNC program.

## 7. Completion of Documents and Signatures

The applications, forms, policy receipts, illustrations and other documents that the Company requires customers to review, complete and sign as part of their insurance purchase are important documents that play a vital role in establishing and documenting the Company's relationship with customers. The information and customer signatures required on these documents are essential elements of the Company's compliance with state and federal laws and regulations. It is therefore essential that these documents accurately reflect information provided by the customers and contain the signature of the customers, certifying that they have reviewed and approved all the information on the documents.

The responsibility for the accuracy of these customer documents and the authenticity of the customers' signatures rests with the distributors who sell the Company's products. Accordingly, it is the Company's policy that distributors take steps to assure themselves that:

1. The information presented in all applications, loan request forms, suitability forms, policy receipts, illustrations and other customer documents is accurate and has been provided or approved by the customer;
2. The customer has reviewed the final form of the documents containing all information, including the description notifying the customer of the purpose and effect of the customer's signature; and
3. The customer has signed the final form of the documents and initialed any and all changes.

It is the Company's policy that there be no exceptions to these requirements, even with customer consent. Specifically, distributors are strictly prohibited from:

1. Requesting or permitting customers to sign blank forms;
2. Requesting or permitting customers to sign an application on which questions have been left blank for the distributor to complete at a later time;
3. Adding or changing information on a signed document without returning it to the customer for review and approval (signaled by the customer's initials and date);
4. Signing customers' names or placing their initials on any document;
5. Signing a document as a witness if the distributor has not actually seen the customer sign the document; and
6. Knowingly entering or permitting a customer to enter false information on any document.

Distributors are prohibited from marking or altering a signed application outside the presence of the applicant. If an application is not fully and correctly completed, and the applicant is not available to make and initial the needed changes, the proper course is to submit the original application as is and attach a separate note indicating the additional information that is missing from the application. The Company will then prepare an amendment to the policy that can be signed when the policy is issued and delivered.

Distributors who, in our judgment, have violated the Company's policy regarding document completion and signatures by forging customer documents, knowingly entering false information on documents or knowingly permitting forged or fraudulent documents to be processed or approved will be subject to Company discipline. This may include contract or employment termination or legal action. Such activity also may subject distributors or employees to regulatory sanctions and civil or criminal liability. In the Company's disciplinary proceedings, defenses such as "done at customer's request" or "done with customer's consent" will not be recognized as excuses for violating these policies.

## 8. Disclosures to Clients: Advertising/Sales Material

The Company is committed to providing consumers with complete, balanced and accurate information regarding the Company's products and services that enables them to make decisions in their own best interests. Advertising/sales material is an important part of the sales process. To ensure that these materials comply with applicable laws and regulations and are written in a manner that is clear, understandable and conveys accurate and helpful information, the Company requires that all materials used in the sales process have Company approval and that distributors follow the Company's guidelines for obtaining such approval.

### a. Definition

Advertising/sales material refers to materials designed to create public interest in the Company, its annuity, life or other insurance products or its distributors, or to encourage the public to purchase, increase, modify, reinstate, borrow from, surrender, replace or retain a policy. The definition of advertising/sales material is expansive and includes items distributors may not think of as advertising/sales material. It is important to remember that advertising/sales material includes items created by third parties such as industry organizations. Distributors questioning whether something is advertising/sales material as defined in this manual should submit it to the Company for approval prior to use.

Advertising/sales material includes but is not limited to:

1. Printed and published material, audiovisual material and descriptive literature used in direct mail, newspapers, magazines, radio and television scripts, telemarketing scripts and billboards and similar displays;
2. Internet publication of any information relating to the Company or its products, services, office locations, distributors or other employees, including, but not limited to, e-mail or home pages created by distributors or others;
3. Descriptive literature and sales aids of all kinds issued, distributed or used by the Company or distributors selling the Company's products, including, but not limited to, circulars, newsletters, leaflets, brochures, booklets, depictions, illustrations, software printouts, proposals and pre-approach and other form letters, delivered in any medium, including electronic;
4. Newspaper or magazine article clippings, published investment letters, industry publications or any other material created by a third party and used as part of the sales process;
5. Communications that use the Company's logo and/or rates;
6. Material used for recruiting, training and educating the Company's distributors and employees and that is designed to be used or is used to encourage the public to purchase, increase, modify, reinstate, borrow from, surrender, replace or retain a policy or other product;
7. Prepared sales talks, seminars, presentations and material for use by distributors and employees, including, but not limited to, software presentations, videos, overheads and slides used to promote the Company's products and/or services of the Company;

8. Business cards, stationery, envelopes and other similar materials that display or contain the Company's name; and
9. All material used to train distributors and employees concerning the solicitation and sale of the Company's products.

NOTE: Advertising/sales material does not include:

1. Materials that otherwise would be sales materials but that are used only within the Company and are not intended for dissemination to, and that are not actually distributed to, the public (such materials will be identified with the designation for internal use only or a similar statement to that effect);
2. A general announcement from a group or a blanket policyholder to eligible individuals on an employment or membership list that a policy or a program has been written or arranged, provided the announcement clearly indicates it is preliminary to the issuance of a booklet explaining the proposed coverage; and
3. Routine correspondence that contains no marketing text, such as thank-you letters; personal correspondence unrelated to the business of insurance; cover letters noting that sales literature, material and/or prospectuses are enclosed; notes to confirm appointments; or contract changes and letters indicating office relocation.

#### **b. Review of All Advertising/Sales Material**

All advertising/sales material, whether created by the Company, a distributor or a third party, must be approved by the Company prior to use. There are no exceptions to this policy. It is the distributor's responsibility in the first instance to ensure that all advertising/sales material generated by the distributor meets all applicable standards. The Company reviews each piece of advertising/sales material and gives final written approval for its use. During its review, the Company scrutinizes the material to ensure, among other things, that it: (i) complies with applicable laws and regulations; (ii) is truthful, accurate and not misleading; (iii) discloses material aspects of the product; (iv) is clear and understandable in light of the complexity of the product; and (v) avoids suspect terminology, exaggeration and unfair comparisons.

If a distributor writes new advertising/sales material or wants to change the content or the format of approved material, regardless of its origin, then the proposed material must be submitted for reapproval prior to use.

Distributors also must avoid using outdated advertising/sales material. Approval of any advertising/sales material submitted by distributors is valid for no more than 12 months. Continued use of such approved materials requires that a new request be submitted to the Company. The Company may replace advertising/sales material in response to product changes, legal changes or regulatory changes. Use of advertising/sales material that has been replaced (as with the use of unapproved materials) is a violation of Company policy.

#### **c. Presenting Sales Material**

When presenting advertising/sales material to explain any product, distributors should keep in mind that they may not alter any of the materials they use. Doing so changes the material the Company has approved and is therefore a violation of the Company's policy.

In general, advertising/sales material should be used as a tool to help present consumers with information they need to make informed decisions that are in their best interests. This information must not only be accurate but also must not have the capacity or tendency to mislead the customer. Distributors must avoid using advertising/sales material, statements or communications of any kind that, when used alone, are not misleading but become deceptive or misleading when combined. Disclosures to be made to clients and terms to be avoided during sales presentations are detailed within the "Disclosure to Clients: During the Sales Process" section of this manual. The goal remains the same for all communications made: distributors should help each consumer understand the nature and elements of any product or service the client considers.

## 9. Disclosures to Clients: During the Sales Process

During the sales process, distributors act as the critical link between the Company as the insurance provider and the prospective policyowner. In fulfilling that role, distributors act as a conduit of information that will provide an important basis for the prospective policyowner's decision to purchase an insurance product. We expect our distributors to use the sales process to give clients the information they need to make decisions about which insurance products, if any, to purchase. Providing comprehensive and helpful information improves a client's understanding of the basic features of the Company's products, enhances the client's ability to evaluate the relative costs of similar insurance or annuity products and allows the client to select the product most suited to meeting his or her individual needs.

Keeping this in mind, distributors are prohibited from making misleading suggestions, statements or exaggerations concerning any aspect of an insurance or an annuity product, the Company or the distributor. Each distributor should inform the prospective clients of the distributor's role in the proposed transaction and the nature of the product. This means informing the clients that the distributor is acting as a life insurance agent and that the Company is a life insurance company. Distributors should not give the impression that any entity other than the Company is responsible for the financial obligations of the Company. Distributors should not imply that their compensation is unrelated to sales or commissions on sales. The Company has found that distributors who refer to themselves as financial planners, investment advisors, financial consultants or financial counselors can confuse potential clients. Therefore, distributors are prohibited from using such phrases unless they accurately describe credentials that they have earned.

### a. Information to Include in the Sales Process

It is important to inform prospective clients of the nature of the products and services in which they are interested. Distinguishing between guaranteed and nonguaranteed elements of an insurance product is of primary importance in helping clients understand the nature of the product. During the sales and delivery process, a distributor selling any product with nonguaranteed elements must provide the client with a minimum of the following documents:

1. An application;
2. A regulatory compliant illustration (if nonguaranteed elements are illustrated);
3. A buyer's guide (in those states that require it); and
4. A policy summary (in those states that require it).

It is also important to discuss premium obligations accurately. Clients should be advised that premium obligations are payable for the duration of the contractual premium payment period. Although credited interest, dividends or cash values may become sufficient to cover the premium for a period of time, the client's obligation to pay the premiums does not automatically cease; and the client should be informed that policy values may not be sufficient to cover premium obligations in the future.

Distributors should discuss any charges and expenses with prospective clients and help them understand that premiums may vary from the initial quote if a health condition or risk factor results in a less favorable underwriting rating.

### b. Words and Phrases to Avoid

In an effort to minimize disputes and to decrease the chance of a misunderstanding arising between distributors and prospective clients, the following words and phrases should be avoided in connection with the sales process.

1. **Suggesting we sell something other than insurance.** Do not refer to the Company's products as anything other than insurance and annuities. Do not refer to a client's purchase as an account or a plan. Distributors may describe the ways in which policyowners can use the cash value that may accumulate in their insurance policies as long as they do so factually and accurately.

2. **Suggesting nonguaranteed items are guaranteed.** Do not use words that describe nonguaranteed elements of a policy as guaranteed. Under no circumstances should distributors state or imply that the payment or amount of nonguaranteed elements under a policy is guaranteed.
3. **Suggesting premium requirements vanish.** Do not suggest that the policy will not require premiums each year in order to maintain the illustrated death benefit unless the policy is fully paid up (e.g., a single premium policy for which the premium is fully paid). In particular, do not use the terms vanish, vanishing premium, disappearing premium or their equivalent.
4. **Suggesting policies are guaranteed issue when issue is not guaranteed.** Do not suggest that issuance of a policy is not dependent upon evidence of insurability when that is not in fact the case.
5. **Referring to insurance benefits as profits or returns on investment.** Do not describe a pure endowment benefit as a profit or return on the premium, since it is more accurately a policy benefit.
6. **Suggesting customers can get something for nothing.** Do not use the terms free, no cost, without cost, no additional cost, at no extra cost or similar words with respect to any benefit or service being made available with a policy unless there actually is no direct or indirect cost to the prospective policyowner for the service or benefit.
7. **Referring to a policy as a unique or special offer when it is not.** Do not state or imply that the policy or combination of policies is an introductory, initial or special offer; that applicants will receive substantial advantages not available at a later date; or that the offer is available only to a specified group of individuals unless that is the fact. If it is a special offer, the distributor should only use wording provided by the Company.
8. **Unfair or incomplete comparisons.** Do not make unfair or incomplete comparisons of policies, benefits, dividends or rates of other insurers. Only accurate comparisons of policy features should be made, and distributors should take reasonable steps to assure the accuracy of such comparisons, keeping in mind that all sales materials must be submitted to the Company for approval.
9. **Claims of government approval.** Do not state or imply that any product is in some manner connected with a governmental program or agency or that it has been endorsed by a governmental agency, such as a state insurance department that has approved policy forms. Such approval does not constitute endorsement.
10. **Inaccurate statements about the company.** Do not make statements that are misleading, in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the Company in the insurance business. The Company encourages distributors to clearly inform the prospective client of the scope and purpose of ratings and financials.
11. **Disparaging remarks about competitors.** Do not make disparaging remarks about other insurers, insurance distributors, products, services or methods of marketing. However, distributors may inform their clients of factual comparisons of product features.

This list is not intended to be exhaustive. Please remember that all presentations made to clients should involve providing them complete and helpful information about the Company's products. We want our policyowners to derive comfort and security from their insurance purchases through you and from the Company. Sales presentations that foster a complete understanding of the products are a low-risk, high-reward method for accomplishing this important goal and demonstrating your commitment to integrity.

## 10. Disclosures to Clients: The Nature and Use of Illustrations

Illustrations may provide consumers with helpful representations of life insurance policies in order to help them understand the guaranteed and nonguaranteed elements of their policies. As such, complete and accurate illustrations can aid your efforts to provide consumers with information consistent with making buying decisions that are in their best interests. To ensure that illustrations serve their proper end, it is important that illustrations be presented in a manner that is consistent with applicable laws and regulations and are otherwise fair and appropriate.

### a. Definition

An illustration is a presentation or depiction that shows certain nonguaranteed elements of a policy of life insurance over a period of years. There are three types of illustrations:

1. **Basic illustration:** a ledger or proposal used in the sale of a life insurance policy that shows both guaranteed and nonguaranteed elements;
2. **Supplemental illustration:** an illustration furnished in addition to a basic illustration. A supplemental illustration may be presented in a format differing from the basic illustration but may only depict nonguaranteed elements as permitted in a basic illustration; and
3. **In-force illustration:** an illustration furnished at any time after the policy it depicts has been in force for one year or longer.

**b. Creation of Illustrations**

Distributors are permitted to use only basic illustration software developed by the Company and supplemental illustration software developed by the Company or approved by the Company prior to its use. Distributors are not permitted to alter the assumptions underlying, or operation of, any Company-developed or approved software. Distributors must ensure that the illustrations or software they use are generated from the Company's most current software. Distributors may not under any circumstances use outdated illustration software or present inaccurate illustrations or omit or delete information contained in an illustration, including footnotes to the illustration.

**c. Presentation of Illustrations**

When presenting an illustration (including a supplemental illustration), distributors should inform the client that the illustration is not a projection or a guarantee of performance but is merely a statistical representation of a policy's guaranteed and nonguaranteed elements. In explaining the illustration, distributors must not describe or present the illustration and nonguaranteed elements in a manner that is misleading or has the capacity or tendency to mislead. This prohibition includes, among other things:

1. Representing the policy as anything other than a life insurance policy;
2. Using or describing nonguaranteed elements in a manner that is misleading or has the tendency to mislead;
3. Stating or implying that the payment or amount of nonguaranteed elements are guaranteed;
4. Using an illustration that is not in the form prescribed and provided by the Company;
5. Providing an applicant with an incomplete illustration;
6. Altering the illustration in any way, including making any notation or marking on the illustration or instructing the consumer to make a mark or notation (except where the customer signs and dates the illustration) or deleting any columns or footnotes;
7. Representing in any way that premiums will not be required for each year of the policy in order to maintain the illustrated death benefit, unless that is a fact; and
8. Using the terms vanish, vanishing premium, limited pay or similar terms that implies that the policy becomes paid up to describe a plan for using nonguaranteed elements to pay a portion of future premiums.

**d. Delivery of Illustrations, Signed Illustrations and Record Retention**

Illustrations assist consumers in understanding the functioning of the product that they purchase and also provide an important documentary record of the transaction. Illustrations can therefore be a useful tool in refreshing customers' recollections regarding the merits of their purchase and can help protect distributors in the event a customer later becomes confused. To protect themselves and their clients better, and subject to any additional obligations imposed by an individual state's law, distributors must deliver, obtain signatures and retain illustrations as follows for products subject to the NAIC Model Illustration Regulation. These procedures are also recommended for use with variable life insurance products.

1. If a distributor uses an illustration in connection with the sale of a life insurance policy and the policy is issued as applied for, the distributor must submit a signed copy of the illustration to the Company with the application and provide a copy to the client. A signed copy also should be maintained in the distributor's files.
2. If a distributor uses an illustration in connection with the sale of a life insurance policy and the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be labeled

revised illustration and shall be signed and dated by the client and distributor no later than the time of delivery of the policy. A signed copy of the revised illustration shall be provided to the client and the Company, and a copy should be maintained in the distributor's files.

3. If no basic illustration is used by the distributor in the sale of a policy, no basic illustration conforming to the policy applied for is provided or the basic illustration is viewed only on a computer screen, then the distributor shall so indicate this fact on an illustration certification form provided by the Company. On this form the client shall acknowledge that a basic illustration will be received by him or her conforming to the policy issued no later than at the time of policy delivery and that he or she will be required to sign and return it. The distributor shall acknowledge on this form that he or she has explained the nonguaranteed elements of the policy to the client. A signed copy of the basic illustration shall be provided to the client and the Company, and a copy should be maintained in the distributor's files.
4. If the New Business Department sends a copy of the basic illustration to the client by mail, the mailing will include a self-addressed, postage-prepaid envelope and instructions for the client to sign the duplicate copy of the illustration and return the signed copy to the Company.

#### e. Supplemental Illustrations

A distributor may present a supplemental illustration only where it is appended to, accompanied by or preceded by a basic illustration. The supplemental illustration may not show nonguaranteed elements that are more favorable to the client than the corresponding elements based on the scale used in the basic illustration. Supplemental illustrations must include the same statement required of basic illustrations that nonguaranteed elements are not guaranteed. The premiums shown in the supplemental illustrations must be the same as those shown on the basic illustration. Each supplemental illustration also must include a notice referring to the basic illustration for guaranteed elements and other important information.

## 11. Replacement Policies and Guidelines

### The Company's position statement

The Company's position is that each and every replacement transaction should be appropriate for a client's needs. An appropriate transaction is one that is in a client's best interest. Determining whether a replacement is appropriate requires an analysis of each client's needs and circumstances.

Many times it will be in the policyholder's best interest to keep or modify an existing policy. However, there may be circumstances in which a replacement transaction is appropriate for the policyholder. Distributors should never suggest a replacement that is not in a client's best interest. Ultimately, it is the client's decision whether to proceed with the transaction.

To ensure that the replacement transaction is appropriate, the Company requires distributors to:

1. Understand the definition of replacement;
2. Ask the necessary questions to determine if there is a replacement;
3. Comply with the responsibilities as stated in this document and the appropriate state regulations;
4. Comply with the broker-dealer's replacement policies and guidelines for variable product sales; and
5. Assist the Company when investigating undisclosed replacements.

### Definition and effect of replacement

Subject to any more restrictive state laws and regulations, the Company defines a replacement to be any transaction in which new life insurance or a new annuity is to be purchased, and distributors know or should have known that because of this transaction an existing life insurance policy or annuity contract has been or is to be in whole or in any part:

1. Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;

2. Used to finance the purchase of a new life insurance policy or annuity contract. A financed purchase means the purchase of a new policy involving the actual or intended use of funds obtained by withdrawal of, surrender of or borrowing from some or all of the policy values, including accumulated dividends, of an existing policy to pay all or part of any premium due on a new policy either before or after the new policy is issued;
3. Reissued with any reduction in cash value;
4. Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid; or
5. Converted to reduced paid-up insurance, continued as extended term insurance or otherwise reduced in value by the use of nonforfeiture benefits or other policy values.

### **Use of definition**

For each sale, the distributor should look to the appropriate state's replacement definition to determine whether the transaction would be a replacement. If the state's laws define the transaction as a replacement, the distributor should 1) disclose the transaction as a replacement on the application, 2) complete any state required replacement forms, and 3) follow the Company's replacement policies and guidelines. If the transaction is not considered a replacement pursuant to the state's definition, the distributor must still determine whether the sale would be a replacement under the Company's replacement definition. If so, then the distributor should disclose the replacement on the application and follow the Company's replacement policies and guidelines.

### **Treatment of an affiliate replacement**

If both the existing and replacing policies are purchased from affiliate companies, the transaction should be considered a replacement for purposes of complying with all state and federal regulations and will be considered an internal replacement.

### **Determination of a replacement**

Because the law requires distributors to indicate that a transaction is a replacement in circumstances when they knew or should have known about it, the Company requires distributors to exercise diligence in determining if a transaction involves a replacement.

Distributors must fully understand the definition of replacement, ask each client all questions necessary to make a determination as to whether the proposed transaction is a replacement and provide the client with all relevant Company or state-required replacement disclosures and forms.

### **Determination of appropriateness**

The distributor's responsibility to determine the advantages and disadvantages of the replacement transaction—and to make a recommendation to the client on appropriateness—can be a complicated process influenced by the client's needs and objectives, the type(s) of policies being replaced and purchased, the amount of replacement information obtained and the identification and comparison of the relevant replacement factors. Some types of replacement transactions (e.g., term-to-term, or fixed annuity-to-fixed annuity) may involve fewer replacement factors and require a less extensive appropriateness analysis than other types of replacement transactions. Replacement transaction comparison factors include, but are not limited to, the following:

1. The advantages and disadvantages of meeting the client's needs through the purchase of life insurance;
2. Whether the client's goals can be better served by keeping or modifying an existing policy;
3. The effect of the replacement on future premium payment obligations and the client's ability to pay the premiums;
4. A comparison of the guaranteed and nonguaranteed elements of the existing and proposed policies and their effects on each policy's cash value buildup, death benefits, lapse dates, etc.;
5. How surrender charges that may be assessed on the surrender of the existing policy and those applicable to

the proposed policy will affect policy values (e.g., a comparison of net cash value directly before and after the replacement transaction);

6. The effect of the replacement on the client's liquidity needs;
7. The consequences of new incontestability and suicide provisions;
8. Whether changes in the insured's health after the date the existing policy was issued will adversely change mortality costs;
9. Any increase in mortality costs;
10. Any differences between the existing and proposed policies' contractual provisions, duration and amount of coverage, loan interest rates and/or tax treatment of the replacement transaction;
11. Any favorable policy provisions or grandfathered rights that may be lost;
12. Any potential tax consequences; and
13. The quality and financial stability of both the existing and the replacing company(ies).

### **Replacement analysis**

To help distributors effectively evaluate the appropriateness of a proposed replacement, the following—identified by the NAIC in its 2000 Model Replacement Regulation—should be considered with the client.

#### **Premiums:**

1. Are they affordable?
2. Could they change?
3. You're older now than you were when you purchased the original policy, so premiums may be higher for the proposed new policy.
4. How long will you have to pay premiums on the new policy? On the old policy?

#### **Values:**

1. New policies usually take longer to build cash values and to pay dividends.
2. Acquisition costs for the old policy may have been paid, and you will incur costs for the new one.
3. What (if any) surrender charges do the policies have?
4. What expense and sales charges will you pay on the new policy?
5. Does the new policy provide more insurance coverage?

#### **Insurability:**

1. If your health has changed since you bought your old policy, the new one could cost you more—or you could be turned down for the new policy.
2. You may need a medical exam for a new policy.
3. Claims on most new policies (for as long as two years, depending on the state of residence) can be denied based on inaccurate statements made on the application.
4. Suicide limitations may begin anew on the new coverage.

#### **If you are keeping the old policy as well as the new policy:**

1. How are premiums for both policies being paid?
2. How will the premiums on your existing policy be affected?
3. Will a policy loan be deducted from death benefits?
4. What values (if any) from the old policy are being used to pay premiums?

#### **If you are surrendering an annuity or interest-sensitive life product:**

1. Will you pay surrender charges on your old contract?
2. What are the interest rate guarantees for the new contract?
3. Have you compared the contract charges or other policy expenses?

### **Other issues to consider for all transactions:**

1. What are the tax consequences of buying the new policy?
2. Is this a tax-free exchange? (See your tax advisor.)
3. Is there a benefit from favorable grandfathered treatment of the old policy under the federal tax code?
4. Will the existing insurer be willing to modify the old policy?
5. Do the quality and financial stability of the new company compare favorably with the quality and financial stability of your existing company?

### **Distributor's responsibilities**

The time and effort needed to fulfill the following responsibilities will depend on the types of products involved in the replacement transaction. To ensure the replacement transaction is appropriate, each distributor—prior to application submission—has a responsibility to:

1. Identify the client's current needs and objectives;
2. Determine whether the client's current needs and objectives can be met by the existing policy, a modification of the existing policy, or a new policy;
3. Determine whether the purchase of the new policy meets the definition of a replacement;
4. Provide, help the client obtain, or direct the client to information necessary to determine the appropriateness of the proposed replacement transaction (e.g., policies, annual statements, rejections and illustrations);
5. Provide complete disclosure and analysis of all relevant replacement information and factors—help the client understand the advantages and disadvantages of the replacement transaction;
6. Ensure that the client understands the difference between guaranteed and nonguaranteed elements of the existing and proposed policies and that nonguaranteed elements are based on specific assumptions and are never a guarantee or a predictor of future results;
7. Determine whether the replacement is appropriate and tailor recommendations accordingly;
8. Comply with the Company's replacement policies and guidelines and with all relevant state and federal requirements;
9. Recommend to the client that he or she keep the existing coverage in place until the new coverage is in force; and
10. Document and maintain a complete and accurate record of client discussions, including all materials reviewed, relating to the appropriateness determination and the replacement decision. Products involved in the transaction will dictate the proper amount of documentation necessary.

### **Role of the client**

The determination of whether any particular replacement is in a client's best interest and whether to proceed with the transaction is ultimately to be made by the client after obtaining any and all information necessary to make that determination. If appropriate, the client's decision should be made in conjunction with his or her tax, legal and/or insurance advisor.

### **Role of the Company**

The Company will monitor the replacement activity of its distributors to ensure compliance with the Company's policies and guidelines and the applicable regulatory requirements. In addition, the Company will monitor a distributor's sales activities to identify inappropriate replacements and undisclosed replacements. The Company will take necessary steps to enforce its policies and guidelines and its commission adjustment guidelines and to sanction any violators.

### **Questions and answers about the company's replacement policies and guidelines**

#### **1. Why is the Company providing this replacement information?**

Due to the Company's evolving corporate structure and cross-selling environment, all distributors should understand and utilize this replacement information, which reflects both Company policy and the NAIC Model Replacement Regulation.

## 2. When is a transaction considered to be a replacement?

A replacement occurs when a new life insurance policy or annuity contract is to be purchased and distributors know (or should know) that because of the purchase, an existing policy or contract will be terminated, altered or used in a financed purchase. For more detailed information, see the “Determination and Effect of Replacement and Replacement Analysis” subsections of this chapter.

## 3. Do these new guidelines apply to all replacement transactions and all products?

The guidelines apply to all external, internal and affiliate replacements of any existing life insurance policy and annuity contracts. The Company's definition of replacements generally excludes the following:

- Credit life;
- Group life and annuities;
- COLI/BOLI;
- Life insurance that is employer or association paid;
- Exercise of a contractual change or a conversion privilege;
- Group life and annuities used to fund prearranged funeral contracts;
- Life insurance proposed to replace insurance under a binding or conditional receipt issued by the same Company;
- Nonconvertible, nonrenewable term life that will expire in five years or less;
- Immediate annuities purchased with proceeds from an existing life or annuity contract;
- Policies used to fund a tax-qualified plan or a nonqualified deferred compensation arrangement; and
- Structured settlements.

These exemptions track the NAIC 2000 Model Regulation. However, some states do not exempt all of the above, so distributors must determine whether the transaction is considered a replacement in the state in which it takes place.

## 4. What is a financed purchase?

The term financed purchase describes the actual or intended use of policy values (partial surrender values, loan values or accumulated dividends) from an existing policy to pay all or part of any premium on a new policy, either prior to or subsequent to the issuance of the new policy. See the “Determination and Effect of Replacement” subsection of this chapter.

## 5. How do these new guidelines apply to state and NASD requirements for registered products?

These policies and guidelines apply to the replacement recommendation or purchase of any life insurance or annuity policy regardless of whether they are registered or traditional products. State regulatory requirements, including the use of specified forms, must always be followed. Any replacement recommendation made by a registered representative should not only be in accordance with these guidelines but also with the procedures and requirements of their broker-dealer relative to appropriateness and suitability.

## 6. What is an affiliate replacement?

Whenever both the existing and replacing policies in a transaction are purchased from affiliated companies, the transaction will be considered an affiliate replacement. As with all other replacements, affiliate replacements must comply with all state and federal regulations as well as the Company's replacement rules.

## 7. Are state replacement forms required for a conversion?

Some term insurance policies contain contractual rights to convert to another policy with the same insurer or an affiliated insurer. Generally, state replacement forms will not be required for a transaction when it involves the exercise of this contractual provision or when it is part of a program approved by a state department of insurance. Be sure to review the appropriate state's replacement definition to determine if replacement forms are required for these types of transactions.

## 8. How do I determine appropriateness?

A replacement is appropriate when it is in the best interest of the policyholder to replace the existing policy. Determining the advantages and disadvantages of the replacement transaction—and making the ultimate decision on appropriateness—can be a complicated process that will be influenced by the client's needs and objectives, the type(s) of policies being replaced and purchased, the amount of all replacement information

obtained and the comparison of relevant factors. For more detailed information, see the “Determination of Appropriateness” and “Replacement Analysis” subsections of this chapter.

#### 9. What are penalties for violations of the new guidelines?

Violations of replacement guidelines and regulations may subject both the Company and the distributor to significant penalties. Penalties may include the revocation or suspension of a distributor's or a Company's license, monetary fines and the forfeiture of commissions or compensation paid to a distributor as a result of the transaction in connection with which the violations occurred. In addition, the distributor will be subject to discipline by the appropriate disciplinary body.

### 12. Delivering the Policy

Timely delivery of a client's policy is an important Company obligation. Proof of policy delivery avoids non-delivery market conduct-related violations and policy service complaints by establishing that a policy is delivered and the date the applicable free-look period commences. Regardless of whether or not a state has proof of delivery requirements, the Company urges distributors to always obtain proof of policy delivery and maintain such proof in the client's file. A distributor who fails to deliver a policy in a timely and appropriate manner is subject to disciplinary action. A commission is subject to charge-back when a policy is rescinded because there is no satisfactory evidence a policy was delivered in an appropriate and timely manner.

A distributor is prohibited from delivering a policy to the client when the distributor is aware there has been an adverse change in the insured's health subsequent to the application date.

### 13. Policy Regarding Supervision of Distributors

The Company has implemented a supervisory structure appropriate to its distribution system. A distributor's primary supervisory relationship with the Company is defined by the distributor's agreement. That contract sets forth the distributor's obligation to follow the policies and procedures of the Company, including those contained in this manual.

The Company's Producer Protocol Committee (hereinafter referred to as the PPC) or its equivalent thereof is charged with maintaining an appropriate structure for the supervision of distributors. The PPC supervises and monitors the activities of distributors through a number of processes, including, among other things, soliciting selected information from customers through the LIMRA CAP program (see “Quality Assurance” section of this manual) and monitoring complaint and replacement reports to identify particular issues and trends. In cases where the PPC's monitoring activities identify potential supervisory issues related to a distributor or an agency, the Company reserves the right to implement proper disciplinary procedures (see “Discipline for Policy Violations” section of this manual). In cases of unusual or potentially pervasive conduct, a field audit may be requested by the PPC. The Company also may contact customers, in writing or by telephone, to gain further assurance of compliance with legal requirements and Company policies and procedures.

If the PPC recommends a field office review, the Company's Compliance Department or its designee will conduct such a review. The review may involve visits to agencies, review of documents and other necessary procedures. Whenever violations of legal requirements or Company policies and procedures are identified through the review process, the Company reserves the right to require implementation of appropriate compliance policies and procedures by a distributor or an agency. The Company also may impose disciplinary sanctions against individual distributors or agencies, including the reduction or elimination of commissions or, in appropriate circumstances, the termination of distributors or agency relationships.

### 14. Complaints

Working earnestly to resolve customer dissatisfaction strengthens relationships with existing customers and helps enhance the Company's and the distributor's reputation for responsive service. In addition, prompt and

fair addressing of customer concerns and the maintenance of complaint records are required by law and the IMSA Principles and Code. For these reasons, it is imperative that: (i) all complaints be submitted to the home office Compliance/Consumer Affairs Department within two business days of receipt, and (ii) distributors work cooperatively and diligently with the home office to resolve customer complaints.

**a. What is a Complaint?**

Complaints are written or verbal communications expressing any grievance with the Company, its services, practices, products, employees or distributors. While differentiating an actual complaint from a misunderstanding or an inquiry requires judgment; the following guidelines may be helpful. A communication from a customer is probably a complaint if the customer claims: (i) he or she has not received expected benefits or service; (ii) the Company or a distributor has made a mistake or has acted or failed to act in a way prejudicial to the customer; or (iii) he or she is displeased with the Company or its representatives.

Any of the following assertions made by a customer likely will be considered a complaint:

1. Failure of the Company or its distributor, if authorized by the Company, to collect premiums;
2. Receipt of premium payment notices when the customer thought no further premiums were due;
3. Sale of a product that is unsuitable or inappropriate for a customer's needs;
4. Improper replacement;
5. Delay or failure by the Company to respond to or process a request;
6. Misrepresentation or failure to disclose important information;
7. Failure to discontinue automatic withdrawal;
8. A deficiency or misapplication of premium payments;
9. Unprofessional or rude behavior by a Company representative;
10. A processing error;
11. A customer request for a return of premium payment other than during the free-look period or due to extenuating circumstances;
12. A customer indication that an attorney or the state insurance department will be contacted; and
13. Conduct the customer perceives to be illegal, immoral or unethical (e.g., fraud, stolen money, forgery, sexual harassment or misconduct, alcohol or drug abuse).

While most complaints come from insured customers, complaints also may come from a customer's advocate (e.g., attorney or relative), a policy beneficiary or assignee, a state insurance department or other regulatory agency, a competitor insurance company, the Better Business Bureau or a consumer advocacy group.

Verbal complaints (e.g., complaints received via telephone or in person) are included within this policy and should be documented by the distributor or employee receiving the verbal complaint. A suggested format is provided as Appendix D.

Any communication that could arguably be considered a complaint should be treated as such and reported as explained in the next section.

**b. Reporting Complaints**

Together with supporting documents and background information, complaints received by employees in the home office or by distributors must be referred within two business days of receipt to the Compliance/Consumer Affairs Department. If the complaint is verbal, this report should be documented on a complaint form (Appendix D). Any distributor referring a complaint should retain copies of the information in a complaint file. In addition, customers may report complaints directly to the Compliance/Consumer Affairs Department via fax, mail, e-mail or telephone. To aid in this effort, the Company has also established a special assistance, toll-free line for individuals with special needs (hearing impaired and non-English-speaking customers).

- To report complaints involving individual policies/contracts issued by the Company (other than AGLA) contact:  
Consumer Affairs Department  
#1 Franklin Square  
Springfield, IL 62713  
Telephone: 800-528-2011 ext. 2134  
Fax: 217-789-1703  
Email: [compliance\\_consaffairs@aigag.com](mailto:compliance_consaffairs@aigag.com)
- To report complaints involving policies/contracts issued by AGLA contact:  
American General Life and Accident Life Insurance Company (AGLA)  
Compliance Department  
American General Center – MC 530S  
Nashville, TN 37250  
Telephone: 615-749-1799  
Fax: 615-749-2840
- To report complaints involving group and/or credit life insurance policies/contracts issued by the Company contact:  
Consumer Affairs Department  
3600 Route 66  
Neptune, NJ 07754  
Telephone: 732-922-7095  
Fax: 732-922-7239
- Special Assistance (hearing impaired and/or non-English speaking customers)  
Individual Life: 888-436-5256  
Annuities: 888-436-5257  
Variable Universal Life: 888-436-5258

#### c. Resolving Complaints

After receipt, the Company investigates each complaint and makes every effort to resolve it within the time period required by law and to the customer's satisfaction. To this end, distributors may be requested by the home office to provide a statement or further information. Distributors are not to contact the complaining customer about the complaint unless requested to do so by the Compliance/Consumer Affairs Department.

Any individual dissatisfied with the Company's position on a complaint may submit a letter to the Compliance/Consumer Affairs Department requesting reconsideration and explaining why the Company's resolution was inadequate.

## 15. Discipline for Policy Violations

The Company has prepared this manual and adopted the policies and procedures that it reflects as part of a comprehensive effort to subscribe to high standards of conduct. To help us achieve this goal, we expect our distributors to abide by applicable laws and regulations and to uphold the Company's policies and procedures as reflected in this manual and other established Company practices. The Company has established the PPC, or its equivalent, that has, as part of its charter, the review of suspected violations of laws, regulations or Company policies. The PPC is charged with investigating alleged violations and determining whether sanctions should be levied against those who are found to have committed violations. This is consistent with the distributors' obligations under their agency agreements with the Company.

As part of its commitment to the highest standards of conduct, the Company relies upon its employees and distributors to report violations of the Company's policies, which includes noncompliance with laws and regulations, the IMSA Principles and Code and the policies and procedures set forth in this manual. Known or suspected policy violations should be reported to the Compliance Department (see "Compliance Contact Information" section of this manual).

As appropriate, the PPC will investigate alleged violations by distributors, and, where the investigation concludes that a violation has occurred, it will determine an appropriate sanction. Additionally, the PPC will review the compliance history of distributors nominated for awards and privileges; a finding of noncompliance may result in disqualification from receiving an award or a privilege at the discretion of the PPC.

In determining whether a particular sanction is appropriate, a variety of factors will be weighed by the PPC, including, but not limited to:

1. Prior or similar violations;
2. Whether a reasonable explanation for the violation exists;
3. Whether the conduct was intentional, reckless or negligent;
4. The scope, nature and magnitude of the violation;
5. The Company policies that were violated by the improper action;
6. Whether the violation was caused principally by a failure to supervise rather than by the distributor's or employee's misconduct;
7. The harm done to the policyholder or policyholder's or the Company's reputation;
8. How the Company learned of the violation; and
9. Any other additional details.

With respect to policy violations by distributors, among other things, the PPC has available to it all of the following sanctions:

1. Termination of contract/employment;
2. Increased supervision;
3. Reversal or alteration of commissions or other financial penalties;
4. Privilege revocation (awards and conventions);
5. Letter of reprimand and/or probationary status;
6. Counseling; and
7. Additional required training courses.

The above sanctions are not mutually exclusive and should not be read as in any way limiting the Company's discretion to impose another sanction that it deems appropriate based on the actual facts and circumstances presented.

## 16. Quality Assurance

### a. Customer Feedback

The Company is interested in obtaining feedback from customers in order to monitor and improve its compliance with laws, regulations, market conduct principles, training and systems. As part of this effort, American General Life Insurance Company and The United States Life Insurance Company in the City of New York participate in the Life Insurance Marketing and Research Association's (LIMRA) Customer Assurance Program (CAP). The LIMRA CAP survey is a postage-paid survey questionnaire that is sent by LIMRA, an independent research organization, to the Company's policyowners after the Company has issued a new insurance policy. American General Life and Accident Insurance Company (AGLA) has developed a self-administered survey process that achieves the same objectives.

Both surveys include:

1. A letter from the Company stressing our commitment to customer service;
2. A series of questions that help to gauge customer understanding and satisfaction with the purchase;
3. A space for the customer to write comments that elaborate on answers to the series of questions and/or suggest ways the Company and distributors can improve service to customers; and
4. A toll-free telephone number that the customer may use to speak directly with a customer service representative.

The Company uses these surveys to:

1. Provide an easily accessible way for new policyowners to communicate their comments, suggestions and complaints regarding their life insurance purchases;
2. Monitor the sales process and customer satisfaction;
3. Identify problem areas through detailed analysis of survey responses and determine solutions to eliminate root causes; and
4. Enhance business improvement opportunities.

Distributors should review the survey forms, attached as Appendix E and F, to refresh their understanding of important customer service issues.

### b. Distributor Feedback

Together with feedback and comments from customers, the Company endeavors to improve its success by soliciting the feedback and suggestions of distributors. Further, the Company periodically may ask distributors to participate in surveys and other methods of acquiring feedback that may include questions covering various market conduct issues (e.g., financial needs, product understanding, sales materials and replacements). Distributors should feel free to report directly any suggestions or concerns that arise by contacting:

- Compliance Quality Assurance LIMRA CAP Survey  
AIG American General Compliance Department  
2727 Allen Parkway, W3-02  
Houston, TX 77019  
Telephone: 713-831-3123  
Fax: 713-620-3194  
Email: elisa\_lam@aigag.com
- American General Life and Accident Life Insurance Company (AGLA)  
Compliance Department  
American General Center – MC 530S  
Nashville, TN 37250  
Telephone: 615-749-1799  
Fax: 615-749-2840

## 17. File and Record Maintenance

All Company distributors are required to maintain complete and accurate files for transactions related to the Company. Experience indicates that the records distributors keep will be the best (or only) way to establish the care and professionalism exercised when dealing with a particular client. Carefully maintained files also provide the best protection against inappropriate or wrongful complaints or legal claims in the future. The appropriate time to build such files is when a particular transaction is in process, since it can be difficult or impossible to reconstruct the file months or years later when questions or issues may arise. These files should be maintained for at least seven years (or as required by law) after the policy ceases to be in force.

### a. Client Files to be Maintained by Independent Distributors

1. All sales presentation or other marketing material used by you or shown to the client;
2. Fact-finding tools or any other documents used to collect client data and determine the client's insurable needs and financial objectives (see "Disclosures to Clients During the Sales Process" section of this manual);
3. Copies of all illustrations shown to the client and, if required by state law or the Company's policy, a signed copy of the illustration of the policy actually delivered (see "Disclosure to Clients: The Nature and Use of Illustrations" section of this manual). For any client who buys a policy or contract, this should include any written solicitations and/or product comparisons and every proposal shown to the client (even if the client did not buy all of the products that were proposed);
4. All correspondence between the distributor and the client (or a representative of the client);
5. A record of dates and notes memorializing any substantive telephone conversations or meetings between the distributor and client (or a representative of the client);
6. A signed acknowledgment receipt form if state law requires delivery of a buyer's guide, preliminary policy summary information, contract summary or any other form at the time of application;
7. If a replacement was involved, signed copies of all state replacement forms or any ledger statements used in a conversation;
8. Signed 1035 exchange forms, if applicable;
9. Copies of all applications;
10. A signed policy delivery receipt or record when a policy was mailed, if applicable;
11. A copy of the client's check, if applicable;
12. A copy of any written complaints from or relating to the client; and
13. Copies of all asset transfer forms involving qualified plan transactions.

We encourage distributors affiliated with the Company to maintain complaint files and a complaint log for complaints received by the local office that relate to policies issued by the Company. The complaint file should include a copy of the complaint (or in the case of a verbal complaint, the completed complaint form) and all relevant correspondence and memoranda setting forth the nature, background and disposition of the complaint. The complaint log should list and provide the following information for all complaints: the complainant's name; the date the complaint was received by the distributor or the local office; the substance of the complaint; the date the complaint was sent to the home office; the date the complaint was resolved; and how the complaint was resolved.

In addition, agencies should maintain copies of all advertising/sales material created by any agency office personnel. The file should also include documentation of the required home office approval of the material with attached clean versions of the material including required modifications.

Agencies also should maintain records of training provided to distributors or that distributors attended as part of a continuing education requirement to maintain their licenses. Generally, most states view electronic record retention or imaging as an acceptable format for file retention so long as the electronically retained record is an

accurate, exact reproduction of the original hard copy which cannot be altered, and a hard copy may be reproduced quickly and easily from the electronic image. Distributors should become familiar with the file and record maintenance regulations of the states in which they write insurance business to assure compliance with record retention laws.

**b. Client Files to be Maintained by Non-Independent Distributors**

It is recommended that career distributors maintain a file on each client. This file should include a copy of any correspondence, fact finders (including annual reviews) and, if any business is written, a copy of the application, illustration and policy abstract page. For every policy delivered, a completed policy delivery checklist should be kept in the file. If the fact finder, application or illustration are captured and stored electronically, there is no need to maintain these documents in the file. Only promotional material approved in the home office is authorized for use by the career distributor and need not be kept in the file.

**c. Variable Product Files**

Note that variable product files should be maintained separately from non-variable product files. With regard to other requirements for variable products, all books and records are to be maintained in accordance with the guidelines set forth in the broker-dealer manual.

## **18. Premium Payments and Transactions by Distributors Prohibited**

To comply with applicable laws, the Company prohibits the commingling of policyowner funds with those of distributors. Further, administrative problems may develop when the Company accepts funds from a distributor or an agency to pay a premium. Consequently, Company policy prohibits distributors from directly or indirectly paying premiums on behalf of customers. The Company will, however, accept premium payments from a distributor for policies insuring the distributor or a member of the distributor's immediate family.

All initial premiums collected from the customer are to be remitted immediately to the Company in an acceptable form of payment, made payable to the Company.

Distributors are prohibited from purchasing a customer's policy or contract and cannot become the owner or beneficiary of a customer's policy or contract unless the policy insures a member of the distributor's immediate family.

A distributor is also prohibited from offering a limited temporary life insurance agreement (LTLIA) or other form of limited coverage or conditional receipt to the owner and accepting premium payment at the time of application, if the distributor is aware that the applicant cannot truthfully answer "no" to the health and age questions set forth in the application and in the LTLIA or its successor forms.

## **19. Unfair Competition is Prohibited**

In conducting Company business, all distributors must engage in fair competition. Fair competition means that the Company, its employees and its distributors will not use tactics that unfairly hurt competitors (e.g., competitor bashing) or consumers (e.g., agreements with other insurers to raise prices). In particular, distributors shall provide only information that is factually accurate and shall avoid withholding information that is clearly relevant to the customer's decision to buy an insurance product.

To this end, distributors must not engage in (i) making disparaging remarks about competitors; (ii) anti-competitive or unfair or deceptive trade practices; and (iii) tying or bundling (all defined below).

**a. Disparaging Remarks**

In conducting Company business, distributors should focus on the strength of the Company and must refrain from making disparaging remarks about competitors (i.e., untrue or misleading statements, inaccurate comparisons, malicious or derogatory criticisms of any kind regarding an insurer's financial condition or

comments that could be considered competitor bashing). Both oral and written disparaging remarks are prohibited. While disparaging remarks do not include relevant, factually accurate information, they do include statements made to dissuade a consumer from doing business with a competitor if the information is not accurate or complete. Note that those who make disparaging remarks in violation of Company policy may also be personally subject to legal proceedings.

#### **b. Anti-competitive or Unfair or Deceptive Trade Practices**

Distributors must refrain from engaging in any activity that may cause an unreasonable restraint of trade or is an unfair method of competition. An unreasonable restraint of trade generally results from written or oral communications between competitors (including discussions at trade meetings) that stifle competition, effect a monopoly, artificially maintain prices or otherwise obstruct the free and natural course of trade. Such prohibited activities include, but are not limited to:

1. Allocation of markets, which is an arrangement between two or more competitors to divide customers, allocate territories or markets or control their respective output of goods or services;
2. Price fixing, which is a formal or an informal agreement between competitors that interferes with free market prices (even if the prices are lowered as a result). In the insurance industry, the term price fixing includes anything that impacts the cost to the Company or the value received by the customer, such as premiums (or any part of the premium formula), dividends, surrender charges, commission rates, classification ratings, deductibles and interest rates (on reserves, policy loans, prepaid premiums and settlement options);
3. An agreement among competitors to boycott or to refuse to deal with a third party, such as a competitor, a consumer, a supplier or an independent distributor; and
4. Inducements. Distributors must not offer, promise, allow, give, set off or pay any inducements not specified in the contract including: (i) any refund or return of premium; (ii) any return of commissions; (iii) any special advantage in the policy or age of issue; (iv) any paid employment; (v) any contract for services; (vi) any stocks, bonds, securities or property; or (vii) any other valuable consideration. Distributors with questions regarding the use or value of consideration or gifts should contact the Compliance Department.

#### **c. Tying or Bundling**

Tying or bundling is an arrangement to sell one product or service on the condition that the buyer also purchases an additional product or service. Distributors must not attempt to tie the sale of one Company product or service to the sale of another product or service. Customers may, of course, be offered the opportunity to purchase multiple products, so long as they are not required to purchase one product in order to be offered another product. Additionally, distributors are prohibited from requiring or implying that a supplier must make purchases from the Company as a condition of obtaining or maintaining the Company's patronage.

## **20. Workplace Issues**

Every individual who is employed by or contracted with the Company is required to follow the high ethical and professional standards set forth in this manual. The Company has also set high standards for the operation of its workplace and the treatment of its employees. These standards fulfill the Company's commitment to providing equal opportunities for people of all races, cultures and backgrounds; appropriate opportunities for employees with special needs; a harassment-free work environment; a safe work environment; and a drug-free work environment. The Company expects that distributors will uphold these same high standards in the operation of their workplaces.

## **21. Compliance Contact Information**

Compliance Department  
2727 Allen Parkway, W3-02  
Houston, TX 77019  
Telephone Hotline: 800-847-8107  
Fax: 713-831-8759  
Email: [compliance@aigag.com](mailto:compliance@aigag.com)

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## Appendix A

### IMSA Principles and Code

*Principle 1:* To conduct business according to high standards of honesty and fairness and to render that service to its customers which, in the same circumstances, it would apply to or demand for itself.

To conduct his or her business according to high standards of honesty and fairness, an insurer will implement policies and procedures designed to provide reasonable assurance that:

Code A. The insurable needs or financial objectives of its customers are determined based upon relevant information obtained from the customer and the company enters into transactions which assist the customer in meeting his or her insurable needs or financial objectives.

Code B. It maintains compliance with applicable laws and regulations.

Code C. In cooperation with consumers, regulators and others, it affirmatively seeks to improve the practices for marketing and sales of covered products.

*Principle 2:* To provide competent and customer-focused sales and service.

To provide for competent sales and service of covered products, a company will develop policies and procedures designed to provide reasonable assurance that:

Code A. Its captive and independent distributors and appropriate company employees are of good character and business repute and have appropriate qualifications.

Code B. Its captive and independent distributors and appropriate company employees are duly licensed, appointed or otherwise qualified under state law.

Code C. Its captive and independent distributors and appropriate company employees are adequately trained, as appropriate to the company's distribution system.

Code D. Its captive and independent distributors and appropriate company employees have adequate knowledge of the company's products and their operation.

Code E. Its captive and independent distributors and appropriate company employees participate in continuing education.

*Principle 3:* To engage in active and fair competition.

To maintain and enhance competition in the marketplace for covered products, a company will develop policies and procedures designed to provide reasonable assurance that:

Code A. The company maintains compliance with applicable state and federal laws and regulations fostering fair competition and requires its independent and captive distributors and appropriate company employees to refrain from disparaging competitors.

Code B. The company or its captive and independent distributors and appropriate company employees provide information to customers in a manner consistent with Principle 4, prior to replacing covered products.

**Principle 4:** To provide advertising and sales materials that are clear as to purpose and honest and fair as to content.

To provide sales and advertising materials that are clear as to purpose and honest and fair as to content, a company will develop policies and procedures designed to provide reasonable assurance that:

Code A. Presentation of any material designed to lead to sales or solicitation of covered products is done in a manner consistent with the needs of the customer. All such sales or solicitation communications should be based upon the principles of fair dealing and good faith and will have a sound basis in fact.

Code B. Materials presented as part of a sale are comprehensible in light of the complexity of the product being sold.

Code C. It maintains compliance with applicable laws and regulations related to advertising, unfair trade practices, sales illustrations and other similar provisions.

Code D. Illustrations or other representations of premiums and considerations, costs, values and benefits are accurate, fair and complete and contain appropriate disclosure.

**Principle 5:** To provide for fair and expeditious handling of customer complaints and disputes.

To resolve any complaints and disputes that may arise concerning market conduct, a company will develop policies and procedures designed to provide reasonable assurance that:

Code A. Complaints are identified, evaluated and handled in compliance with applicable laws and regulations related to consumer complaint handling.

Code B. Good faith efforts are made to resolve complaints and disputes without resorting to civil litigation.

**Principle 6:** To maintain a system of supervision and review that is reasonably designed to achieve compliance with these principles of ethical market conduct.

To maintain a system of supervision and review that is reasonably designed to achieve compliance with these principles of ethical market conduct, a company will develop policies and procedures designed to provide reasonable assurance that:

Code A. It establishes and enforces policies and procedures reasonably designed to comply with the Principles and Code of Ethical Market Conduct.

Code B. There is an adequate system of supervision of the sales and marketing activities of its distributors and appropriate company employees in order to monitor their compliance with these Principles and Code of Ethical Market Conduct and applicable laws and regulations.

Code C. Compliance training sessions are conducted for appropriate company employees on the company's policies and procedures, the Principles and Code of Ethical Market Conduct and applicable laws and regulations.

Code D. It establishes and enforces policies and procedures reasonably designed to monitor compliance with the Principles and Code of Ethical Market Conduct and applicable laws and regulations.

## Appendix B

### Market Conduct Courses

**Target Ethics.** The Target Ethics correspondence course, offered by Pentera Group, Inc., investigates legal, professional and personal issues related to ethics and insurance sales. In addition, the course helps insurance professionals develop and apply a personal ethical code. Case studies are used to identify situations that illustrate the ethical issues insurance professionals are likely to encounter throughout their careers. After studying a book, students take an examination that is graded by Pentera Group, Inc. Enrollment information may be obtained by contacting Pentera Group, Inc., at 800-860-CEUS.

**Ethical Practices.** The Ethical Practices correspondence course, offered by BISYS Educational Services, Inc., discusses consumer trust, policy illustrations, replacement and competence. Important standards for conducting business, such as acting in the client's best interest, full disclosure, needs selling, ongoing service and avoidance of illegal activity, are also covered. After studying a book, students take an examination that is graded by BISYS. Enrollment information may be obtained by contacting 800-428-4210.

**Market Conduct for Insurance Agents.** The Market Conduct for Insurance Agents correspondence course, offered by BISYS, covers the impact of market conduct on an insurance professional's legal, ethical and professional responsibilities. After studying a book, students take an examination that is graded by BISYS. Enrollment information may be obtained by contacting 800-428-4210.

**Piecing Together the Ethical Puzzle.** The Piecing Together the Ethical Puzzle correspondence course, offered by the Life Underwriter Training Council (LUTC), covers: (i) recent scandals, including those involving illustrations, replacement, product misrepresentation, improper licensing and fraud; (ii) federal and state sources of law and the role of the National Association of Insurance Commissioners (NAIC); (iii) legality versus ethics and various professional codes of ethics; and (iv) various other issues, such as selling to needs, defamation of a competitor, misrepresentation, full disclosure and replacement. After either studying a book in the self-study format or reviewing the book with a proctor in the eight-hour seminar format, students take an examination that is graded by the LUTC. Enrollment information may be obtained by contacting the LUTC at 877-655-5882.

**Charting an Ethical Course.** The LUTC Charting an Ethical Course class is similar to the LUTC Piecing Together the Ethical Puzzle course referenced above but focuses on variable products and is appropriate for individuals licensed to sell such products. For information contact 877-655-5882.

**Ethics for the Insurance Professional.** The Ethics for the Insurance Professional correspondence course, offered by Dearborn Financial Institute, Inc., addresses the insurance professional's ethical responsibility to the insured, policyowners and the public and outlines legal and fiduciary duties. After studying a book, students take an examination that is graded by Dearborn Financial Institute, Inc. Enrollment information may be obtained by contacting Dearborn Financial Institute, Inc., at 800-423-4723.

**LIMRA—The Producer's Guide to Market Conduct.** This guidebook, created by LIMRA, highlights, describes and explains compliance and ethical concepts and rules to assist agents in conducting themselves in a legal and ethical manner. In addition to the guidebook, agents complete a quiz and report their results to the Independent Producer Clearinghouse (IPC) of LIMRA International. A central record of an agent's results is maintained by IPC showing completion of this course. For information contact 800-235-4672.

**LIMRA—Playing by the Rules.** This video, produced by LIMRA, describes basic compliance and ethical concepts to assist agents in conducting themselves in a legal and ethical manner. Situations that agents may encounter are recreated to assist them in understanding ethical concepts. For information contact 800-235-4672.

## Appendix C

### Continuing Education Programs

**Agency Management Training Council (AMTC) Course.** The AMTC Course, sponsored by LIMRA, is a skills development program for sales management personnel. Major areas of management responsibility covered during the course are planning, recruiting, selection, training and performance management. Students meet once a week for 23 weeks. Local organizers determine the day and time of the classes. Classes include intensive, peer-oriented training with class discussion, skill demonstration, role-playing and action and planning projects.

**AMTC Field Management Seminar.** The AMTC Field Management Seminar, sponsored by LIMRA, is a program designed to reinforce the knowledge and skills gained in the AMTC Course. The one-day seminar includes preseminar and postseminar assignments. Subjects covered are applicable to general management, such as recruiting, training and supervision. Enrollment information may be obtained by contacting LIMRA at 800-442-2682.

**LIMRA School in General Management.** The LIMRA School in General Management is structured to increase skills in planning, recruiting, selection, training, motivation and leadership. The one-week school is conducted approximately twice a year. Detailed information regarding motel/hotel reservations, classes, duration and advance preparation is furnished to each student by LIMRA before the date the school begins.

**LUTC Courses.** LUTC classes are organized and sponsored by local life underwriters associations, which appoint a chairperson who arranges for classroom facilities, instructors, enrollment and the payment of fees. Classes meet weekly for 13-26 weeks and include sales project assignments and periodic tests.

**LUTC Fellow (LUTCF) Designation.** LUTCF is a designation awarded by the NALU upon the completion of certain LUTC courses and skill-building field assignments. Each LUTC course is assigned a Study and Practice Equivalent (SPE) credit based on the comprehensiveness of the weekly class sessions, homework assignments, field projects and examinations. Eligibility requirements and enrollment procedures are outlined in the LUTCF application.

**R&R Sales Training Courses.** Each of the following correspondence courses, available through Dearborn Financial Publishing, Inc. (R&R Courses), provides a broad range of materials that are accepted for continuing education credits by many states, including but not limited to "Total Needs Selling," "Introduction to Life Underwriting," "Individual and Family Markets" and "Ethics for the Insurance Professional."

**CLU and ChFC Courses.** The American College prepares and administers the curricula for the CLU and ChFC designation programs. The CLU program requires completion of 10 courses (eight required and two electives). The ChFC program requires the completion of 10 courses (nine required and one elective).

## Appendix D

Please complete this form immediately after receiving a telephone or other verbal complaint and forward to the home office Compliance/Consumer Affairs Department.

### VERBAL COMPLAINT FORM

To: Compliance/Consumer Affairs Department

From: \_\_\_\_\_

Telephone No.: ( \_\_\_\_\_ ) \_\_\_\_\_ Date: \_\_\_\_\_

Name of Complainant: \_\_\_\_\_

Complainant's Relation to Insured: \_\_\_\_\_

Allegation: \_\_\_\_\_

\_\_\_\_\_

Complainant's Desired Resolution: \_\_\_\_\_

\_\_\_\_\_

Date Complaint Received: \_\_\_\_\_

Complainant's Address: \_\_\_\_\_

City, State ZIP: \_\_\_\_\_

Telephone Nos.: day ( \_\_\_\_\_ ) \_\_\_\_\_ evening ( \_\_\_\_\_ ) \_\_\_\_\_

E-mail: \_\_\_\_\_

Policy No.: \_\_\_\_\_

Insured's Name: \_\_\_\_\_



**American General Life Insurance Company**

A member company of American International Group, Inc.  
www.aigag.com

Dear Valued Customer:

I appreciate your recent purchase and would like to take this opportunity to assure you of our commitment to serving the needs of our customers such as yourself. You can help us do a better job of service by telling us why and how you recently decided to purchase an American General Life product.

Won't you please take a moment to complete this brief questionnaire, place it in the enclosed business reply envelope and drop it in the mail — no stamp is required. We have asked LIMRA, an independent research organization, to conduct this survey for us.

If you have any questions about your purchase or of we can provide any other assistance, please contact your agent or our Customer Service Department at 800-231-3655. You may also visit our Website at www.aigag.com.

Cordially,

Christopher J. Swift  
Executive Vice President &  
Chief Financial Officer



INSURANCE MARKETPLACE  
STANDARDS ASSOCIATION

**Appendix E: LIMRA CAP Survey**

- 1. Based on your recent experience, how helpful was:**
- a. The service provided by the agent?    Extremely 1    Very 2    Somewhat 3    Not Very 4    Not At All 5
- b. Our product descriptions and sales materials?    Extremely 1    Very 2    Somewhat 3    Not Very 4    Not At All 5

**2. What product(s) have you recently purchased from our Company? (Mark all that apply)**

- Life Insurance     Annuities     Investment products (stocks, bonds, mutual funds and the like)
- Some other type of Insurance     None

**3. For what purpose or purposes did you buy life insurance from our Company? (Mark all that apply)**

- To help cover burial and other final expenses     For business purposes (e.g. key person, split dollar, partnership, stock redemption, etc.)
- To help provide for your family's needs after your death     For estate liquidity (e.g. to offset estate taxes, to cover probate expenses, etc.)
- As a way of saving money for retirement     As an investment
- As a way of saving money for your children's educational expenses     For tax-sheltered savings
- To help pay off the mortgage after your death     As a charitable contribution

**4. What sources of money are you using to pay the premium for the life insurance you recently purchased?**

- (Mark all that apply)
- Current income     Money that has built up in another life insurance policy I still have
- Savings     Other \_\_\_\_\_
- Money from a canceled life insurance policy

**5a. Did you discontinue/reduce the death benefit, or take money out of another policy(ies) with us or another company in connection with this purchase?**

1. Yes    2. No (If No, skip to question 6.)

**5b. Did you make your agent aware of this at the time you applied for this policy?**

1. Yes    2. No    3. Do not remember/Not Sure

**6. Have you received your policy?**

1. Yes, your agent delivered it to me in person.    3. No, I have not yet received my policy.
2. Yes, it was mailed to me.

**7. Did your agent analyze your life insurance holdings and your other financial assets in order to suggest a definite life insurance program to fit your needs?**

1. Yes    2. No

**8. Would you recommend our company to friends or family?**

1. Yes    2. No

**9. Do you have any suggestions about how we could improve service to you – or any additional comments?**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone (\_\_\_\_) \_\_\_\_\_ Date Completed \_\_\_\_\_







For distributors of:

**AIG Life Insurance Company**

**American General Life and Accident Insurance Company**

**American General Life Insurance Company**

**American International Life Assurance Company of New York**

**The United States Life Insurance Company in the City of New York**

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